AGENDA – PART I OF II

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER DR. JOAQUIN ARAMBULA, CHAIR

WEDNESDAY, MARCH 17, 2021

12:00 NOON (SPECIAL START TIME) – STATE CAPITOL, ROOM 4202

Due to the regional stay-at-home order and guidance on physical distancing, seating for this hearing will be very limited for the public and for the press. All are encouraged to watch the hearing from its live stream on the Assembly's website at https://www.assembly.ca.gov/todaysevents.

We encourage the public to provide written testimony before the hearing. Please send your written testimony to: BudgetSub1@asm.ca.gov. Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.

A moderated telephone line will be available to assist with verbal public comment. After all witnesses on all panels and issues have concluded, and after the conclusion of member questions, the public may provide public comment by calling the following toll-free number:
1-877-692-8957 / Access Code: 131 54 202.

ITEMS TO BE HEARD

Public Comment will be taken after the completion of the five panels/Issues and any discussion from the Members of the Subcommittee.

Please note that the Non-Presentation Items will be released in a separate, pending Part II agenda.

A special thank you to the Legislative Analyst's Office for their invaluable work and contributions to the budget discourse, without which this agenda would not be possible.

LIST OF PANELISTS IN ORDER OF PRESENTATION

All panelists are asked to please be succinct and brief in their presentations (3-5 minutes, with a five-minute maximum) in order to facilitate the flow of the hearing. Thank you.

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY (CHHS)
0530 OFFICE OF SYSTEMS INTEGRATION (OSI), CHHS
4170 CALIFORNIA DEPARTMENT OF AGING (CDA)
5175 DEPARTMENT OF CHILD SUPPORT SERVICES (DCSS)
5180 DEPARTMENT OF SOCIAL SERVICES (DSS)

ISSUE 1: ACCESS TO ANTI-POVERTY PROGRAMS FOR CALIFORNIANS IN NEED

1. Sarah Bohn, Vice President of Research and Senior Fellow, Public Policy Institute of California
2. Esi Hutchful, Policy Analyst, California Budget and Policy Center
3. Kim Johnson, Director, California Department of Social Services
4. Jennifer Hernandez, Family Engagement and Empowerment Division Deputy Director, California Department of Social Services
5. David Kilgore, Director, California Department of Child Support Services
6. Brian Wong, Chief Deputy Director, Office of Systems Integration
7. Ryan Anderson, Legislative Analyst's Office
8. Jackie Barocio, Legislative Analyst's Office
9. Cathy Senderling-McDonald, Executive Director, County Welfare Directors Association of California
10. Mike Herald, Legislative Advocate, Western Center on Law and Poverty
11. Andrew Cheyne, Director of Government Affairs, California Association of Food Banks
12. Jennifer Greppi, Lead Chapter Organizer, Parent Voices CA

ISSUE 2: CURRENT CRITICAL STEPS TOWARD RACIAL EQUITY

1. Adriana Ramos-Yamamoto, Policy Analyst, California Budget and Policy Center
2. Marko Mijic, Deputy Secretary, Program and Fiscal Affairs, California Health and Human Services Agency
3. Kim Johnson, Director, California Department of Social Services
4. Marcela Ruiz, Director, Office of Equity, California Department of Social Services
5. Kim McCoy Wade, Director, California Department of Aging

6. Angela Short, Legislative Analyst's Office
7. Cathy Senderling-McDonald, Executive Director, County Welfare Directors Association of California
8. Mike Herald, Legislative Advocate, Western Center on Law and Poverty
9. Orville Thomas, Government Affairs Director, California Immigrant Policy Center, Representing the One California Coalition

ISSUE 3: HOMELESSNESS AND FAMILIES SERVED IN ANTI-POVERTY PROGRAMS

1. Sara Kimberlin, Senior Policy Analyst, California Budget and Policy Center
2. Kim Johnson, Director, California Department of Social Services
3. Corrin Buchanan, Assistant Director of Housing and Homelessness, California Department of Social Services
4. Angela Short, Legislative Analyst's Office
5. Cathy Senderling-McDonald, Executive Director, County Welfare Directors Association of California
6. Simone Tureck Lee, Director of Housing & Health, John Burton Advocates for Youth
7. Mike Herald, Legislative Advocate, Western Center on Law and Poverty

ISSUE 4: EQUITY-DRIVEN CARE FOR CHILDREN AND FAMILIES SERVED BY THE CHILD WELFARE AND FOSTER CARE SYSTEM

1. Kim Johnson, Director, California Department of Social Services
2. Greg Rose, Assistant Director, Equity and Inclusion, Children and Family Services, California Department of Social Services
3. Angela Short, Legislative Analyst's Office
4. Justin Freitas, Department of Finance
5. Cathy Senderling-McDonald, Executive Director, County Welfare Directors Association of California
6. Kristin Power, Vice President, Policy & Advocacy, Alliance for Children's Rights
7. Susanna Kniffen, Director, Child Welfare Policy, Children Now
8. Christine Stoner-Mertz, Chief Executive Officer, California Alliance of Child and Family Services
9. Jordan Sosa, Statewide Legislative & Policy Manager, California Youth Connection

ISSUE 5: FIRST STEPS TOWARD REALIZING THE GOALS OF THE CALIFORNIA MASTER PLAN FOR AGING

1. Kim Johnson, Director, California Department of Social Services
2. Debbi Thomson, Adult Programs Division Deputy Director, California Department of Social Services
3. Kim McCoy Wade, Director, California Department of Aging
4. Joseph Rodrigues, State Long-Term Care Ombudsman, California Department of Aging
5. Jackie Barocio, Legislative Analyst's Office
6. John Lewis, Audit Principal, California State Auditor's Office
7. Beverly Yu, State Government Affairs Director, United Domestic Workers (UDW)/AFSCME
8. Tiffany Whiten, Senior Government Relations Advocate, California State Council of Service Employees International Union
9. Justin Garrett, Legislative Representative, California State Association of Counties
10. Cathy Senderling-McDonald, Executive Director, County Welfare Directors Association of California
11. Claire Ramsey, Senior Staff Attorney, Justice in Aging
12. Andrew Cheyne, Director of Government Affairs, California Association of Food Banks Representing the Californians for SSI Coalition
13. Clay Kempf, Executive Director of the Seniors Council of Santa Cruz & San Benito Counties, Representing the California Association of Area Agencies on Aging
14. Denise Likar, Vice President, Independence at Home, a SCAN community service
15. Sarah Steenhausen, Senior Policy Advisor, The SCAN Foundation

Public Comment will be taken after the completion of the five panels and any discussion from the Members of the Subcommittee.

ITEMS TO BE HEARD

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY (CHHS)
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OVERVIEW

The Subcommittee will be hearing from five panels in this hearing, which are designed to focus on the priority issues for the current era across Human Services programs. These topics have been elevated by anti-poverty, anti-hunger, children's, and senior and persons with disabilities advocates, labor organizations, research partners, and local governments. These issues are:

- **Issue 1 – Access to Anti-Poverty Programs for Californians in Need**
- **Issue 2 – Current Critical Steps Toward Racial Equity**
- **Issue 3 – Homelessness and Families Served in Anti-Poverty Programs**
- **Issue 4 – Equity-Driven Care for Children and Families Served by the Child Welfare and Foster Care System**
- **Issue 5 – First Steps Toward Realizing the Goals of the Master Plan for Aging**

The panelists for each Issue were selected to offer a full and comprehensive set of perspectives for the Subcommittee to consider. The questions that each panelist has been requested to respond to are included in the panel listing, so that the Subcommittee and the public can understand what has been requested in each individual panelist's presentation. Subcommittee staff have urged presenters, where they are raising issues of concern or system deficiencies, to offer ideas for tangible and concrete budget and policy interventions that can help to ameliorate the problem or problems presented.

The presentations and answers offered through the panels will inform the Assembly's work moving forward as the Subcommittee both considers the proposals for Human Services programs that serve abused and neglected children, unemployed and low-income parents and their families, underserved and disadvantaged communities of color, and seniors and people with disabilities in the Governor's Budget and additional initiatives to continue to improve the quality of services offered by California's public safety net programs. By offering a public forum on these high priority issues, the discussion may also influence pending, current conversations occurring within the Governor's administration on these topics.

ISSUE 1: ACCESS TO ANTI-POVERTY PROGRAMS FOR CALIFORNIANS IN NEED

This issue's conversation is focusing on access to anti-poverty programs, concern regarding lower-than-anticipated caseloads in social services programs in the COVID-19 pandemic and unemployment crisis, and what more can be done in the 2021 Budget to increase access to cash, food, and services for vulnerable California families with and without children.

PANELISTS AND QUESTIONS ASKED OF EACH PRESENTER

Panelists have been asked to specifically answer the questions below as listed for each individual panelist in their five-minute maximum presentation to the Subcommittee.

1. **Sarah Bohn, Vice President of Research and Senior Fellow, Public Policy Institute of California**
   - Can you please share the findings of the recent report The Public Policy Institute of California (PPIC) released regarding the impact of the pandemic in our state? What have been the effects on income inequality and how has the pandemic recession exacerbated income inequality? How has it impacted low-wage workers, women, and communities of color?
   - As an author of California Poverty Measure, you have studied the role of the safety net on reducing poverty. What role, generally, does the safety net and access to anti-poverty programs play in reducing poverty?
   - Your team has done significant work on the role that CalWORKs and CalFresh have played in prior recessions. What are your thoughts on why we are not seeing caseloads grow?
   - Another recent report you co-authored discussed the benefits of CalWORKs and CalFresh on children, especially in the early years. Can you briefly tell us about these findings?
   - What impact could the American Rescue Plan Act that President Biden signed on March 11, 2021 have on those living in poverty in California?

2. **Esi Hutchful, Policy Analyst, California Budget and Policy Center**
   - Which Californians are most likely to be turning toward public supports like CalWORKs and CalFresh and why?
   - Given that the state has invested in CalWORKs in recent years, tell us about what further investments are needed and why?
   - What are your concerns about the need for basic assistance among Californians with low incomes once we emerge from the pandemic?
   - What impact could the American Rescue Plan Act that President Biden signed on March 11, 2021 have on those living in poverty in California?

3. **Kim Johnson, Director, California Department of Social Services**
    - What are the specific reasons you have identified for the lower-than-expected caseloads in CalFresh and what policy interventions should be considered to ensure that CalFresh benefits continue to reach eligible Californians?
    - What concerns does the Administration have around the effects of CalWORKs not being optimized as a counter-cyclical program addressing widening inequality and exacerbated poverty during this recession?
    - Based on historical experience, what are the needs for food banks as they continue to respond to the mounting and prolonged hunger crisis (above the proposed Governor's Budget level) for the 2021-22 fiscal year?

4. **Jennifer Hernandez, Family Engagement and Empowerment Division Deputy Director, California Department of Social Services**
    - What specific reasons have you identified for the precipitous decline in the CalWORKs caseload experienced in this COVID crisis and economic recession? What are the specific reasons for the higher than usual case exits that we have similarly experienced in the current fiscal year?
    - What strategies could increase the rates of eligible families coming into CalWORKs and conversely prevent case exits from the program that might be occurring inappropriately?
    - What factors is the Administration considering regarding enrollment that would result in models that more accurately predict program caseloads?

5. **David Kilgore, Director, Department of Child Support Services**
    - What are the expected impacts of the partial restoration for child support services as proposed in the Governor's Budget?
    - How much additional funding would it take to ensure that all of the "underfunded" counties are funded appropriately?
    - How does the Administration plan to act on the K-Factor and Compromise of Arrears Program (COAP) research findings and what role specifically do you invite the Legislature to play in any policy proposal development that relates to this?
    - What concerns are you hearing about the research proposals related to the K-Factor and Compromise of Arrears Program (COAP)? How do you plan to address these issues?
    - Can DCSS please provide a draft of the research proposals and details on the project time line by a date certain in the next month?

6. **Brian Wong, Chief Deputy Director, Office of Systems Integration**
    - What role have the automation systems, on which CalWORKs and CalFresh rely on, had on program access before and in the pandemic?
    - What specific improvements could be made in the short, medium, and long-term to facilitate access for eligible populations not currently served by these programs?

7. **Ryan Anderson, Legislative Analyst's Office**
    - Please describe the number of children served in the program, how they are served by the program, and what do we know about why some families do not enroll in CalWORKs? Are there program barriers? What other issues can the state address?

- What are the LAO's observations on the CalWORKs take-up rate in the pandemic, what are your concerns, and please share if there is more analysis emerging from your work and when it will be available?
- What could be the impacts for the CalWORKs caseload of the federal unemployment assistance and what parts of the downward caseload dynamic that we are seeing does this not explain?
- What are the LAO's observations on the CalFresh take-up rate in the pandemic, what are your concerns, and what policy interventions might the Legislature and Administration consider from your vantage to ensure that CalFresh benefits continue to reach eligible Californians?

8. Jackie Barocio, Legislative Analyst's Office

- Please describe child support caseload and collection levels during COVID-19.
- What are the upsides and downsides to the research studies being proposed by the Administration? What do you recommend in terms of timing and process to allow for more genuine collaboration and decision-making?
- What are the truly necessary and required state endeavors for the 2021 Budget to align to the federal rule?
- What other initiatives specifically would the LAO advise for the Legislature and Administration to focus on in this budget cycle?

9. Cathy Senderling-McDonald, Executive Director, County Welfare Directors Association of California

- What is the county perspective on the precipitous decline in CalWORKs caseload and what can counties do, in conjunction with state support, to improve the take-up rate for eligible families in needs of basic assistance?
- What has been the experience for CalFresh access in COVID and what are your observations so far regarding the broadened, recent access for college students?
- Are there other observations and recommendations on access to safety net programs in this COVID pandemic that you would like to share with the Subcommittee?

10. Mike Herald, Legislative Advocate, Western Center on Law and Poverty

- Participation in CalWORKs has always increased during times of economic crisis but this time we are witnessing the trend manifest in the opposite direction. Why is that and what can we do to make CalWORKs more responsive to economic downturns?

11. Andrew Cheyne, Director of Government Affairs, California Association of Food Banks

- How has COVID affected hunger in California, including for low-income communities of color or geographic areas known to face inequitable levels of food insecurity prior to the pandemic?
- How has COVID impacted the emergency food system, including the compounding effects from other disasters such as wildfires and black outs, and what does the Great Recession suggest for the future of hunger in California?

12. Jennifer Greppi, Lead Chapter Organizer, Parent Voices CA

- What are the practical struggles for families receiving aid in the pandemic that we might not otherwise hear about?
- What are the perceptions and fears that eligible Californians might have that would discourage them from applying for public benefits to help meet their daily survival needs?
- What kinds of policies and budget actions could we take this year that would not only further alleviate deep poverty and indebtedness, but also attract families to the programs that are designed to serve them in dire economic conditions?

BACKGROUND

Income Inequality and Economic Opportunity in California. The following is from the Public Policy Institute of California's report released in December 2020 titled, "Income Inequality and Economic Opportunity in California."

The COVID-19 pandemic upended California's economy. The shutdown of most in-person economic activity in spring 2020 led to a dramatic spike in unemployment—especially in hard-hit industries like leisure, hospitality, and personal services. Nine months later, the labor market has improved somewhat but remains precarious, with low-income workers bearing the brunt of the fallout. As a result, the current crisis threatens to reinforce existing inequities and deepen the state's longstanding economic divide.

Past recessions have exacerbated income inequality in California. Income inequality has risen substantially in the past several decades, with relatively little progress over the long term for the lowest-income families. Past recessions have tended to worsen income gaps, as low-income families were harder hit and their earnings were slower to recover.

The effects of the current recession are concentrated among low-income workers, African Americans, Latinos, and women. While no demographic group has been spared, larger increases in unemployment and underemployment for low-income, African American, and Latino families are likely to worsen preexisting disparities in income and economic opportunity. Women have also been disproportionately affected, jeopardizing long-term gains in their labor force participation.

Many workers, especially in inland California, were already struggling before the pandemic. Low-income families in many parts of the state had only just recovered—or had not yet recovered—from the Great Recession when the pandemic began. High-income families across the state had returned to prerecession income levels. There were only two regions—the Bay Area and Los Angeles County—where families at all income levels had experienced two years of full recovery from the Great Recession before the pandemic.

Policy interventions can improve economic opportunity, and Californians support a state role in these efforts. State policymakers will inevitably be limited by the level of federal support, but they still have many options available to promote an equitable recovery. While no policy is without cost, surveys indicate robust support among Californians for state government's role in reducing poverty and narrowing the divide between the haves and have-nots.

California is likely to face heightened fiscal constraints for some time, and substantially improving opportunity and reducing inequality would require equally substantial public investments. To deploy state funds most effectively, policy responses must consider how to better target both stimulus and stabilization efforts toward the most affected workers, businesses, and regions. Second, investments need to account for the evolving future of work, including structural changes like a shift toward remote work. Third, the state should leverage financial resources and partnerships to expand investments in long-term opportunity through policies such as dependent care, early childhood interventions, higher education, and workforce training. Finally, barriers to opportunity go beyond income and drive disparities in health, education, and housing across race and region; identifying and proactively addressing these barriers are necessary to ensure the state's economic vitality now and in the future.

Since the full effects of the crisis are yet unknown, policymakers will need to continuously reexamine their priorities and options as our understanding evolves. Despite this uncertainty, ensuring the promise of the California dream is not a new challenge—though maintaining this promise will require a renewed policy commitment.

Race and Poverty. The following information and the charts that follow are from two December 2020 "Data Hits" from the California Budget and Policy Center.

Most Latinx and Black Households With Children Are Having Difficulty Paying for Basic Expenses. Latinx and Black households with children are far more likely to report difficulty meeting basic needs. About 8 in 10 Latinx and 7 in 10 Black households with children recently had difficulty paying for basic expenses, including food and rent. Research shows that financial hardship can have harmful effects on children's long-term health, development, education, and economic security in early adulthood. Studies also suggest that boosting families' resources can meaningfully improve children's lives. State and federal leaders can help families by investing in policies that pay for food, housing, and other basic needs. This would alleviate the financial hardship that millions of Californians are experiencing and improve children's prospects well into the future.

Many California Children Do Not Have Enough To Eat During COVID-19. Nearly 1 in 4 California low-income households with children, surveyed from late August through October, reported sometimes or often not having enough food to eat, according to data from the US Census Bureau looking at how COVID-19 is affecting households. Due to historic and ongoing racial discrimination, Black and Latinx families in particular have always struggled to afford enough food, and the COVID-19 health and economic crisis has only increased food hardship in California. Not having enough food affects people of all ages, but is especially harmful to children, as inadequate nutrition can harm their health, development, and learning.

Many California Children Do Not Have Enough to Eat During COVID-19

Share of California Households That Sometimes or Often Did Not Have Enough to Eat

Nearly 1 in 4

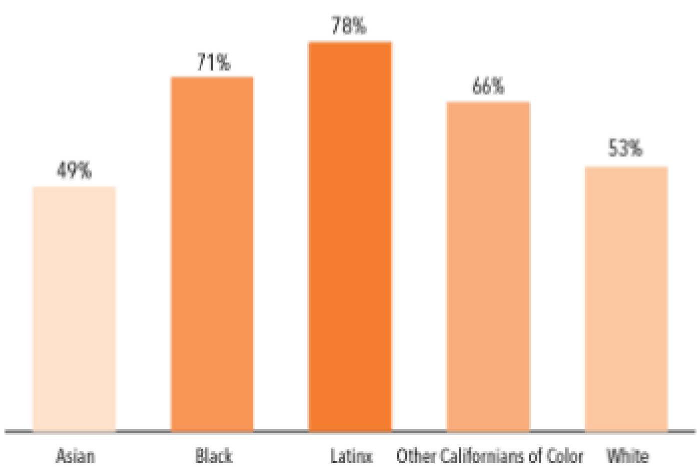
California low-income households with children reported sometimes or often not having enough food to eat during a period starting from late August through October.

Note: "Low-income" is defined as households with annual incomes less than $50,000. Due to survey limitations, these results may underestimate food hardship in California.

Source: Budget Center analysis of US Census Bureau Household Pulse Survey.

Most Latinx and Black Households With Children Are Havin Difficulty Paying for Basic Expenses

Percentage of California Households With Children Reporting Any Difficulty



Note: Data were averaged across three periods when the survey was conducted: between August 19 and 31, September 2 and 14, and September 16 and 28. Respondents were asked whether it was very, somewhat, a little, or not at all difficult for their household to pay for basic expenses in the past week.
Source: Budget Center analysis of US Census Pulse Survey data

CALWORKS

The CalWORKs program provides cash grants and job services to low-income families. The program is administered locally by counties and overseen by the state Department of Social Services (DSS). The following information below was provided by the Legislative Analyst's Office (LAO).

Governor Temporarily Suspended Lifetime Limits, Redeterminations During the Ongoing Pandemic. Executive Order N-29-20 included two provisions affecting CalWORKs caseload during the COVID-19 pandemic. First, the order automatically recertified all recipients whose redeterminations were due between March and May of 2020. (CalWORKs recipients generally must submit redetermination paperwork once every six months to remain on aid. The redetermination paperwork is intended to determine whether participants continue to meet the eligibility requirements to participate in the program.) This had the effect of reducing the exit rate from about 6 percent to 8 percent of all cases to about 2.5 percent for those three months. Second, the order (along with extensions from subsequent executive orders) prevented any month of CalWORKs participation during the COVID-19 emergency from counting against an adult's 48-month lifetime limit.

Under State Law, Local Revenue Growth Automatically Triggers CalWORKs Grant Increases. Following a major realignment of state and local responsibilities in 1991, some funds generated by a new sales tax and a portion of the vehicle license fee accrue to a special fund with a series of subaccounts which pay for a variety of health and human services programs and responsibilities. Under state law, sufficient revenue growth in the Child Poverty and Family Supplemental Support Subaccount triggers an increase in CalWORKs cash grant amounts. In the past, this account funded two separate grant increases of 5 percent in 2013-14 and 2014-15 and another of 1.43 percent in 2016-17, as well as funding the repeal of the maximum family grant policy starting in 2016-17.

2020-21 Budget Act Made Several Changes to CalWORKs Program. Among the most notable changes made to CalWORKs in the most recent budget are:

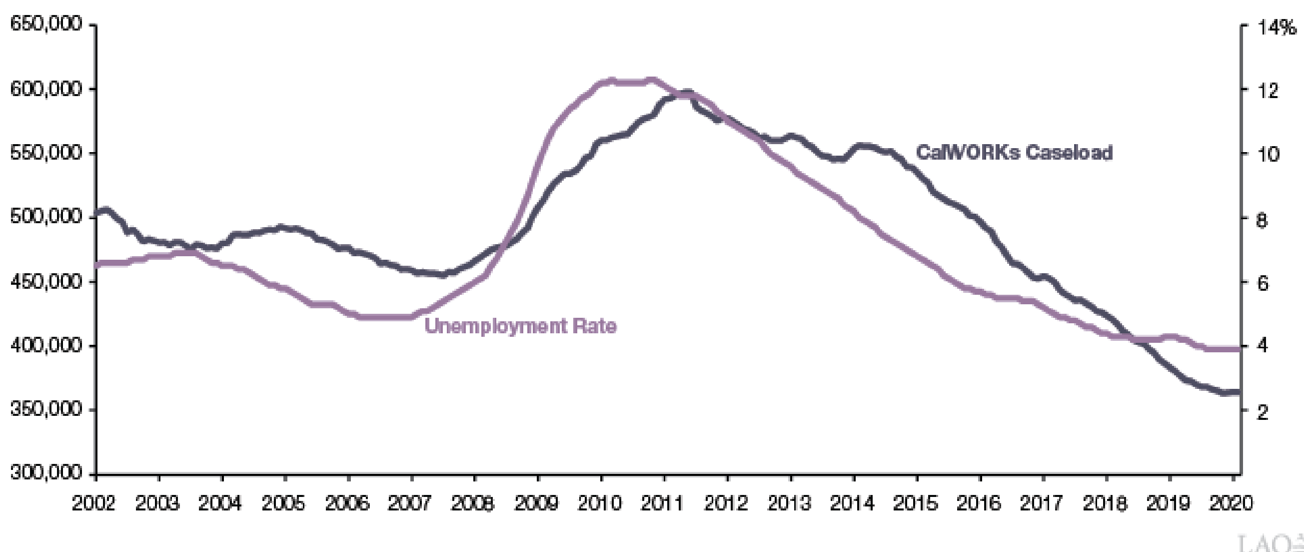
- Extended lifetime limits for adult recipients from 48 months to 60 months starting in May 2022.
- Offered adults increased flexibility in work participation requirements for their entire time on aid starting in May 2022 (currently, adults are allowed this increased flexibility for a total of only 24 months).
- Provided $2.4 billion for county CalWORKs services (referred to as the single allocation), an amount not directly connected to the budget's caseload projections.
- Temporarily eliminated $20 million for counties to implement the CalWORKs Outcomes and Accountability Review.
- Eliminated a planned $30 million ramp-up of the Home Visiting Program, under which some CalWORKs families with a child under two years old receive regular visits from a

nurse, parent educator, or early childhood specialist who works with the family to improve maternal health, parenting skills, and child cognitive development.

Caseload Trending Much Lower Than Budget Act Expectations, Recent Recession Was Projected to Increase Caseloads. As the figure below shows, CalWORKs caseload generally follows trends in California's unemployment rate. When the unemployment rate is high—for example, during the Great Recession of 2008-09 (when unemployment peaked at about 12 percent)—caseload grows (eventually reaching an all-time high of about 587,000 cases in 2010-11). When the unemployment rate is low—for example, during the pre-COVID-19 economic expansion—caseload declines (reaching what was then an all-time low of about 366,000 cases in 2019-20). Because the recession due to the COVID-19 pandemic has caused the unemployment rate to reach historic highs (peaking at 15.6 percent in May 2020), caseload also was projected to increase at an unprecedented rate (expected to go from its then historic low all the way up to its historic high of 587,000 in 2020-21 according to budget act projections).

CalWORKs Caseload Generally Follows Unemployment Trends

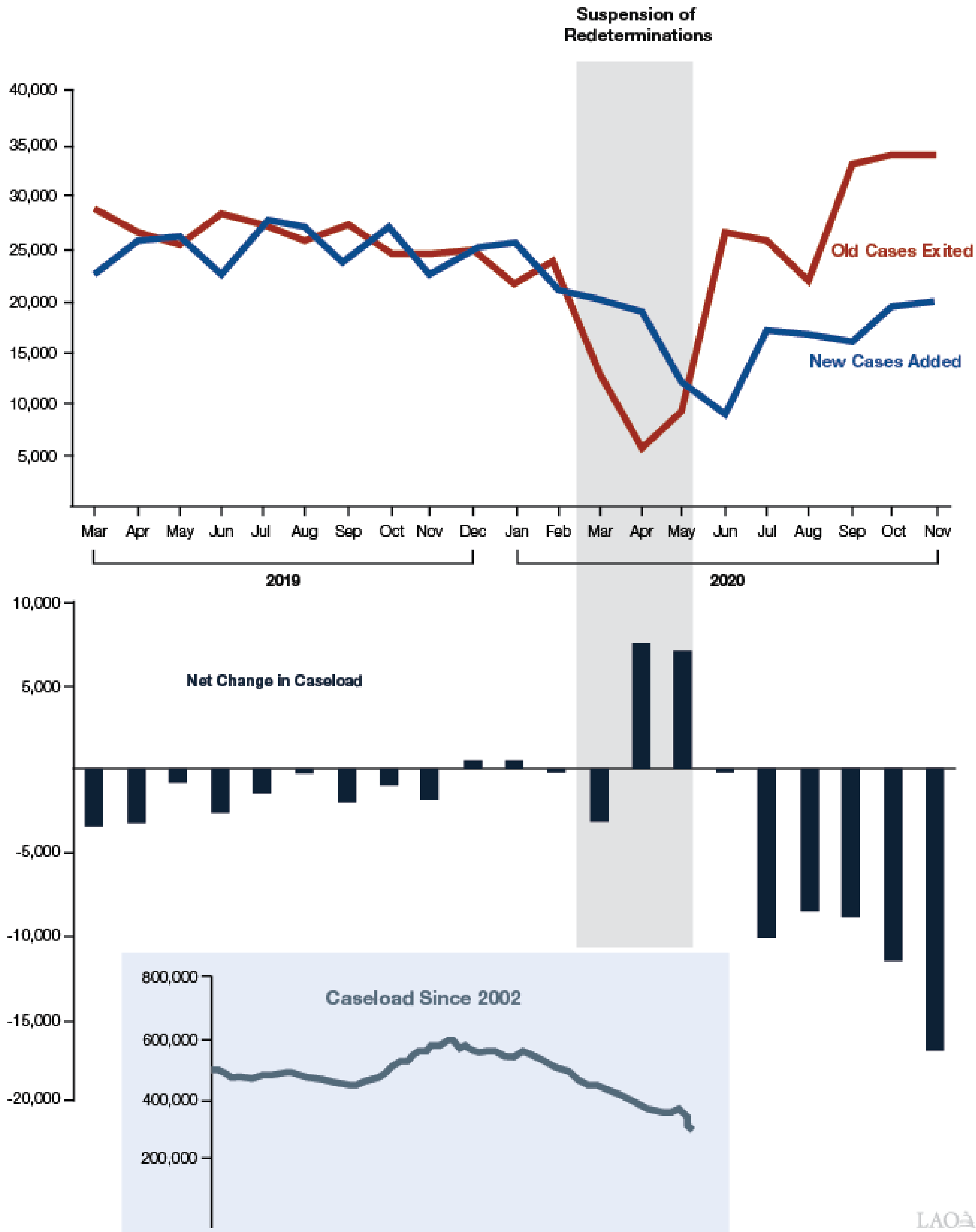
Caseload Measured in CalWORKs Families



Caseload Increased Modestly Following a Temporary Suspension of Redeterminations, Then Fell Precipitously. CalWORKs caseload increased by about 11,000 cases (3 percent) during the first three months of the COVID-19 recession (March through May 2020) before decreasing in subsequent months. As the figure on the following page shows, this period of caseload growth was primarily driven not by an increase in cases added, but by a decrease in cases exiting following the temporary suspension of redeterminations. (Generally, when cases added are greater than cases exited, net caseload grows, and vice versa.) In November, CalWORKs caseload reached a new all-time low following the fastest five-month period of caseload declines since at least 2002.

CalWORKs Caseload Briefly Increased Before Precipitous Decline

Caseload Measured in CalWORKs Families



Caseload Decline Reflects Relatively Few Applications Coupled With Higher Than Usual Denial and Exit Rates. After a brief increase in spring 2020, CalWORKs applications fell in the summer and fall to their lowest level since at least 2002. Moreover, since spring, a larger share of applications (about 60 percent) has been denied compared to recent years (about 48 percent). Finally, the figure below shows that the exit rate has accelerated in October and November to about 10 percent of the caseload, above the recent average of about 6 percent to 8 percent. (This figure also shows the significant decline in exits in the spring of 2020—largely reflecting the temporary suspension of redeterminations.) Each of these factors helps explain the rapid caseload decrease observed in recent months.

CalWORKs Exit Rate Increased in Most Recent Data

Low Applications Likely Due to Combination of Economic and Public Health Factors. In the LAO's CalWORKs Fiscal Outlook post, they discuss three potential reasons for low levels of CalWORKs applications in recent data: (1) job losses have not yet affected workers with children as severely as past recessions; (2) the extraordinary level of federal and state relief offered to individuals (in particular, enhanced unemployment insurance) temporarily has reduced CalWORKs demand; and, (3) public health concerns temporarily have reduced CalWORKs demand (for example, applicants are reluctant or unable to come to county offices to have their questions answered while completing applications). The LAO continues to believe each of these factors plays some role in the low number of CalWORKs applications.

Reasons for Higher Denial, Exit Rates Are Unclear. The available data do not offer a clear picture as to why CalWORKs applications are being denied at historically high rates, nor why CalWORKs exits have increased. However, public health concerns may play some role in either or both of these trends. For example, a growing number of applications are now completed online rather than in county offices, where staff could be available to answer applicant questions. Without staff assistance, applicants may be more likely to incorrectly or incompletely fill out their applications, resulting in a denial of benefits.

CalWORKs Budget Overview. The Governor's budget proposes a CalWORKs funding level of about $7.2 billion (all fund sources) in 2021-22, a $729 million (11 percent) increase over the revised 2020-21 level. This increase is the net effect of the caseload assumptions and policy proposals described below.

Budget Includes Large Revisions to CalWORKs Caseload, Cost Estimates in 2019-20 and 2020-21. Relative to the 2020-21 Budget Act, the Governor's budget projects caseload-related savings on CalWORKs cash assistance in 2019-20 of about $280 million General Fund. (The administration also reports that about $330 million from the 2019-20 single allocation is currently unspent, although counties still have two quarters in which they can make claims towards this appropriation. These savings eventually will revert to the General Fund.) The budget further projects 2020-21 caseload will average about 405,000, or 30 percent below budget act projections, for associated costs savings on cash assistance of about $470 million General Fund.

Projected Caseload Increase, Policy Changes Drive Cost Increases in 2021-22. As shown in the figure below, the bulk of the 2021-22 funding increase is due to a projected 19 percent increase in caseload (from the revised 405,000 cases in 2020-21 to about 482,000 cases). Other cost drivers include the extension of lifetime limits to 60 months for adults scheduled for May 2022 (estimated to cost about $22 million in 2021-22, with higher costs anticipated for future years) and the various policy proposals described below.

General Fund Accounts for Small, but Growing, Share of CalWORKs Costs. The figure on the following page shows how CalWORKs costs are shared between federal, state, and local revenue sources. While the General Fund share grows notably year over year (79 percent), it still accounts for a fairly small share of overall program costs (29 percent). The General Fund typically pays for year-to-year increases in CalWORKs costs because federal funding does not increase proportionally with caseload or policy changes. (The reduction in year-over-year Temporary Assistance for Needy Families funding reflects a projected exhaustion of one-time carryover funds in 2020-21.)

CalWORKs Budget Summary

All Funds (Dollars in Millions)

	2020-21 Revised	2021-22 Proposed	Change From 2020-21	
			Amount	Percent
Number of CalWORKs Cases	**405,317**	**482,436**	**77,119**	**19%**
Cash Grants	**$3,589**	**$4,387**	**$798**	**22%**
Single Allocation				
Employment services	$1,223	$1,238	$15	1%
Cal-Learn case management	32	21	-12	-36
Eligibility determination and administration	648	666	18	3
Subtotals	**($1,904)**	**($1,924)**	**($21)**	**1%**
Stage 1 Child Care[a]	$486	$424	-$62	-13%
Home Visiting Initiative	$90	$73	-$18	-19%
Other County Allocations	$422	$406	-$16	-4%
Other[b]	$4	$9	$6	154%
Totals	**$6,495**	**$7,224**	**$729**	**11%**

[a]In 2020-21 and prior years, this was included in the single allocation. Starting in 2020-21, it is a separate allocation. We present it as a separate line item in both years for ease of comparison.

[b]Primarily includes various state-level contracts.

CalWORKs Funding Sources

(Dollars in Millions)

	2020-21 Revised	2021-22 Proposed	Change From 2020-21	
			Amount	Percent
Federal TANF block grant funds	$2,811	$2,566	-$245	-9%
State General Fund	1,169	2,096	928	79
Realignment and other county funds[a]	2,515	2,561	46	2
Totals	**$6,495**	**$7,224**	**$729**	**11%**

[a]Primarily various realignment funds, but also includes county share of grant payments, about $60 million.

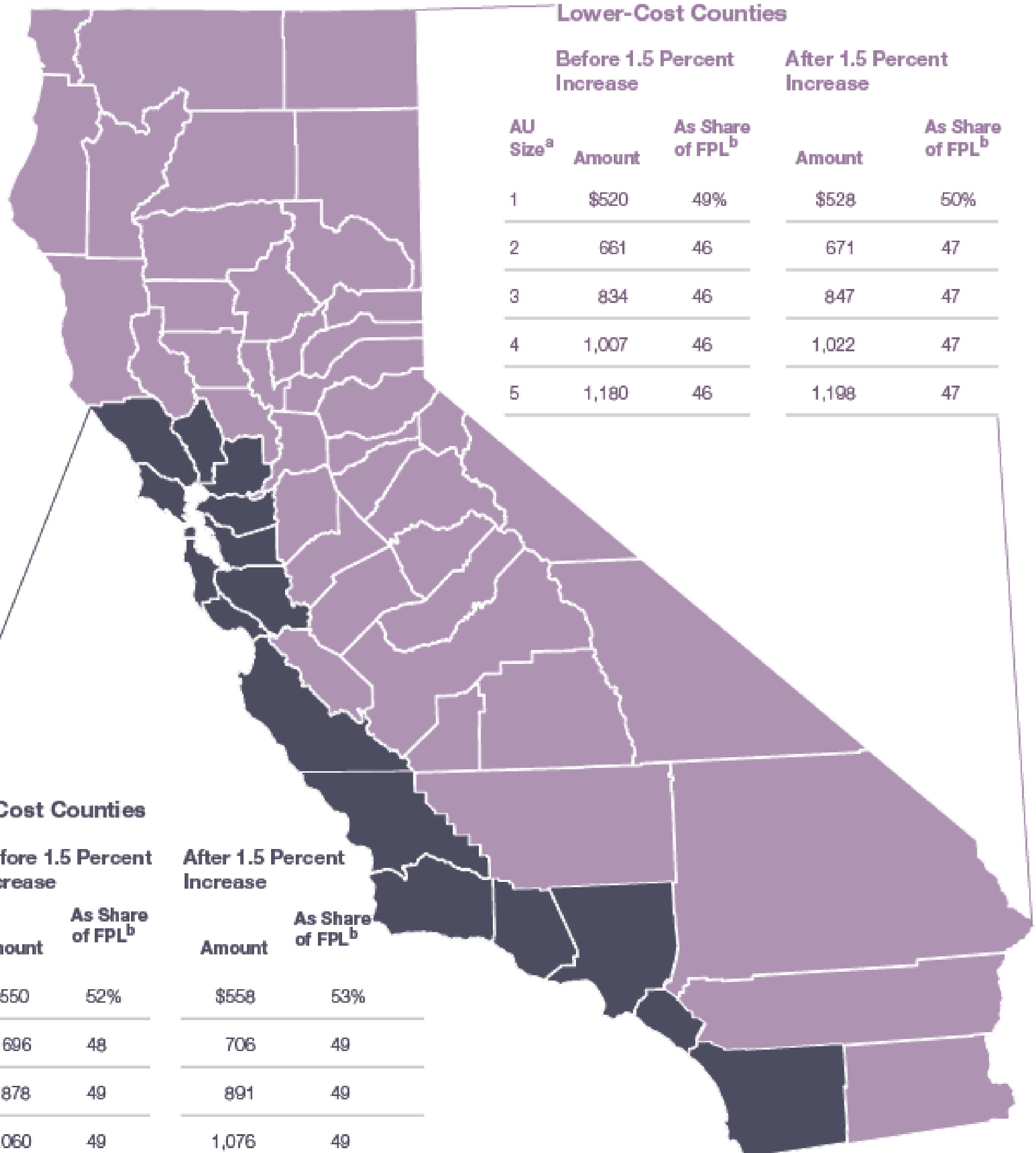
TANF = Temporary Assistance for Needy Families.

Budget Includes 1.5 Percent Grant Increase Triggered by Local Revenue Growth. The administration estimates a budget year cost of $52 million (annual cost of about $71 million) to fund a 1.5 percent increase to cash grants starting in October 2021. This increase was triggered, and will be funded, by revenue growth in the Child Poverty and Family Supplemental Subaccount. This increase would raise grants for all Assistance Unit (AU) sizes in high-cost counties to at, or above, 49 percent of the federal poverty level (FPL) (assuming household size equals AU size), whereas grants for most AU sizes in lower-cost counties would be at about 47 percent of the FPL. As part of the 2018-19 Budget Act, the Legislature set a goal to increase CalWORKs grants to 50 percent of the FPL for a family that is one person larger than the AU size, a considerably higher target than would be reached in 2021-22 under the Governor's budget. Ultimately, the amount of this grant increase will depend on revenue and caseload assumptions. To the extent caseload comes in below the administration's forecast, realignment revenue could support a larger grant increase.

Budget Aligns Single Allocation to Projected Caseload Levels. The final 2020-21 budget package provided counties more funding for CalWORKs-related services than would be typical based on the assumed caseload. This funding to counties is referred to as the single allocation. As the figure on the following page shows, the Governor's budget would align the single allocation to the level suggested by the overall caseload forecast, consistent with prior practice. The net effect of this adjustment and the administration's projected caseload increase is a relatively modest decrease in the single allocation.

Governor's Budget Includes 1.5 Percent Increase to CalWORKs Grants

As Shown, for CalWORKs Familes With No Other Income



Lower-Cost Counties

AU Size[a]	Before 1.5 Percent Increase: Amount	Before 1.5 Percent Increase: As Share of FPL[b]	After 1.5 Percent Increase: Amount	After 1.5 Percent Increase: As Share of FPL[b]
1	$520	49%	$528	50%
2	661	46	671	47
3	834	46	847	47
4	1,007	46	1,022	47
5	1,180	46	1,198	47

High-Cost Counties

AU Size[a]	Before 1.5 Percent Increase: Amount	Before 1.5 Percent Increase: As Share of FPL[b]	After 1.5 Percent Increase: Amount	After 1.5 Percent Increase: As Share of FPL[b]
1	$550	52%	$558	53%
2	696	48	706	49
3	878	49	891	49
4	1,060	49	1,076	49
5	1,242	49	1,261	49

[a] Assistance unit (AU) size is the number of family members who are eligible for CalWORKs.

[b] Share of 2020 FPL guideline for a family size equal to AU size.

FPL = federal poverty level.

LAO

CalWORKs Single Allocation in Governor's Budget

All Funds (Dollars in Millions)

	2020-21 Revised	2021-22 Proposed	Change From 2020-21	
			Amount	Percent
Employment Services				
Caseload-driven costs	$1,043	$1,238	$194	19%
Maintenance of *2020 Budget Act* funding levels	180	—	-180	—
Subtotals	**($1,223)**	**($1,238)**	**($15)**	**(1%)**
Administration and Eligibility				
Caseload-driven costs	$614	$666	$52	8%
Maintenance of *2020 Budget Act* funding levels	34	—	-34	—
Subtotals	**($648)**	**($666)**	**($18)**	**(3%)**
Stage 1 Child Care[a]				
Caseload-driven costs	$415	$424	$9	2%
Maintenance of *2020 Budget Act* funding levels	71	—	-71	—
Subtotals	**($486)**	**($424)**	**(-$62)**	**(-13%)**
Cal-Learn Case Management				
Caseload-driven costs	$17	$21	$3	18%
Maintenance of *2020 Budget Act* funding levels	15	—	-15	—
Subtotals	**($32)**	**($21)**	**(-$12)**	**(-36%)**
Totals	**$2,390**	**$2,348**	**-$41**	**-2%**

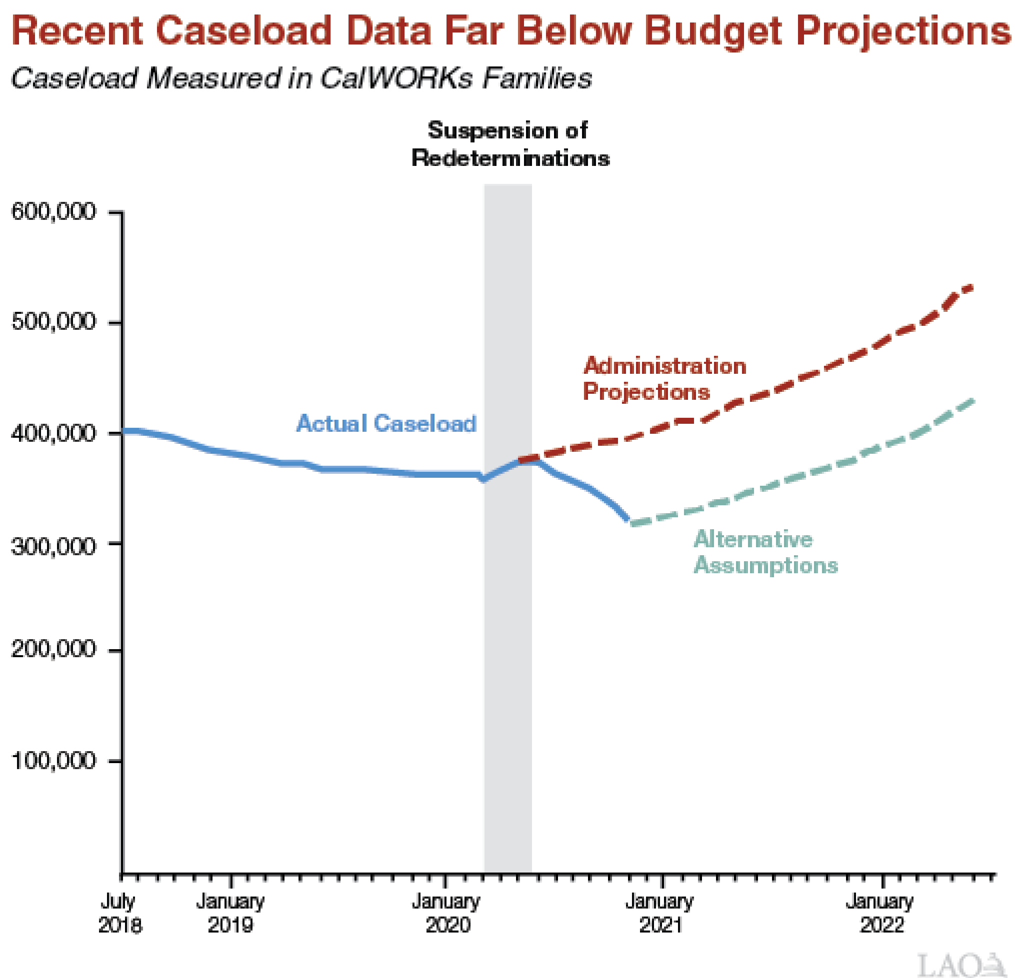
[a]In 2020-21 and prior years, this was included in the single allocation. Starting in 2020-21, it is a separate allocation. We present the item here in both years for ease of comparison.

Budget Extends Temporary Suspension of State Lifetime Limits. The budget includes $46.1 million to continue the suspension of any month counting towards adults' 48-month lifetime limits during the COVID-19 pandemic. (This exemption, already put into place by executive order, is estimated to cost $18.2 million in 2020-21.)

LAO Assessment.

Budget Very Likely Overestimates Caseload Growth. The administration informs us that when its caseload estimate was constructed the most recent data available were from June 2020. These data predate the rapid caseload decrease observed in the summer and fall and the most recent federal extension of unemployment insurance benefits. As the figure below shows, the administration's forecast essentially extrapolates from the initial caseload increase observed during the spring, an increase which now appears driven entirely by the suspension of redeterminations. Even assuming caseload resumed growing in December and continued growing throughout the budget window (see "Alternative Assumptions" in the figure below), the LAO estimates that CalWORKs costs would come in about $450 million below

Governor's budget projections in 2020-21 and $900 million below in 2021-22. Thus, we anticipate large downward revisions to the administration's caseload projections in May.



Pausing State Lifetime Limits During Pandemic Is Reasonable. The Legislature and administration currently are considering various options (such as the proposed Golden State Stimulus) for providing extraordinary assistance to low-income Californians during the current pandemic. As CalWORKs already provides important assistance to some of California's lowest-income families, taking steps (such as temporarily suspending the state's 48-month lifetime limit on aid to adults) to ensure the program continues to reach as many of these families as possible is prudent.

Consider Additional Strategies for Preventing Caseload Declines and Increasing CalWORKs Enrollment. In addition to the Governor's proposal to suspend temporarily the state's lifetime limits on aid, the Legislature may wish to consider other options for ensuring CalWORKs continues to reach low-income Californians during the current pandemic. In particular, the LAO is concerned by the precipitous caseload declines in a time of significant economic strain. The LAO understands that DSS currently is working to better understand and validate the recent trends in CalWORKs caseload applications, denials, and exits. This analysis could inform additional steps that could ensure CalWORKs reaches eligible families.

For example, if the increased exit rate is due to participants struggling to comply with the administrative requirements for redeterminations, the Legislature may wish to consider suspending the redetermination requirement through the duration of the public health emergency (federal law has already extended a similar moratorium on Medi-Cal redeterminations through the spring). Another potential response may be to provide outreach to families who became disenrolled in the program since spring and offer them assistance in re-enrolling in the program, or to provide additional statewide outreach (similar to efforts provided to programs such as the California Earned Income Tax Credit). To determine what steps would be most effective, the LAO recommends that the Legislature request DSS to report at budget hearings on their findings.

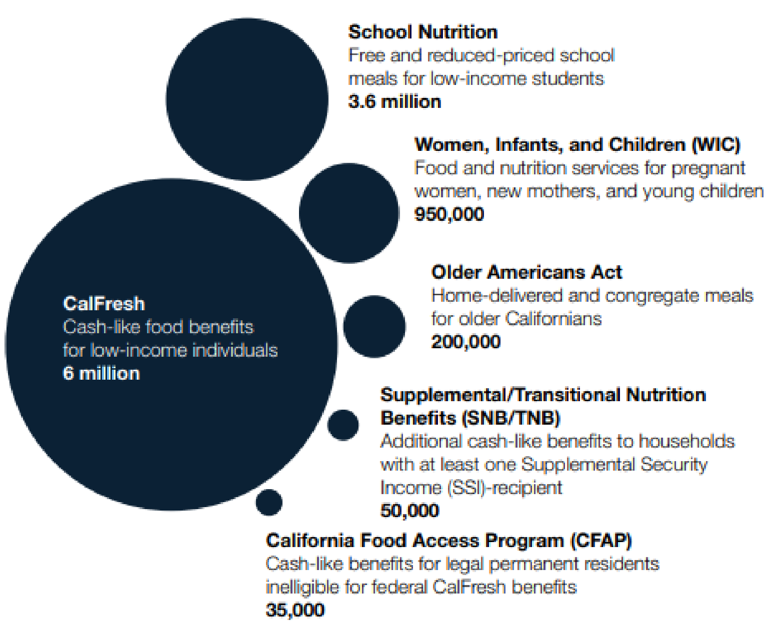
CALFRESH

The following information below was provided by the Legislative Analyst's Office (LAO).

Food Insecurity During COVID-19. About 12 Percent of California Adults Reported Food Scarcity in 2020. This is according to the Census Bureau's Household Pulse Survey. Food scarcity in this case is defined as "sometimes or often [worrying about] not having enough to eat." Prior to the coronavirus disease 2019 (COVID-19) pandemic, about 4 percent of California adults reported food scarcity in the Current Population Surveys conducted between 2017 and 2019.

Notable Racial and Ethnic Disparities in Food Scarcity. In 2020, California's rate of food scarcity varied within racial/ethnic groups from about 6 percent for Asian adults, 8 percent for white adults, 13 percent for black adults, to 20 percent for Hispanic/Latino adults.

Estimated 2020-21 Caseloads in 2021-22 Governor's Budget



Some individuals are served by two or more of these programs. Aside from Supplemental and Transitional Nutrition Benefit (SNB/TNB) and California Food Assistance Program (CFAP), these programs are primarily supported by federal funding. The above figure does not cover support for emergency food providers or limited-time programs created in response to COVID-19.

California's Emergency Food System. In addition to the programs mentioned on the previous page, California has many food banks and other emergency food providers. These providers receive some of their funding from the state and federal governments through programs such as The Emergency Food Assistance Program (TEFAP). Before the COVID-19 public health emergency, California's food banks estimated they served about 1 million Californians every week. Since COVID-19, these food banks estimate their demand has roughly doubled.

Cash-Like Benefits for Students Affected by School Closings. The federal H.R. 748 (the Coronavirus Aid, Relief, and Economic Security, or CARES, Act) allowed states to provide increased CalFresh benefits to families impacted by school closings. California's plan (which was approved by the federal government) already has provided a total of $2 billion to the families of 3.7 million K-12 students, with average benefits of about $540 per student. This program was recently extended for the duration of the current school year.

Increased CalFresh Benefits Since March. The federal government increased CalFresh benefits in two waves. First, the CARES Act increased CalFresh benefits to their maximum amount by household size from March 2020 through the duration of the state's declared public health emergency. Through December, about $2.5 billion in these CalFresh "emergency allotments" were awarded, with average benefits of about $200 per month per benefitting household. Second, the December COVID-19 federal relief action further increased CalFresh benefits by 15 percent from January 2021 to June 2021, with an estimated total benefit to Californians of roughly $750 million, or about $40 per household per month.

Recent State and Federal Actions in Response to COVID-19.

Augmented Federal Funding for Several Programs. Federal coronavirus relief bills notably increased funding for the Women, Infants, and Children; TEFAP; and Older Americans Act nutrition programs, with California receiving more than $100 million in augmented assistance across these programs since spring 2020. In addition, the state partnered with federal, local, and tribal governments to launch the Great Plates Delivered program which provides home-delivered meals from local restaurants to seniors and older adults at high risk from COVID-19. (Great Plates Delivered allocated about $50 million through the end of June 2021, the most recent month for which we have data.)

Augmented State Funding for Food Banks. In the 2020-21 Budget Act (and in related pandemic relief efforts), the state provided augmented funding for food banks ($125 million).

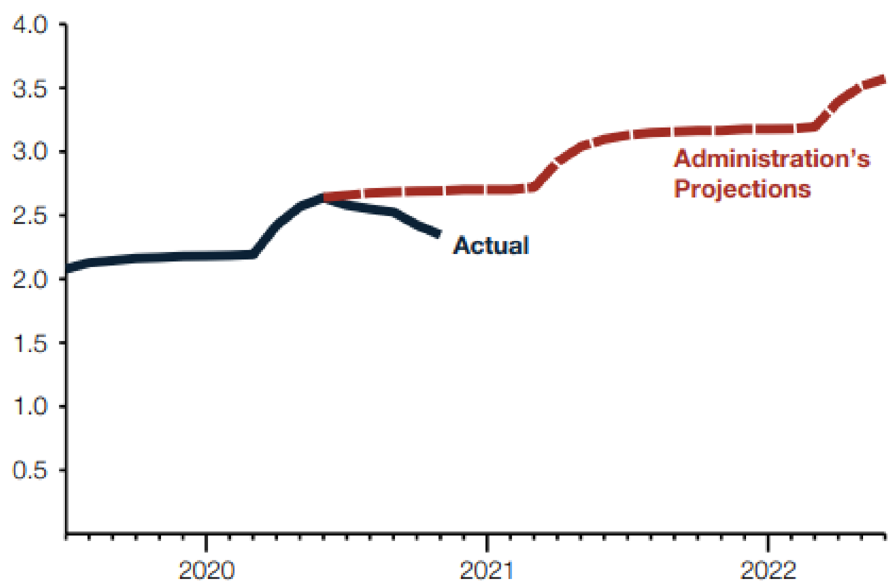
CalFresh Budget Summary[a]
(Dollars in Millions)

	2020-21 Revised	2021-22 Proposed	Change From 2020-21 Amount	Change From 2020-21 Percent
CalFresh Households	**2,772,548**	**3,247,632**	**475,084**	**17%**
CalFresh Individuals	**6,023,162**	**7,082,440**	**1,059,278**	**18%**
CalFresh Benefits[b]	**$9,006**	**$10,550**	**$1,543**	**17%**
CalFresh Administration				
Federal share	$1,025	$1,201	$176	17%
State share	734	914	180	25
County share	292	292	—	—
Subtotals	($2,050)	($2,406)	($356)	(17%)
Totals	**$11,057**	**$12,956**	**$1,899**	**17%**

[a] Does not include funding for the California Food Access Program.
[b] CalFresh benefits are 100 percent federally funded. The Governor's Budget estimates an average monthly benefit of $125 per person or $270 per household in each of these years.

Although counties typically cover 15 percent of total CalFresh administrative costs, the 2020-21 Budget Act temporarily froze counties' contributions at their 2019-20 level. The 2020-21 Budget Act increased CalFresh administrative funding by somewhat less than the administration's projected caseload increase. The Governor's budget preserves this funding level for 2020-21, but proposes increasing it in 2021-22 in line with the projected increase in caseload.

Recent CalFresh Caseload Data Trending Below Budget Projections
(In Millions)



Caseload Coming in Below Projections So Far. Although CalFresh caseload experienced an initial increase in the spring of 2020, recent caseload data have come in below the administration's projections, with caseload actually decreasing since June 2020. Although caseload currently is decreasing, it remains above its pre-pandemic levels. However, two changes, included in the most recent federal COVID-19 relief act, could lead to future caseload increases: (a) unemployment insurance benefits are now excluded from family income when determining CalFresh eligibility; and, (b) college students will temporarily be exempted from work requirements when applying for CalFresh.

Recent Application Data Shows Increased Demand. In addition, CalFresh applications increased notably in December and January. The LAO will continue to scrutinize caseload data as more becomes available in the coming weeks. If the caseload continues to diverge from the administration's estimates, understanding the reasons for the lower-than-expected caseloads will be important to determine whether policy interventions should be considered to ensure that CalFresh benefits continue to reach eligible Californians.

Increased Benefits for CFAP. The Governor proposes increasing CFAP benefits by 15 percent (in proportion to federally increased CalFresh benefits) at an estimated cost of about $33 million General Fund.

Adjusting SNB/TNB Benefits. The Governor proposes $58.7 million General Fund in 2020-21 and $81.1 million General Fund in 2021-22 to support SNB/TNB benefits. The 2021-22 budget includes over $20 million in proposed funding to increase grant levels for the SNB (from $103 to $172 average grant levels) and TNB (from $183 to $260 average grant levels) programs to better mitigate CalFresh loses due to the expansion of CalFresh to Supplemental Security Income recipients.

Additional Funding for Food Banks. The Governor had proposed $30 million one-time General Fund in 2021-22 to support food banks. This amount was approved for the current year in the early action package in February, along with $5 million in one-time General Fund for diaper distribution.

CHILD SUPPORT SERVICES

The following information below was provided by the Legislative Analyst's Office (LAO).

The child support program is a federal-state program that establishes, collects, and distributes child support payments to enrolled parents with children. In California, the child support program is administered by 47 county and regional local child support agencies (LCSAs), in partnership with local courts. Local program operations are primarily overseen by the state Department of Child Support Services (DCSS). The Governor's budget proposes $333 million General Fund ($1.1 billion total funds) in 2021-22 for DCSS, which is about a 6 percent increase over estimated 2020-21 level—$315 million General Fund ($1 billion total funds).

Legislatively Driven Policy Developments As Part of the 2018-19 Budget, Legislature Required Workgroup on Funding and Efficiencies. The 2018-19 budget required DCSS, in collaboration with the Child Support Directors Association of California (CSDAC), to "[identify] program-wide operational efficiencies and further refinements to the budget methodology for the child support program, as needed." As a result of this workgroup, DCSS submitted a report describing possible operational efficiencies and recommended a new LCSA funding methodology.

Program Efficiencies. The administration identified a number of possible operational efficiencies, including: (1) prioritizing of early and proactive order establishment practices; (2) expanding electronic filing and signature capacity; (3) simplifying the guideline calculator; and, (4) centralizing workload associated with call centers and complex child support cases at the state or regional level. Some of these operational efficiencies have the potential to save staff time, better target staff resources on more cost-effective activities, reduce budgetary pressure, and improve customer service.

New Funding Methodology for LCSAs. Using discussions from the workgroup process, the administration proposed a new funding methodology that would incrementally increase General Fund support for about 20 LCSAs identified as "underfunded" as part of the 2019-20 budget. The funding methodology generally defines "underfunded" as LCSAs with staffing levels below the target case-to-staff ratio. The target case-to-staff ratio largely reflects average staffing levels among certain LCSAs. The target case-to-staff ratio is considered the number of staff needed to effectively manage workload associated with all child support cases. Overall, the administration proposed to increase funding for "underfunded" LCSAs by the amount of additional funding needed to reach the target case-to-staff ratio. The funding methodology did not include a plan or time line to "right-size" funding levels for the over 25 LCSAs identified as "overfunded" or having funding levels above the amount needed to achieve the target case-to-staff ratio.

Subsequent Budgets Also Required Ongoing Workgroups and Reporting to the Legislature. The 2019-20 and 2020-21 budgets also required the administration to provide additional information on program efficiencies and current program operations. The 2019-20 budget required DCSS to hold a series of stakeholder workgroups to discuss and assess the fiscal impact of additional strategies and policy changes that may improve customer services, collectability, and cost efficiency in the program. A written summary of the discussed and recommended changes to the program and LCSA funding methodology was provided to the Legislature in February 2020. The 2020-21 budget included supplemental reporting language that requires DCSS and Judicial Council, in collaboration with CSDAC, to provide updates to the Legislature on key components of California's child support program, including the effectiveness and outcomes associated with: (1) order establishment and the modification process; (2) child support guidelines and treatment of ability to pay and level of financial support needed for children; (3) collection rates and accumulation of arrears; and, (4) local funding and initiatives. In addition, the Legislature required an update on implementation of federal guidance issued in 2016 and a summary of the findings and recommendations from the 2018 quadrennial review.

Recent State Budget Actions. In recent years, the state has made a number of changes to the child support program funding levels. The 2018-19 budget included a $3 million ongoing

General Fund augmentation (at the time, an increase of about 1 percent statewide) to address concerns that flat funding levels over time have made it difficult for some LCSAs to carry out core child support services. The new LCSA funding methodology proposed to increase General Fund support for the “underfunded” LCSAs by $19.1 million in 2019-20, ramping up to $57.2 million in 2021-22. While the administration’s LCSA funding methodology anticipated future funding augmentations, the budget did not provided for these subsequent augmentations at the time. The 2020-21 budget ultimately reduced funding levels for a number of child support program components.

LCSA Funding Reduction. Ongoing funding levels for LCSAs were reduced to 2018-19 budget levels—from $266 million General Fund in 2019-20 to $247 million General Fund in 2020-21. As a result, the $19.1 million General Fund ($56 million total funds) ongoing augmentation provided in 2019-20 was eliminated. Additionally, the administration withdrew its January 2020 budget proposal for subsequent funding augmentations as reflected in the LCSA funding methodology. The $19.1 million General Fund reduction was implemented in a way in that “underfunded” LCSAs (as defined under the administration’s funding methodology) experienced a relatively smaller reduction to funding levels than “overfunded” LCSAs.

DCSS Funding Reduction. Ongoing funding levels for DCSS state operations were reduced by $8.4 million General Fund ($25 million total funds). (This reduction was in addition to statewide, collectively bargained reductions made to employee compensation in the 2020-21 budget as a result of anticipated coronavirus disease 2019 [COVID-19] budget challenges.)

Local Court Funding Reduction. Funds for child support-related local court operations are mainly provided through an interagency agreement between DCSS and Judicial Council. As a part of the funding reduction to overall DCSS state operations, the interagency agreement with Judicial Council was reduced by $2.4 million General Fund ($7 million total funds). The funding reduction to local courts was largely distributed across Child Support Commissioners (CSC)—$1.8 million General Fund—and Family Law Facilitator program (FLF)—$0.6 million General Fund.

Federal Actions. In addition to state reporting requirements and budget actions, the federal government has issued a number of program rule changes and supported locally based pilot projects.

Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs (FEM) Final Rule. In 2016, the federal government issued new child support program guidance, referred to as the FEM final rule, which is summarized in the figure on the next page. While the state already is in compliance with some components of the FEM final rule, it will need to make some changes to the guideline calculator to come into compliance with the new federal guidance. While the state was originally required to be implemented by 2022, the federal government approved the state’s request to extend the compliance deadline for those components until September 2024.

2016 Federal Guidance Prioritizes Consistency and Ability to Pay

Major Features of the Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs Final Rule, (December 2016)

- ✓ Set accurate child support obligations based on the paying parents' ability to pay.
- ✓ Increase consistent, on-time payments to families.
- ✓ Move nonpaying cases to paying status.
- ✓ Increase the number of noncustodial parents supporting their children.
- ✓ Improve child support collection rates.
- ✓ Reduce the accumulation of unpaid and uncollectible child support debt.
- ✓ Incorporate technology and evidence-based standards that support good customer service and cost-effective management practices.

Source: Overview of Federal Final Rule, "Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs."

Federally Approved Pilot Projects. State and local child support agencies may apply for federal grants to conduct limited-term pilot activities that would not otherwise be allowable under federal program and funding rules. These pilots aim to promote the objectives of the child support program and improve the outcomes for children and must include a program evaluation. For example, in 2012, the San Diego Department of Child Support Services received federal funds to establish a pilot program in which eligible parents could attend a case resolution meeting and simultaneously agree on a child support and parenting time arrangement. Overall, the program evaluation found that paying parents who reached an agreement reported an increase in time spent with the children, improved relationship with the children and other parent, and higher child support payment rates.

State Evaluation of Child Support Guidelines. The federal government requires states to establish a statewide uniform set of rules and calculations, referred to as child support guidelines, to determine the amount of child support a parent is required to pay. States are required to review and revise (if appropriate) the child support guidelines every four years largely to ensure the guidelines result in appropriate child support order amounts. Under state law, Judicial Council is required to review the child support guidelines, in consultation with DCSS, program participants, and other stakeholders. The review of these guidelines is referred to as the quadrennial review. The most recent quadrennial review was released in 2018, which was completed too soon after the enactment of the FEM final rule to recommend compliance changes to child support guidelines. However, the upcoming quadrennial review likely will include recommendations on how child support guidelines need to be changed to comply with the FEM final rule.

Impact of FEM Final Rule on State Guideline Requirements. The parameters of the quadrennial review are established by both the state and federal government. The FEM final rule included elements that impact the child support guidelines and the state's quadrennial review process. Federal law was revised to explicitly require that state child support guidelines calculate child support orders "based on the noncustodial parent's earnings, income, and other evidence of ability to pay." The federal government characterized this change as codifying "longstanding interpretation of statutory guideline requirements and reflects the basic principal underlying the federal child support guidelines statute—that application of state guidelines should result in income-based orders." When evaluating a parent's earning capacity, states should consider specific circumstances of the parent, such as employment and earnings history, job skills, education attainment, literacy, age, health, criminal record, and other employment barriers. This requires states to allow for these individual factors to be considered when determining a parent's earning capacity.

Consider Basic Subsistence Needs of Parent When Establishing Child Support Orders. State child support guidelines must take into consideration the basic subsistence needs of the parent who has a limited ability to pay a child support order amount. This could be accomplished by incorporating a low-income adjustment factor in the child support payment calculation. In addition to considering the cost of raising children when evaluating the child support guidelines, states must consider: (1) state and local labor market data by occupational and skill level; (2) the impact of guidelines policies and amounts on families with income levels below 200 percent of the federal poverty level; and, (3) factors that influence employment rates among parents and compliance with child support orders.

Proposes Smaller, Ongoing Augmentations for Child Support Program. The 2021-22 budget proposes to augment funding levels on an ongoing basis for the following program components:

- **Partially Restore Prior Reduction for LCSAs With Highest Case-to-Staff Ratios.** The Governor proposes increasing LCSA funding levels by $8.5 million General Fund ($25 million total funds), which is less than the LCSA funding reduction implemented in 2020-21. The additional funding would be allocated across 20 LCSAs with the highest case-to-staffing ratios as of September 2020 (similar to how "underfunded" LCSAs were defined in the 2019-20 funding methodology).

- **DCSS Augmentation.** The Governor proposes increasing DCSS state operation funding levels by $4 million General Fund ($12 million total funds) on an ongoing basis, which is less than the DCSS funding reduction implemented in 2020-21. The additional funds largely would be spent on information technology positions and system modifications.

- **Local Courts Augmentation.** The Governor proposes increasing funding for child support-related local court operations by $4.1 million General Fund ($12 million total funds), which is greater than the local court reduction implemented in 2020-21. The additional funds primarily would be allocated across CSC ($3.1 million General Fund) and FLF ($1 million General Fund).

Proposes One-Time Funding for Child Support Program Studies. The 2021-22 Governor's Budget proposes $255,000 General Fund ($750,000 total funds) for two years to contract for consulting services to conduct the following child support research projects generally to inform the next quadrennial review effort:

- **Examine the Appropriateness of the "K-Factor."** The K-Factor refers to the cost of raising children or share of income families spend on their children. The state's child support guideline uses the K-Factor, along with number of children and time each parent spends with the children, to determine the amount of a parent's income to be allocated for child support. The K-Factor has not been updated since the adoption of the state's child support guidelines in 1993. As understood, the proposed study would analyze three issues related to the K-Factor: (1) the percentage of income two-parent households and separated parents spend on children today; (2) how the share of income parents spend on their children varies by income level; and, (3) whether the guideline calculation, which accounts for number of children, income levels, and time each parent spends with children, ultimately results in a child support order that reflects a parent's ability to pay—in line with the FEM final rule.

- **Review the Compromise of Arrears Program (COAP).** In 2019-20, the Governor vetoed legislation that eliminated the collection of interest that accrues on past due child support owed to the government. The Governor instead directed DCSS to review COAP, the state's existing child support debt reduction program, and consider any needed program changes to address uncollectable debts and increase collections. As understood, the proposed study would evaluate the current COAP eligibility criteria and suggest additional factors (such as labor market conditions, parent's ability to pay, and other individual circumstances) that could be taken into account when determining COAP eligibility.

Trailer Bill Proposals. The 2021-22 Governor's Budget proposes the following changes to child support-related statute:

- **Expands Allowance of Electronic Signature.** Under current law, LCSAs may use electronic signatures of case participants to replace "wet signatures" only if the local court electronically files the document. The administration proposes to expand the use of electronic signature statewide by allowing LCSAs whose local court does not electronically file documents to utilize electronic signature. This change would require expanding the state's existing electronic signature solution to over 30 LCSAs, which the administration's estimates could be covered with existing funds.

- **Extend Suspension of LCSA Performance Incentive Model.** Since 2002-03, the state has suspended the LCSA performance incentive model outlined in statute. As a part of the 2019-20 LCSA funding methodology, the administration created a new performance incentive model. However, statute was not updated to reflect the new incentive model. The administration proposes to continue the suspension through the end of 2022-23 while it reevaluates the funding and incentive model.

Funding Proposals Allocation of LCSA Funding Prioritizes Resources for LCSAs With Higher Case-to-Staff Ratio. As previously mentioned, the proposed funding augmentation to LCSAs would be allocated across 20 LCSAs with the highest case-to-staff ratio. This approach is consistent with how the additional funds provided in 2019-20 were allocated and the administration's definition of "underfunded" LCSAs under the new funding methodology. This approach would narrow the gap identified in the administration's funding methodology between those LCSAs that have been determined to be "underfunded" and those that are "overfunded." This proposal also is consistent with how the reduction in funding in 2020-21 was applied (which also tried to narrow the difference between "overfunded" and "underfunded" counties).

Research Proposal K-Factor and COAP Studies Expected to Build Upon Existing Research.

K-Factor Research. The 2018 guideline review included a list of over ten K-Factor studies that utilize different statistical techniques and present different estimates on the share of income families spend on children. The most recent K-Factor study was completed in 2017 and a couple of the studies referenced in the 2018 quadrennial review were conducted at the request of California (in 2001 and 2010). Despite the breadth of K-Factor studies, the 2018 quadrennial review did not propose an update to the K-Factor, in part, because "there is no perfect model" for estimating the cost of raising children and "each [study] has its strengths and weaknesses." Another cited challenge to updating the K-Factor was "keeping 'politics' out of the choice" of the updated K-Factor estimate. How different the proposed K-Factor study will be from existing research is not clear at this time, but it appears that the administration expects the proposed study to address some of the technical limitations within existing research and ultimately inform a recommended revision to the K-Factor in the upcoming state quadrennial review.

COAP Research. In 2003, DCSS contracted with the Urban Institute to evaluate the collectability of past due child support—known as arrears—to help determine the amount of resources to direct toward collecting child support arrears and how to prevent arrears from growing rapidly in the future. The study found that the majority of child support arrears were owed to the government and likely was not collectible, in part, due to the majority of arrears being held by low-income individuals. (When child support payments are missed for parents participating in the California Work Opportunity and Responsibility to Kids [CalWORKs] program, the state's welfare program, the arrears that occur are largely owed to the government.) In the same year, Chapter 225 of 2003 (AB 1752, Committee on Budget) directed DCSS to establish COAP, allowing the state to reduce the amount of government-owed child support arrears for eligible parents. The recent legislatively driven workgroups included discussions of ways COAP eligibility and program rules could be modified to increase compliance with child support obligations owed to families and standardize the program across all LCSAs. Additionally, some LCSAs have piloted different debt reduction rules and criteria, which resulted in more consistent child support payments and improved relationships with children and parents. The proposed COAP study it intended, it seems, to build upon recent interest in improving COAP by specifically evaluating possible changes to COAP eligibility criteria.

Research Proposal Aligns With Some Components of the New Federal Guidance. The K-Factor and COAP study may help the state determine how to better align state guidelines with certain components of the FEM final rule. Specifically, determining whether the K-Factor accurately reflects how much parents spend on children today may assist the state in modifying the state's child support guidelines to ensure child support orders accurately reflect a parent's ability to pay. Additionally, the evaluation of COAP eligibility criteria may assist the state in reducing the accumulation of unpaid and uncollectible child support debt.

Unclear If and How Remaining Components of FEM Final Rule Would Be Analyzed. Similar to the K-Factor and COAP study, the FEM final rule includes other components that also would benefit from additional analysis. For example, the 2018 quadrennial review mentioned that additional research may be warranted to assess whether a currently used low-income adjustment to child support orders provides enough of an adjustment to the order to allow for the basic subsistence needs of parents, as required by the FEM final rule. Additionally, the 2018 quadrennial review mentioned that a longitudinal study of order establishment, the child support guideline, and payment compliance patterns may help determine the optimal order amount for families in various economic and familial circumstances. Such a study generally would align with the objective of basing child support orders on a parent's individual circumstances and improve overall collection rates. Given that the Governor's research proposal mainly includes an evaluation of the K-Factor and COAP, if and how the administration would conduct research on topics related to the other issues that could assist in the implementation of other components of the FEM final rule is unclear.

Trailer Bill Proposals Allowing Expansion of Electronic Signature Makes Sense. As a part of the legislatively driven workgroups, electronic signature capacity was identified as a possible program-wide operational efficiency. In recent years, DCSS collaborated with Judicial Council to develop and implement an electronic signature process for all child support legal forms in counties with existing electronic filling capacities. In past workgroup reports, the inability to use electronic signature in counties without electronic filing systems was identified as a barrier to maximizing this operational efficiency. The administration's proposed expansion of electronic signature capacity seems to address this barrier. Additionally, given that COVID-19 has impacted the timeliness of child support hearings, the expansion of electronic signature capacities may help improve hearing timeliness by decreasing court processing time.

STAFF COMMENTS AND QUESTIONS

Counter-cyclical anti-poverty programs are intended to help families get through economic crises, in the interest of keeping families and children safe. The dysfunctional response of caseloads in the COVID-19 pandemic and associated economic recession and unemployment crisis highlight the need for state government to do more to make the programs work, not only to respond to the exacerbated poverty resulting from this crisis, but the racial and ethnic disparities that these dynamics are further widening.

Responses to the issues raised in this panel discussion for the 2021 Budget could include:

- Making new and additional efforts to actively promote (e.g. through a media campaign) CalWORKs and CalFresh statewide and further eliminate administrative barriers that make it difficult to gain access to the programs.

- Provide an amnesty on sanctions and restore the adult portion of the grant for these cases. The annual cost to do this is estimated by the DSS as $108.9 million and would increase grants for approximately 49,000 cases. It is important to remember that the grants, after this restoration, would be a bit below or just above deep poverty – which is defined as 50 percent of the federal poverty level (FPL), so, updated for 2021, this is $10,980 per year for a family of three people.

- Provide lump sum non-recurring benefits to alleviate destitution and provide monetary support for families at times of the year when additional household costs are a certainty, such as back-to-school times and when summer or winter weather causes spikes in utility costs. The early action budget package approved in February 2021 that provided Golden State Stimulus one-time $600 payments to CalWORKs, SSI/SSP, and Cash Assistance Program for Immigrants (CAPI) recipients, is an example of this kind of benefit.

- Institutionalizing the anti-poverty, neuroscience, and executive function principles of the CalWORKs Outcomes and Accountability Review (CalOAR) and the CalWORKs 2.0 Model, covered in this Subcommittee's prior years' agendas, in the program, which could mean providing additional funding for more intensive and dedicated case management, additional training to fundamentally shift program culture, and indemnifying counties from any fiscal effect of a possible, but never-yet manifested, Work Participation Rate (WPR) penalty.

- Provide food support and cash assistance to families otherwise excluded due to their immigration status.

- Fully fund expected need, based on recent trends, at our California food banks and pantries, and taking as many measures as possible to expand capacity and infrastructure for these community resources as quickly as possible.

Staff recommends that the Subcommittee make the following requests in the hearing:

1. Ask the Legislative Analyst's Office to provide a list of options, with General Fund costs and indicating whether it is a one-time or on-going cost, for simplifying access to the CalWORKs program specifically, and allow for maximum utilization of the program for families in need. It is requested that this come back to the Subcommittee by mid-April.

2. Ask the Administration to provide a list of options, with General Fund costs and indicating whether it is a one-time or on-going cost, for simplifying access to the CalFresh program and a profile of what costs would mean to maximize emergency food

assistance statewide. It is requested that this also come back to the Subcommittee by mid-April.

3. Ask the Department of Social Services to provide information that would have been included as part of a report that was required in the 2019 Budget on the statutory changes needed to institutionalize the CalOAR, which was not received in the 2020 calendar year.

4. Request more in-depth information from the Department of Child Support Services on its research proposals and a schedule, with conversations to occur soon with interested legislative staff on if and how these issues can be resolved as part of the 2021 Budget.

Apart from the requests advanced in the hearing, Subcommittee staff may request further information after this hearing to forward and develop proposals for additional investments in the weeks that precede the release of the Governor's May Revision.

At the time of this writing, this agenda does not yet cover the investments recently approved in the American Rescue Plan Act of 2021 package approved by Congress and signed by President Biden on March 11, 2021. The Act could be a source for investments and initiatives to maximize relief for families and individuals struggling to meet basic needs of food and shelter at this time.

Staff Recommendation: Make the four requests as indicated above in the agenda, with a note that staff may be seeking further information as investment options are further developed in the weeks leading to the release of the Governor's May Revision.

ISSUE 2: CURRENT CRITICAL STEPS TOWARD RACIAL EQUITY

This issue's conversation is focusing on critical current steps toward racial equity, longer-term strategic efforts to reduce systemic racism, and creating additional meaningful investments to begin to address racial/ethnic disparities evidenced in California's social services programs.

PANELISTS AND QUESTIONS ASKED OF EACH PRESENTER

Panelists have been asked to specifically answer the questions below as listed for each individual panelist in their five-minute maximum presentation to the Subcommittee.

1. **Adriana Ramos-Yamamoto, Policy Analyst, California Budget and Policy Center**
   - Can you share about why or how public policies can be racist? For some, this may be obvious, but for others, this may be new – to understand how a policy can be racist when it is created and put into practice.
   - You have a new report calling for California to "Declare Racism a Public Health Crisis" – why is this important? Why does a declaration matter?
   - Your report also highlights disparities among COVID case and death rates. Can you share more about your findings?
   - How does everyday racial discrimination harm the health and welfare of people of color? What does this discrimination look like?

2. **Marko Mijic, Deputy Secretary, Program and Fiscal Affairs, California Health and Human Services Agency**
   - What is the vision of the California Health and Human Services Agency (CHHS) on racial equity, implicit bias reduction in program policies and procedures, and elimination of harmful program stigmas that discourage use of anti-poverty programs?
   - What specific improvements are you seeking for CalWORKs families and across what time basis?
   - What specific improvements are you seeking for families and children served in our Child Welfare Services and Foster Care systems and across what time basis?
   - What efforts are being made to coordinate interagency efforts to embed equity principles, policies, and approaches across state government offices and departments within the CHHS?
   - Federally, the Biden White House has directed the Office of Management and Budget to identify opportunities to promote equity and investment in underserved communities in the annual White House Budget Request. What is the Administration's reaction to this kind of direction and adoption of something similar in California?

3. **Kim Johnson, Director, California Department of Social Services**
   - What are the race/ethnic, gender, and age demographics of the populations served by our state's largest anti-poverty and safety net programs, specifically CalWORKs and

CalFresh, and how does that relate and reconcile with income inequality and race/ethnicity in California?

4. **Marcela Ruiz, Director, Office of Equity, California Department of Social Services**
    - Is, and to what extent is, an assessment occurring to identify the programs and policies at DSS that perpetuate systemic barriers to opportunities and benefits for people of color and other underserved groups?
    - Please explain the current and proposed efforts led in DSS by the Office of Equity and describe the metrics and data that will allow the department to evaluate and manage to results over time.

5. **Kim McCoy Wade, Director, California Department of Aging**
    - What are the specific near-term policy and budget steps that the Master Plan for Aging (MPA) has charted toward racial justice for seniors and people with disabilities?
    - What does this specific agenda look like and how are you deciding on priorities?
    - What metrics and data will you use to measure outcomes and hold programs and local governments accountable?

6. **Angela Short, Legislative Analyst's Office**
    - Please provide an overview of the initiatives from the new federal administration regarding racial justice and racial equity.
    - Are there state programs that are natural candidates for focus in the work toward addressing racial/ethnic disparities in the Human Services area?
    - What is your current assessment of the two Budget Change Proposals from the Administration related to racial equity ("Equity-Centered Programs" from the Health and Human Services Agency and "Office of Equity: Language Access Resources" from the Department of Social Services)?

7. **Cathy Senderling-McDonald, Executive Director, County Welfare Directors Association of California**
    - From the perspective of the counties and local social services departments, what are the most pressing and important concrete steps that the state can take to embrace goals, principles, and policy changes to advance racial equity in our social services systems?
    - What work has CWDA focused on recently regarding implicit bias and racial trauma? What changes in policy and practice might extend from this?

8. **Mike Herald, Legislative Advocate, Western Center on Law and Poverty**
    - What specific steps do we need to take as a state to make CalWORKs less compliance oriented and more human centered?
    - Some argue that our public benefit programs were designed to limit eligibility and to require strict compliance with reporting and income limits as a way to limit caseloads. What has been the outcome on families from approaches that were rooted in this thinking? What changes should we enact to make the programs work better for families?

9. Orville Thomas, Government Affairs Director, California Immigrant Policy Center, Representing the One California Coalition

- Please explain the current One California proposal and tell us what it means for legal and naturalization services in California. How will services relate to possible federal immigration reform?
- How would you describe the effect of the prior federal administration on California immigrants requesting and receiving services over the last four years, especially during COVID? What can the Legislature do to help address concerns from the immigrant community?
- California has a strong history of leading the nation in immigrant inclusivity efforts. What are current legislative and budget proposals in this space to help in the post-COVID recovery?

BACKGROUND

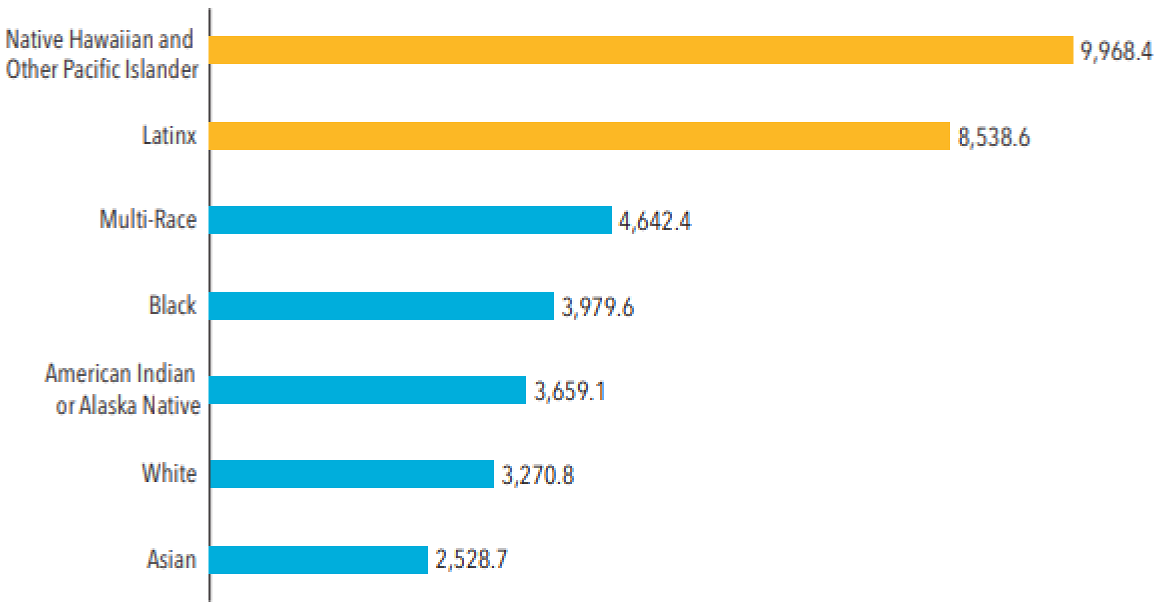
The following excerpts are from a seminal report released in February 2021 by the California Budget and Policy Center titled, "Confronting Racism: Overcoming COVID-19 and Advancing Health Equity." Not all of the excerpts include, due to formatting and drafting restrictions, the footnotes noting extensive research and data sources, so please see the full report at https://calbudgetcenter.org/wp-content/uploads/2021/02/R-FP-Health-Equity_.pdf for complete information.

"The COVID-19 pandemic has underscored the depths and reach of racism on the health of children, families, and individuals, with communities of color in California experiencing higher rates of illness, death, and overall hardship due to the virus. This devastation must be the catalyst for California policymakers to acknowledge that racism has caused lasting and negative impacts on communities of color. While some local policymakers in California have declared racism as a public health crisis, there has not been a declaration at the state level. [The] Report provides a high level overview on how health inequities are a direct consequence of historic and ongoing racism. The integration of racist policies and practices in various systems — specifically housing, environment, employment, health care, justice system, and education — prevents many communities the opportunity to be healthy and thrive. Only by first declaring racism a public health crisis can we then begin to minimize, neutralize, and dismantle the systems of racism that create inequalities in health for Californians.

As the state approaches almost one year into the pandemic, over 3.1 million Californians have tested positive for COVID-19. While COVID-19 affects people of all ages and backgrounds, the virus has infected people of color at higher rates. After adjusting for age, Native Hawaiian and other Pacific Islander and Latinx Californians have the highest rates of COVID-19 infection, followed by Multi-Race, Black, and American Indian or Alaska Native Californians. The disparities are particularly stark when compared to white and Asian Californians, who experienced the lowest rates of infection. Some people of color face higher risk of infection partly because they are more likely to work in low-wage essential services, live in multigenerational homes, and lack access to worker benefits that allow them to stay home if they are sick. Many people of color face this increased risk of getting sick from COVID-19 due to long-standing inequities in workplaces and housing perpetuated by racism. These everyday circumstances not only affect someone's exposure to the virus — they often determine a person's ability to survive the virus once they become sick.

Native Hawaiian and Other Pacific Islander Californians Have the Highest Rate of COVID-19 Infection, Followed by Latinx

Age-Adjusted Cases Per 100,000 by Race/Ethnicity as of January 27, 2021

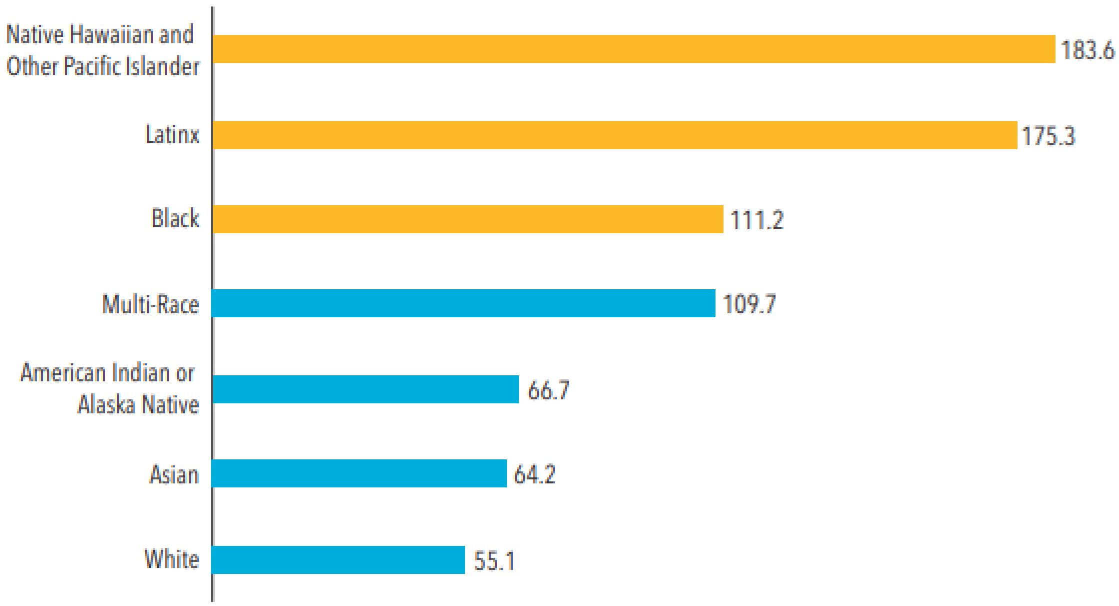


Note: Data are as of January 27, 2021. Of the 3,186,610 total cases, 33.7% were excluded due to missing data and other data limitations. The weights used for the age adjustment of COVID-19 data reflect each age group's share of the estimated 2020 California population (e.g., 0-17, 18-34, etc.).
Source: Budget Center analysis of data from the California Department of Public Health and the Department of Finance

As of late January 2021, over 38,000 Californians have died due to COVID-19 — a devastating and immeasurable loss for families and communities across the state. Just as in the case rates, racial disparities are apparent in COVID-19 death rates. After adjusting for age, Native Hawaiian and other Pacific Islander, Latinx, and Black Californians experienced the highest rates of COVID-19 deaths, followed by Multi-Race and American Indian or Alaska Native Californians. Asian and white Californians experienced the lowest rates of COVID-19 deaths. These disparities are alarming considering that some racial/ethnic groups are generally younger than the other demographic groups, so they should not be dying at such high rates. Age is relevant because the risk for severe illness and even death from COVID-19 increases as a person gets older, according to the US Centers for Disease Control and Prevention. The other major risk factor is having an underlying medical condition.

Native Hawaiian and Other Pacific Islander, Latinx, and Black Californians Experience the Highest Rates of COVID-19 Death

Age-Adjusted Deaths Per 100,000 by Race/Ethnicity as of January 27, 2021



Note: Data are as of January 27, 2021. Of the 38,070 total deaths, 4% were excluded due to missing data and other data limitations. The weights used for the age adjustment of COVID-19 data reflect each age group's share of the estimated 2020 California population (e.g., 0-17, 18-34, etc.).
Source: Budget Center analysis of data from the California Department of Public Health and the Department of Finance

Communities of color are at greater risk for severe illness if they become infected with COVID-19 mainly due to higher rates of underlying health conditions, such as a heart condition, asthma, obesity, or a weakened immune system. Health disparities have been well documented along lines such as race, ethnicity, income, education level, sexual orientation, gender identity, and even zip code — but for the purposes of [the] Report, the focus will be on race. In California and across the nation, racial health disparities persist in chronic health conditions, health coverage, and mortality. For example:

- Black Californians have the highest incidence and mortality rates for various types of cancer (e.g. prostate, colorectal, and lung cancer) compared to other racial groups, and having cancer increases the risk of severe health consequences from COVID-19.
- Black, American Indian, and Latinx adults experience higher rates of obesity in California. Having obesity is also considered to be a risk factor for severe illness from COVID-19.
- A national study showed that Native Hawaiians and Filipinos had the highest risk profiles for chronic kidney disease, which is another risk factor for severe illness from COVID-19. (Note: Native Hawaiian and Pacific Islander populations are often

overlooked because data is not collected and published in ways that target these groups.)

- Black Californians also experience worse maternal and childbirth outcomes, such as higher rates of preterm and low-birthweight births. Having a low birthweight is associated with certain health conditions later in life, such as diabetes, heart disease, high blood pressure, and obesity, which are all risk factors for severe illness from COVID-19.
- Latinx Californians are more likely to report fair or poor health and to be uninsured. In addition, about 1 in 5 Latinx Californians did not have a usual source of care, and 1 in 6 experienced difficulty finding a specialist. Even before the pandemic, lack of accessible and quality health care coverage prevented people from receiving crucial preventive care and treatment for chronic diseases.

What is Age-Adjustment and Why Does it Matter? Given that age distributions across racial/ethnic groups vary, COVID-19 health disparities, particularly fatality rates, can be better understood by looking at rates that are adjusted for age. Age-adjustment is a statistical technique used to calculate rates of disease, death, injuries or other health outcomes in order to compare communities with different age structures. While COVID-19 impacts people of all ages, seniors (age 65+) and people with chronic health conditions have the highest risk for severe illness and even death. As such, age-adjusted rates highlight the proportional disparities between racial/ethnic groups based on the number of individuals within each age group. For example, the Latinx population in California is generally younger than the white population in California, yet Latinx Californians are dying at higher rates. The racial disparities in COVID-19 deaths among Californians of color widen after adjusting for age.

How Does Everyday Racial Discrimination Harm the Health of People of Color? Racial discrimination is a historic and ongoing problem for people of color and it is harmful to health. A recent national survey on this issue shows that a growing share of people believe that the United States has not made enough progress on racial inequality. In addition, people of color in another national study say that discrimination against their own race or ethnic group still exists today. There is a considerable amount of research on the impact of racism on individual health, including some studies on individual-level discrimination on the basis of race (i.e. racist or discriminatory interactions). Many studies measure exposure to or perceptions about interpersonal racism, linking racism with depression, anxiety, psychological stress, and other mental health outcomes. Research on the impact of interpersonal racism and physical health is growing, and many examine the impact of racism on the "biomarkers of disease and well-being." Racial discrimination contributes to earlier onset of and faster progression of chronic health conditions that Black individuals experience, otherwise called "accelerated aging." …When chromosomes start to become unstable, cells die. While there are many factors that contribute to stress and accelerated aging, there is evidence that racial discrimination plays a role. Another recent study supports a growing understanding that early life stress from racial discrimination leads to accelerated aging and possibly premature disease and mortality in Black individuals. All in all, the literature on this topic sheds light on how chronic stress from experiencing racial discrimination can take a toll on the body." The following four displays are also from the "Confronting Racism" report.

KEY TERMS

Antiracist policies are policies that aim to dismantle the racism in social, political, and economic systems and structures that lead to racial inequities.[30] The effects of the COVID-19 pandemic have underscored racism embedded in these systems and structures, and policymakers should follow an antiracist framework in responding to and recovering from the pandemic.

Health equity is when everyone has the opportunity to be as healthy as possible and no one is disadvantaged from achieving this because of their race, gender identity, sexual orientation, the neighborhood they live in, or any other "socially defined circumstance."[31] While COVID-19 has set California back from advancing health equity, policymakers must prevent health disparities from widening and address a fundamental root cause of health inequities: racism.

Health disparities are differences in health status among populations — segmented by geographic localities, gender, race or ethnicity, education, income, or disability. For instance, Black Californians have the highest incidence and mortality rates for all types of cancer compared to other racial groups.[32] Given that cancer is one of the conditions that put people at an increased risk of severe illness from COVID-19, this is one example of a racial health disparity that is directly tied to COVID-19 outcomes.[33]

Health inequities are avoidable differences in health that are rooted in social injustices that make some groups more vulnerable to poor health outcomes than others.[34] For example, a health inequity is the increased rate of hospitalization for asthma in children living near busy roads; in California, children of color are far more likely to live near busy roads.[35] Asthma may increase the risk of severe illness from COVID-19.[36]

Institutional racism refers to racially discriminatory policies and practices carried out within or between individual institutions.[37] Such policies may not explicitly name and target any group based on race or ethnicity, but their effect is to create advantages for white people and to oppress people of color.[38]

Interpersonal racism refers to discrimination on the basis of race that occurs between individuals, such as verbal or physical aggression.[39] For instance, many Asian Americans have experienced incidents of interpersonal racism since the COVID-19 pandemic began, with about 3 in 10 Asian adults reporting that they have been subject to slurs or jokes.[40] In this Report, interpersonal racism and racial discrimination are used interchangeably.

Racial equity is the notion that race should not predict life outcomes and opportunities available to all people.[41] The goal of racial equity is to ensure fairness and justice in a society, where everyone can prosper regardless of race or ethnicity.[42]

Social determinants of health are the conditions in which people live, learn, work, and play that affect a wide range of health outcomes.[43] Inequities in the social determinants of health, such as living in a crowded home or working in an essential service, put people of color at increased risk of getting sick or even dying from COVID-19.[44]

Structural racism refers to the cultural, institutional, and interpersonal policies or practices that produce adverse outcomes and conditions for people of color compared to white people.[45]

What Does Discrimination Look Like?

The Everyday Discrimination Scale is one of the most common approaches to measure exposure to discrimination. Below is a look at the scale that researchers ask study participants about their experiences with discrimination.

In your day-to-day life, how often do any of the following things happen to you?

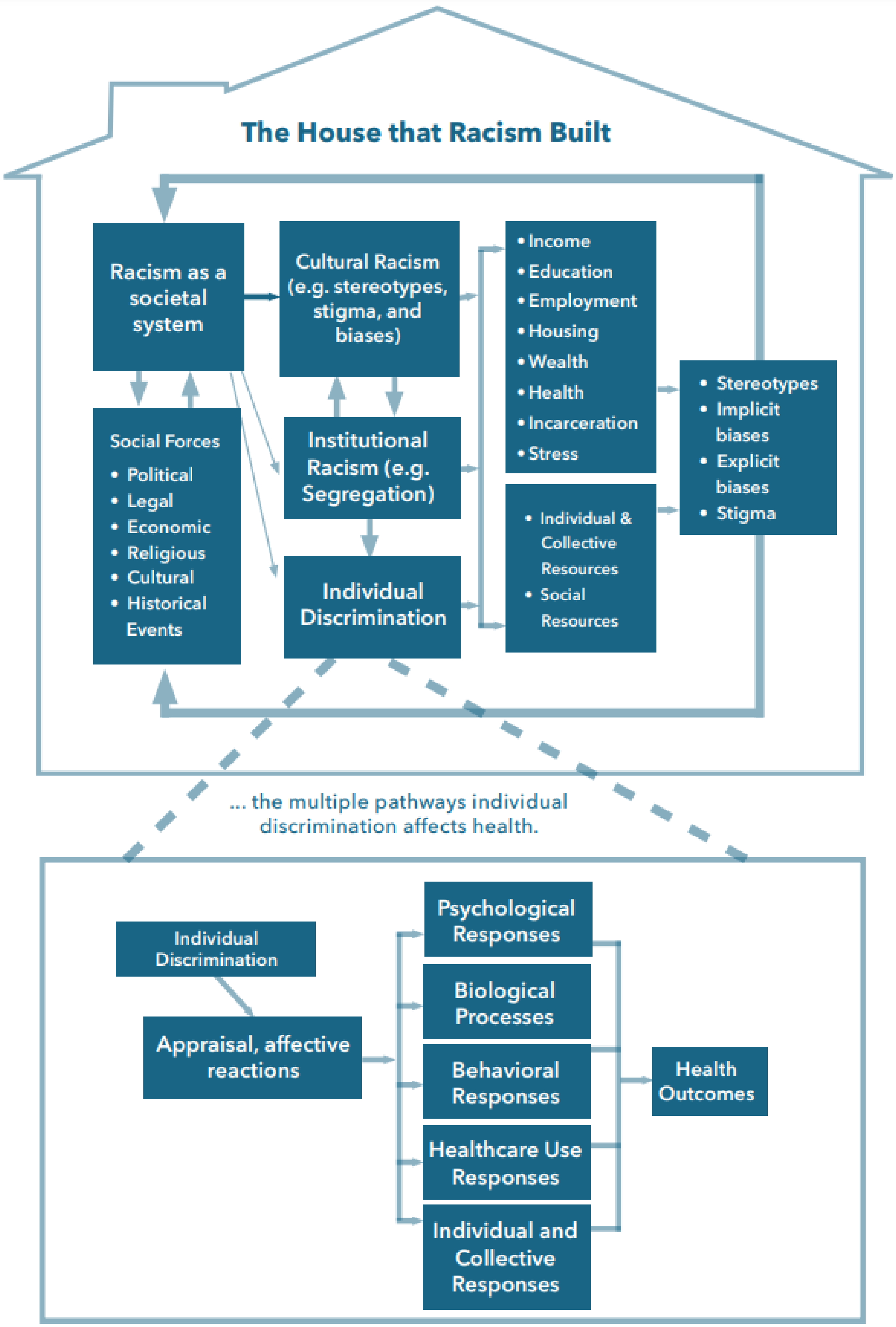
1. You are treated with less courtesy than other people are.
2. You are treated with less respect than other people are.
3. You receive poorer service than other people at restaurants or stores.
4. People act as if they think you are not smart.
5. People act as if they are afraid of you.
6. People act as if they think you are dishonest.
7. People act as if they are better than you are.
8. You are called names or are insulted.
9. You are threatened or harassed.

Participants are also asked to report how frequently they experience unfair treatment using the following response format:

- Almost everyday
- At least once a week
- A few times a month
- A few times a year
- Less than once a year
- Never

Note: Discrimination on the basis of race is only one form of discrimination. Other forms include discrimination based on gender, sexual orientation, age, or disability.

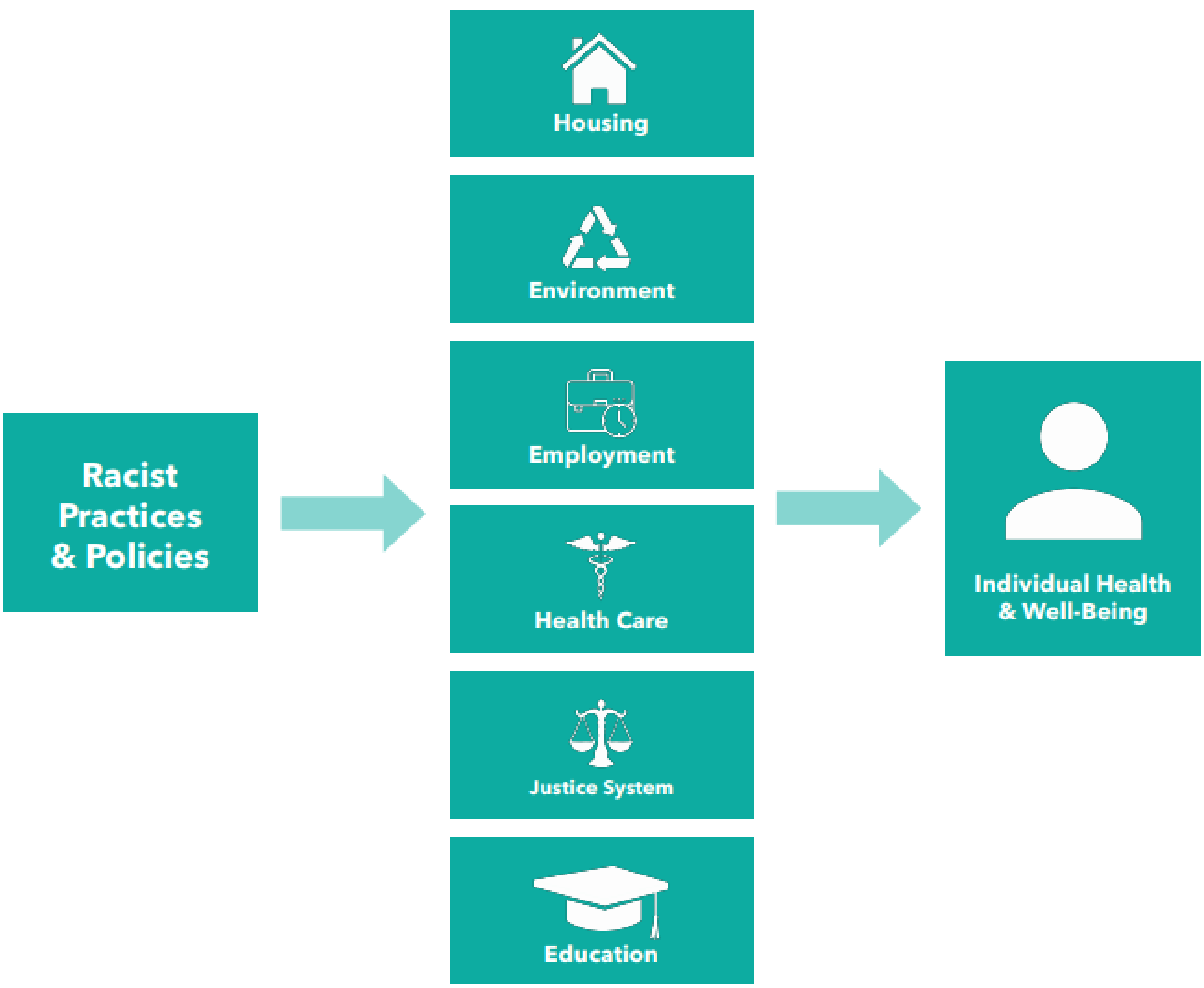
Source: David R. Williams et al., "Racial Differences in Physical and Mental Health: Socioeconomic Status, Stress and Discrimination," *Journal of Health Psychology* 2, no. 3 (1997): 335-351, https://doi.org/10.1177/135910539700200305.



Health Services Research, Volume: 54, Issue: S2, Pages: 1374-1388, First published: 29 October 2019, DOI: (10.1111/1475-6773.13222)

Federal, State, and Local Policies and Practices Rooted in Racism Have Produced an Inequitable California

The racial health disparities in COVID-19 cases and deaths confirm what many have firmly established: racism is a public health issue. Long-standing issues of racism in every institution have placed people of color at a higher risk of harm from COVID-19. Research documents how racism persists in various institutions, and how racism impacts health. The remaining sections of this Report will provide a high-level overview of racism in the following institutions: housing, environment, employment, health care, justice system, and education.



Creation of the DSS Office of Equity. The Office of Equity was established in 2019 as an outgrowth of participation in the national effort called the Government Alliance on Race and Equity (GARE) and reflects DSS' commitment to serve all Californians. As a department providing food, shelter, safety and security, employment and job supports and training, DSS is uniquely well-positioned to reduce structural inequities through its programs and practices.

DSS has identified the following goals and strategies to advance equity:

- Foster a culture of diversity and inclusion that actively invites the contribution and participation of all people and is representative of the varied identities and differences (race, ethnicity, gender, disability, sexual orientation, gender identity, national origin, tribe, caste, socio-economic status, thinking, and communication styles), in California.
- Use data to make inequities visible.
- Advance equity through training, tools, and technical assistance.
- Improve language access and access for communities with disabilities.
- Support on-going partnerships with those communities most affected by inequities to advance equitable policy and systems changes.

DSS BCP. The Governor's budget includes the following proposals to provide additional support for various programs within the Office of Equity.

- $920,000 ($797,000 General Fund) for one SSM I and three AGPAs to comply with language access requirements through the implementation of a department-wide language access policy.
- $320,000 ($139,000 General Fund) for two AGPA positions to address increased workload in the department's Equal Employment Opportunity (EEO) Office.
- $450,000 ($281,000 General Fund) for three AGPA positions to address the workload related to integrating tribal consideration throughout the department.
- $316,000 General Fund for the next three years to fund two limited-term AGPA positions to meet immigrants' needs given the ongoing emergent situations.

Language Access Resources. The translation of CDSS program documents is a vital federal and state-mandated service that provides Californians with limited English proficiency have access to the programs and services administered by the department. Since 2015-16, the number of analysts within the Language Services Unit has been decreasing while the workload has been increasing. For the past three years, six analysts have been performing the job formerly performed by ten full-time analysts, greatly impacting the completion time and quality of translations. Nearly 30 percent of participants in CDSS' programs identify a language other than English as their primary language. CDSS must provide all people meaningful access to social services and this is only possible when all individuals can understand the vital documents that affect and explain their rights and responsibilities. The addition of the requested staff is projected to result in a 50 percent increase in the translations completed in the first year.

Equal Employment Opportunity (EEO) Office. The EEO Office provides agency wide leadership in advising management in the development, implementation, and maintenance of discrimination-free policies, procedures and practices, and ensures a work environment free from discrimination for all applicants and employees. CDSS is responsible for conducting investigations filed by members of the public receiving services from the department. The EEO Office responds to requests for information from the Department of Fair Employment and Housing, the Equal Employment Opportunity Commission, and the State Personnel Board when discrimination complaints are filed. CDSS is also responsible for conducting whistleblower complaint investigations. CDSS requires additional staff to complete the investigations within 180 days. Over the past seven years, CDSS has steadily seen an increase in EEO complaints (average increase of 20.6 percent). The number of complaints rose from 36 cases in 2014 to 128 cases in 2019. CDSS has taken steps to mitigate the rising workload by offering a mediation program instead of investigations when appropriate and agreeable to all parties involved. In addition, CDSS contracted with a vendor to provide automated transcription services to free up staff time from taking notes and then transcribing them. However, additional resources are still needed to meet the goal of completing investigations within 180 days.

Office of Tribal Affairs (OTA). The OTA was established in 2017 to fulfill legal and regulatory mandates involving compliance with the Indian Child Welfare Act (ICWA) and engagement with the Indian tribes in California. CDSS' engagement with the ICWA and tribal issues is based on legal requirements that mandate application of specialized laws whenever Indian children are involved in child custody proceedings. Currently, issues are identified and brought forth to CDSS by counties, tribes, and stakeholders. These issues are logged and tracked and then disseminated to the proper CDSS policy shops for response, which assists CDSS to meet its legal and regulatory obligations to tribes, counties, or other stakeholders. The tasks of tracking tribal issues as they span throughout the department presents difficulties that challenge compliance. The requested resources will allow CDSS to more closely monitor regulatory developments and initiatives that affect tribes and Indians in California in a way that includes them to the greatest extent practicable and permitted by law. The requested AGPAs will provide oversight in the coordination and facilitation of regional roundtables (three per region) comprised of county and tribal social services personnel, county counsels, and judges. This includes the establishment of workgroups and taskforces to address tribal concerns as identified through tribal communication.

Rapid Response Unit within the Immigration Services Bureau. The Rapid Response Unit was created in 2019 to develop and implement disaster assistance efforts primarily for undocumented immigrants. This unit is responsible for responding to emergency situations, where federal assistance is unavailable. The services provided are designed to meet urgent short-term needs and include shelter, food, and medical assistance. Since program implementation in 2015, CDSS has experienced significant program growth through an expansion of funding and scope of services provided. In 2020-21, two new programs, the Immigrant Legal Fellowship and ongoing DACA legal services, will require development and implementation. The requested positions will provide oversight as well as technical assistance, reporting, and site visits.

CHHS BCP. CHHS Agency requests six positions and General Fund expenditure authority of $7.6 million in 2021-22, $4.1 million in 2022-23, and four positions and $1.3 million annually thereafter. If approved, these positions and resources would allow CHHS to implement several equity-related proposals including a post-pandemic equity analysis, language access resources, an equity dashboard, and workforce training. According to CHHSA, California was the first state in the nation to implement a health equity metric as part of the Blueprint for a Safer Economy framework, a tier-based system that governs the level of pandemic-related restrictions in effect in a given county. The equity metric requires a county, prior to relaxation of pandemic restrictions, to submit a plan to target investments to protect disproportionately impacted populations and to demonstrate that test positivity rates in disadvantaged neighborhoods do not significantly lag the county's overall test positivity rate.

Staffing and Resource Request. CHHSA requests six positions and General Fund expenditure authority of $7.6 million in 2021-22, $4.1 million in 2022-23, and four positions and $1.3 million annually thereafter to implement several equity-related proposals. In addition, DHCS requests five positions and expenditure authority of $967,000 ($484,000 General Fund and $483,000 federal funds) in 2021-22 and $922,000 ($461,000 General Fund and $461,000 federal funds) annually thereafter as part of the equity dashboard proposal.

The four equity-related proposals are as follows:

1. **Post-COVID Equity Analysis** – CHHSA requests one position and General Fund expenditure authority of $1.7 million in 2021-22 and $154,000 annually thereafter to conduct a retrospective analysis of the intersection of the COVID-19 pandemic and health disparities and inequities. According to CHHSA, the analysis would help the state better understand how health disparities fueled the pandemic and how to prepare for future crises.

2. **Language Access Policy Framework** – CHHSA requests two limited-term positions and General Fund expenditure authority of $307,000 in 2021-22 and 2022-23 to develop and implement an agency-wide language access policy and protocol framework that considers legal compliance; operational aspects of translation and interpretation; bilingual staff testing, classification, and related human resources requirements; and engagement with community stakeholders and partners.

3. **Equity Dashboard** – CHHSA requests three positions and General Fund expenditure authority of $3.2 million in 2021-22 and $1.1 million annually thereafter. DHCS requests five positions and $967,000 ($484,000 General Fund and $483,000 federal funds) in 2021-22 and $922,000 ($461,000 General Fund and $461,000 federal funds) annually thereafter. I f approved, these positions and resources would allow CHHSA and DHCS to develop and release an equity dashboard to better understand disparities among programs and services in health and human services departments and entities. The dashboard would be part of the agency's Open Data Portal and would identify data gaps by race, ethnicity, sexual orientation, and gender identity.

4. **Workforce Training** – CHHSA requests General Fund expenditure authority of $2.5 million in 2021-22 and 2022-23 to expand training opportunities in agency departments and other entities to identify and eliminate barriers to an inclusive, just, and sustainable

society. Staff would receive racial equity training to ensure the programs and services are respectful and mindful of the communities being served.

Prior Legislation and Budget Augmentations to Address Equity. Over the past several years, the Legislature has enacted legislation and approved budget augmentations to address some of the same equity concerns identified in this BCP.

- **California Reducing Disparities Project**, a collaboration between the Department of Health Care Services, the Mental Health Services Oversight and Accountability Commission, the California Behavioral Health Directors Association and the California Behavioral Health Planning Council, was founded in 2009 with the goal of achieving mental health equity for African American, Latino, Native American, Asian and Pacific Islander, and LGBTQ+ communities. The 2012 Budget Act included expenditure authority from the Mental Health Services Fund of $60 million for the Office of Health Equity at the Department of Public Health to administer the program. Phase I of the program resulted in development of a Strategic Plan to Reduce Mental Health Disparities, which provides a roadmap for reducing mental health disparities in unserved, underserved, and inappropriately served communities. The plan identifies strategies to improve access, services, and outcomes for these populations. According to DPH, Phase II of the program is currently underway and is focused on funding and evaluating the practices identified in the strategic plan.

- **AB 470 (Arambula),** Chapter 550, Statutes of 2017, requires DHCS to utilize existing data sources for specialty mental health services to help identify mental health disparities. AB 470 requires the department's performance outcome reports to provide data at the statewide and county level regarding access to care, waiting times for assessment and for a first appointment, language capacity and language access, quality, utilization and penetration. AB 470 requires all of these data to be stratified by age, sex gender identity, race, ethnicity, primary language, sexual orientation, or any other data elements for which there is peer-reviewed evidence to assess performance outcomes related to mental health disparities. The AB 470 implementation process identified several areas in which DHCS does not currently collect the necessary information to detect disparities.

- **AB 635 (Atkins),** Chapter 600, Statutes of 2016, authorized a pilot project for medical interpreters, along with a study to identify current requirements for medical interpretation services and strategies to be employed regarding the provision of interpretation services for Medi-Cal beneficiaries. The 2016 Budget Act included $6 million ($3 million General Fund) for the study and the project. However, DHCS only conducted the study and did not implement any pilot projects. As a result, the 2019 Budget Act included General Fund expenditure authority of $5 million specifically to conduct the pilot projects and SB 165 (Atkins), Chapter 365, Statutes of 2019, requires the establishment of up to four separate sites to evaluate the provision of medical interpretation services for Medi-Cal beneficiaries.

New Federal Task Force to Advance Health Equity. On January 21, 2021, the Biden Administration issued an executive order establishing a COVID-19 Health Equity Task Force at the federal Department of Health and Human Services. The task force is composed of agency and department leaders, as well as up to 20 members with expertise and lived experience relevant to groups suffering disproportionate rates of illness and death in the United States or relevant to equity in public health, health care, education, housing, and community-based services. The task force will provide recommendations to the President for mitigating health inequities caused or exacerbated by the COVID-19 pandemic and for preventing such inequities in the future. The recommendations will include: (1) how best to allocate COVID-19 resources to address disproportionately negative impacts of COVID-19 outcomes by race, ethnicity, and other factors; (2) how to disburse COVID-19 relief funding in a manner that advances equity; and, (3) effective, culturally aligned communication, messaging, and outreach to communities of color and other underserved populations. The task force will also collaborate with relevant agencies to develop a data strategy, including: (1) recommendations for expediting data collection for communities of color and other underserved populations; (2) identifying data sources, proxies, or indices that would enable development of short-term targets for pandemic related actions for such communities and populations; and, (3) developing longer-term recommendations to address data shortfalls and other foundational data challenges, including those related to data intersectionality.

Federal Executive Order on Advancing Racial Equity and Support for Underserved Communities. On January 20, 2021, President Biden signed an Executive Order tackling racial equity goals in the federal government more widely. A summary of its main components is as follows, the Executive Order:

- Directs federal agencies to assess whether, and to what extent, programs and policies perpetuate systemic barriers to opportunities and benefits for people of color and other underserved groups.
- Directs White House Domestic Policy Council (DPC) to coordinate interagency efforts to embed equity principles, policies, and approaches across the Federal Government, in coordination with the directors of the National Security Council and the National Economic Council.
- Directs the Office of Management and Budget (OMB) to study and identify methods for assessing whether agency policies and actions create or exacerbate barriers to full and equal participation by all eligible individuals. Report due in six months.
- Directs agency heads, within 200 days, to provide a report to the Assistant to the President for Domestic Policy (APDP) assessing equity and systemic barriers in agency policies and programs.
- Directs OMB to identify opportunities to promote equity and investment in underserved communities in the annual White House Budget Request.
- Directs all agency heads to consult with the APDP and OMB to produce a plan for ensuring Government contracting and procurement opportunities are available on an equal basis to all eligible providers of goods and services.

- Establishes an Interagency Working Group on Equitable Data and directs it to study and provide recommendations to the APDP identifying inadequacies in existing Federal data collection programs, and best practices for the disaggregation of data by race, ethnicity, gender, disability, income, veteran status, or other key demographic variables.

STAFF COMMENT/QUESTIONS

As a result of our recent and ongoing racial reckoning, our country is in a new period of movement to identify, disrupt, and eliminate racial bias and discrimination in all of our human institutions. Government can provide a powerful model that directly targets the undercurrents of racism, xenophobia, and oppression. Using recent federal action as models, California could do the following:

- Direct all agencies to assess whether, and to what extent, programs and policies perpetuate systemic barriers to opportunities and benefits for people of color and other underserved groups.
- Direct the coordination of interagency efforts to embed equity principles, policies, and approaches across the state government.
- Direct a state entity to study and identify methods for assessing whether policies and actions create or exacerbate barriers to full and equal participation by all eligible individuals, with a report due soon in 2021.
- Direct agency heads, within a finite number of days, to provide a report assessing equity and systemic barriers in agency, department, and office policies and programs.
- Direct the Department of Finance to identify opportunities to promote equity and investment in underserved communities in the annual Governor's January Budget and May Revision.
- Direct all agency heads to produce a plan for ensuring government contracting and procurement opportunities are available on an equal basis to all eligible providers of goods and services.
- Establish an Interagency Working Group on Equitable Data and direct it to study and provide recommendations identifying inadequacies in existing state data collection programs, and best practices for the disaggregation of data by race, ethnicity, gender, disability, income, veteran status, or other key demographic variables.

Additionally, the state could, as the "Confronting Racism" report suggests, declare racism as a public health crisis, marshalling the attention and resources of government as a whole toward addressing racism.

Staff recommends, as one step, that placeholder trailer bill be drafted to accompany the BCPs on equity that have been proposed by the Governor. In the event that these BCPs are funded, a framework in statute on what they are expected to produce on the pathway to Equity should be formalized in state law.

Staff Recommendation: Ask for placeholder trailer bill to be developed by the Administration in conjunction with legislative staff, pursuant to the comments above, to be considered for approval in May and June toward the June 15 Budget.

ISSUE 3: HOMELESSNESS AND FAMILIES SERVED IN ANTI-POVERTY PROGRAMS

This issue's conversation is focusing on housing instability, rental debt load, eviction risk, homelessness for families served in anti-poverty programs, and what more can be done in the 2021 Budget to keep families and people housed.

PANELISTS AND QUESTIONS ASKED OF EACH PRESENTER

Panelists have been asked to specifically answer the questions below as listed for each individual panelist in their five-minute maximum presentation to the Subcommittee.

1. **Sara Kimberlin, Senior Policy Analyst, California Budget and Policy Center**
   - Why should the state pay special attention to housing, among all of the basic needs that families and individuals must meet?
   - Which Californians are most likely to be facing urgent housing problems during COVID?
   - What are your concerns about housing needs among Californians with low incomes once we emerge from the pandemic?

2. **Kim Johnson, Director, California Department of Social Services**
   - What do we know about housing instability and homelessness for families with children in our CalWORKs population? If we do not have good information and data on this, what efforts are occurring within state government to get us there?
   - Does the Administration have thoughts on the use of the TANF Pandemic Emergency Fund?
   - Please describe the DSS-proposed investment regarding Residential Care Facilities for the Elderly. Would the Administration be amenable to trailer bill language to codify the details and expected outcomes of the proposal?

3. **Corrin Buchanan, Assistant Director of Housing and Homelessness, California Department of Social Services**
   - If the CalWORKs Housing Support Program (HSP) and CalWORKs Homeless Assistance Program (HAP) could be expanded to respond to the needs experienced by families and counties, how much more in funding could be utilized? What concrete steps could be taken to make HSP and HAP easier to use for families prior to eviction?
   - If the Bringing Families Home (BFH) Program could be expanded to respond to the needs experienced by families and counties, how much more in funding could be utilized?
   - If the Housing Disability Advocacy Program (HDAP) could be expanded to respond to the needs experienced by families and counties, how much more in funding could be utilized?
   - What have we learned with the implementation of Home Safe about the additional needs of adults over 65 and county programs' infrastructure bandwidth to provide them supports to maintain and garner housing?

4. Angela Short, Legislative Analyst's Office

- Please share your assessment and recommendations around the DSS-proposed investment regarding Residential Care Facilities for the Elderly.
- What are some key metrics that you would elevate for consideration to be included in trailer bill language to examine the effectiveness of these funds?

5. Cathy Senderling-McDonald, Executive Director, County Welfare Directors Association of California

- Can you share with us the experience of the counties in administering the housing and homelessness programs (e.g. CalWORKs Housing Support Program and Home Safe) and meeting more of the needs of vulnerable communities you are seeing in COVID?
- How can the state prepare for the challenges of families facing housing risks when the rent moratoriums lift and substantial back-rent arrearages may come due?
- How can our housing programs become more effective to prevent eviction? What are the obstacles?

6. Simone Tureck Lee, Director of Housing & Health, John Burton Advocates for Youth

- How have current and former foster youth been impacted by the pandemic?
- Are these effects being felt equally among all youth and in all parts of the state?
- What strategies are working to address homelessness among current and former foster youth during the pandemic?

7. Mike Herald, Legislative Advocate, Western Center on Law and Poverty

- There has been a lot of focus on preventing evictions in the past year but what are some of the other needs that families have that have not been addressed to date?
- What is the biggest challenge that low-income Californians have in staying housed? What can be done to address this?

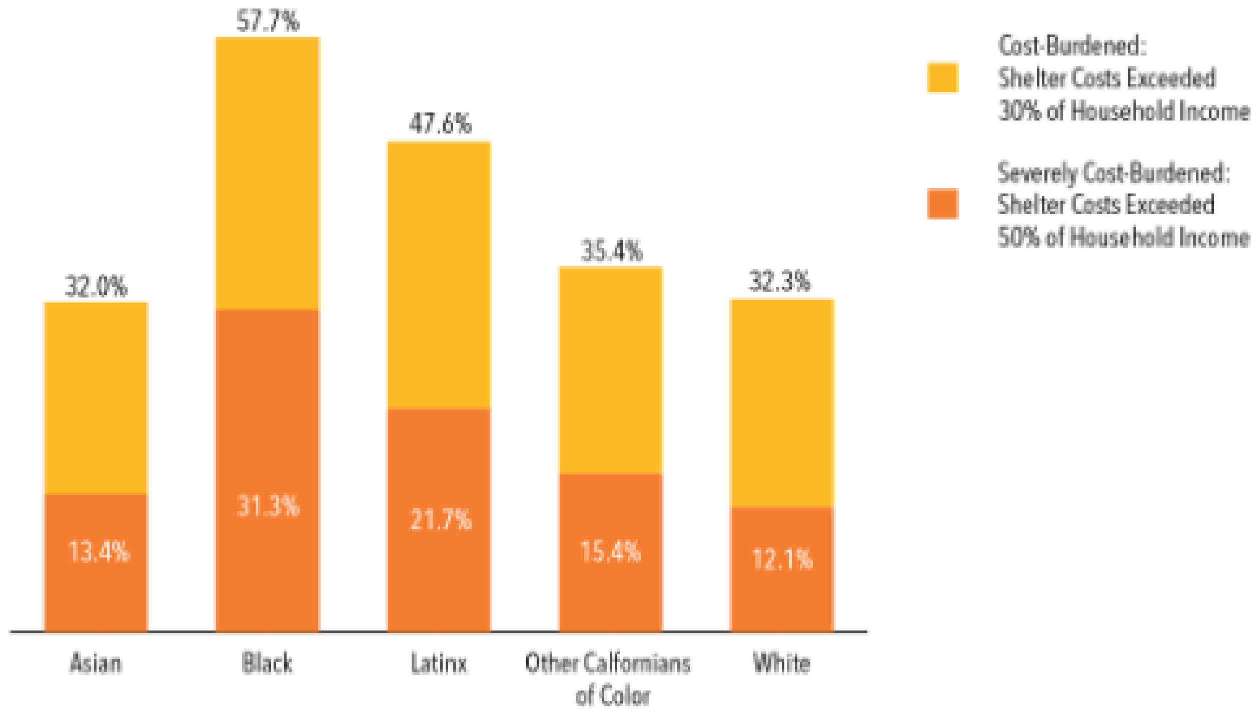
BACKGROUND

The following information is from two California Budget and Policy Center's December 2020 Data Hits, available at https://calbudgetcenter.org.

Californians faced a housing affordability crisis even before COVID-19, which has pushed even more people into unstable situations. Nearly 1.2 million children in California ages 0 to 5 lived in households that were paying more than 30% of their income toward housing costs in 2019. More than half of Black children and nearly half of Latinx children ages 0 to 5 lived in households that faced unaffordable housing costs before COVID-19. Racial and ethnic disparities reflect the legacy of explicitly racist policies and practices in housing and other areas that produce inequitable access to housing, education, and well-paying jobs.

Black and Latinx California Children Were More Likely to Live in Households With Unaffordable Housing Costs Before COVID-19

Percentage of Children Ages 0 to 5 in Households With Housing Cost Burden, 2019

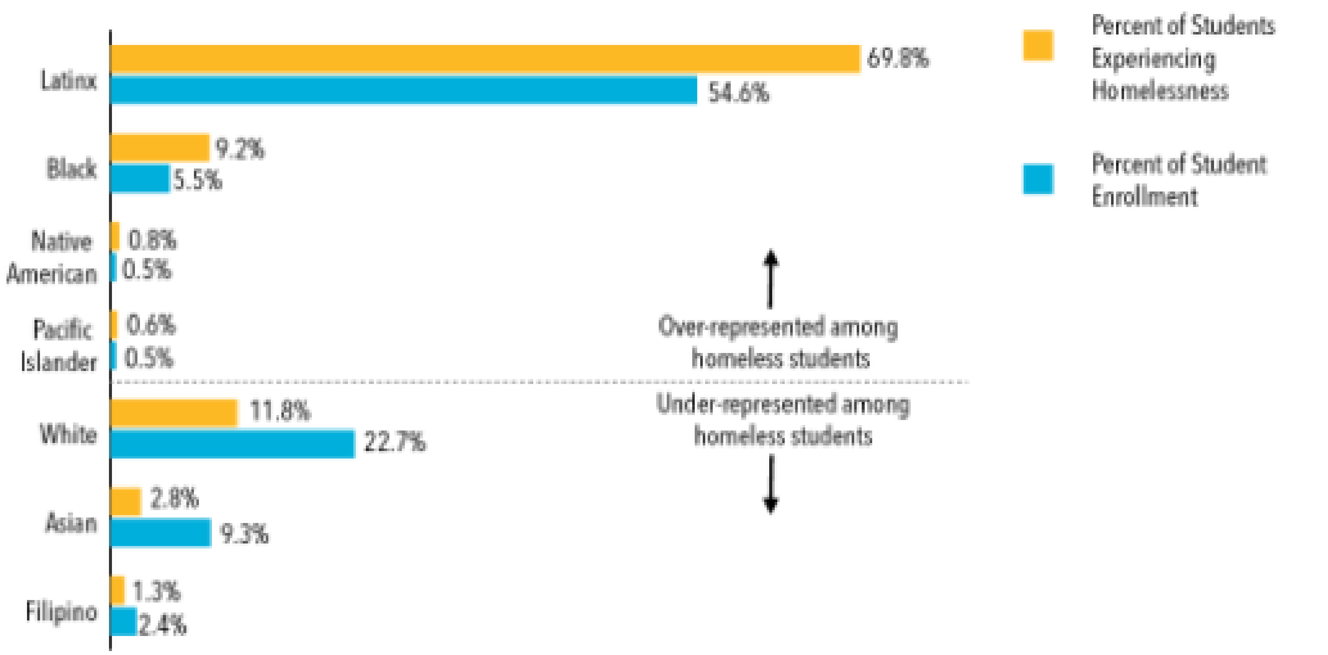


Note: Definitions of housing cost burden are from the US Department of Housing and Urban Development. "Other Californians of color" includes American Indians, Alaska Natives, Pacific Islanders, and people who identify with multiple races.
Source: Budget Center analysis of US Census Bureau, American Community Survey data

Nearly 270,000 of California's public K-12 students experienced homelessness in 2018-19. This includes children temporarily staying with other families due to economic hardship, and children living in motels, shelters, vehicles, public spaces, or substandard housing. Latinx, Black, Native American, and Pacific Islander students were disproportionately likely to experience homelessness. These same communities of color were already the most likely to be housing cost-burdened and at risk of experiencing housing instability. Children experiencing homelessness are more likely to be chronically absent from school, struggle academically, and have difficulties with distance learning. Policymakers can support these children by investing in access to safe, affordable housing.

California's Latinx, Black, Native American, and Pacific Islander Students Disproportionately Experience Homelessness

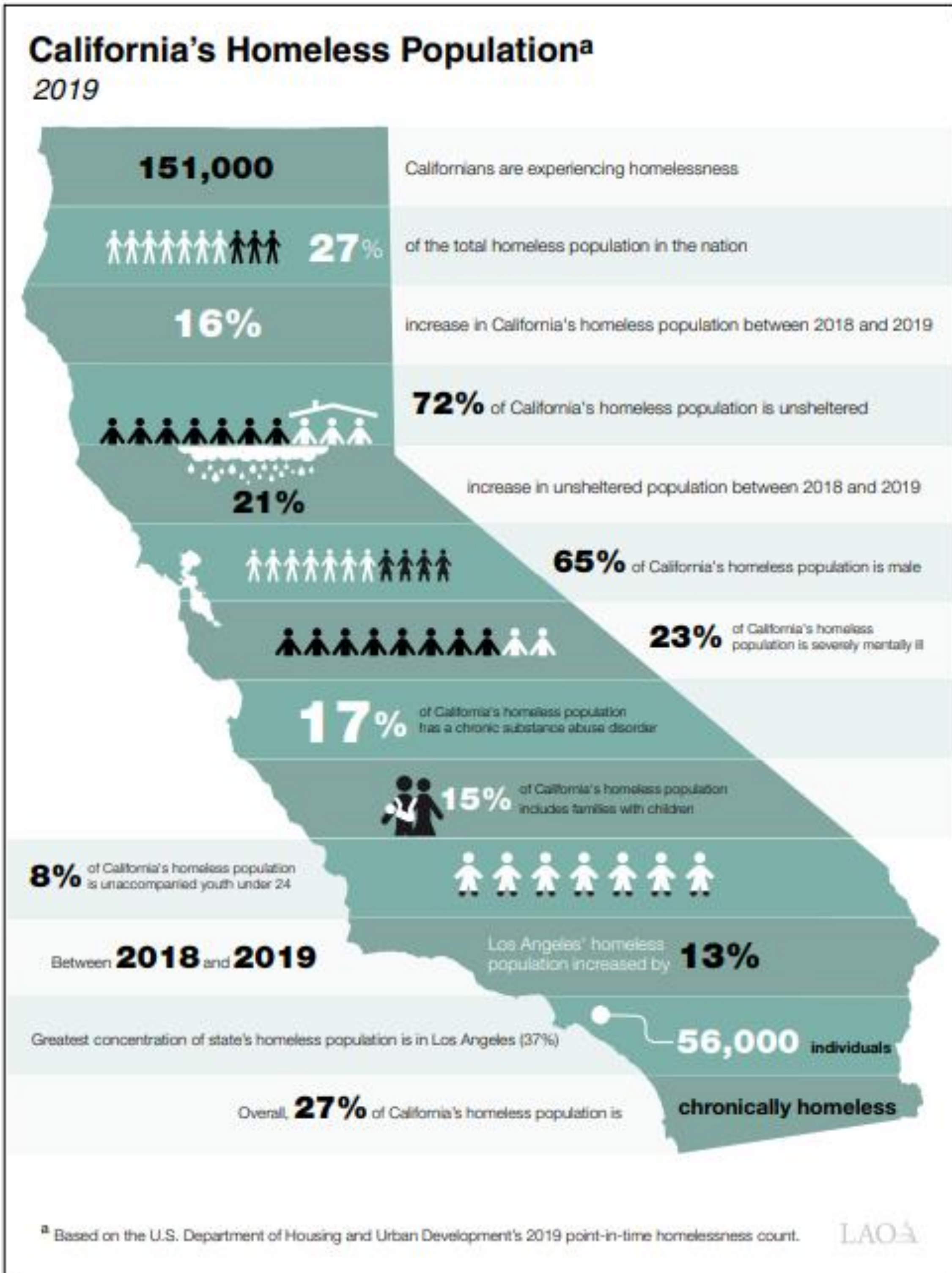
Public K-12 Students Considered Homeless During the 2018-19 School Year = 269,269



Notes: The California Department of Education classifies students as homeless if they are living in public places, vehicles, hotels/motels, shelters, or temporarily sharing housing with others. These data reflect the number of students enrolled and classified as homeless at any point in the academic year ("cumulative enrollment"). The figure does not include data for students of multiple races or those without a reported race/ethnicity.
Source: California Department of Education

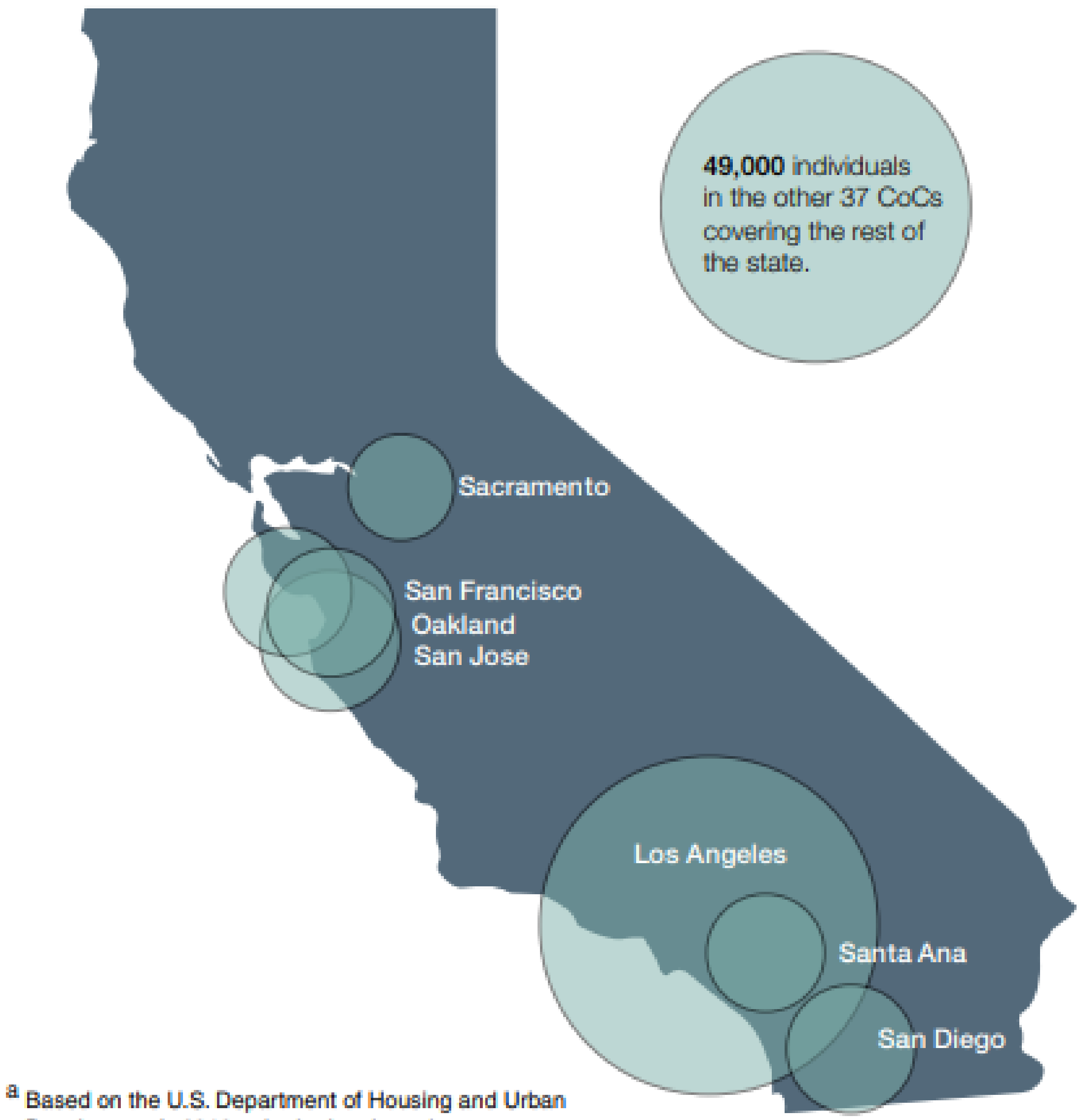
The following information and charts on homelessness in California and housing programs was provided by the Legislative Analyst's Office in their publication titled, "The 2020-21 Budget: Analysis of Housing and Homelessness Proposals. "While the Governor's budget reflects his commitment to curbing homelessness by once again proposing significant state resources toward these issues, the Governor's response continues to focus on one-time solutions. As we have said previously, a clear, long-term strategy would make it more likely that the state's investments would have a meaningful, ongoing impact on its housing and homelessness challenges. Moreover, fully assessing the potential impact of these one-time proposals is difficult because some of the anticipated legislation to implement them remains unavailable. Overall, the Governor's homelessness proposals focus on the acquisition and rehabilitation of properties using one-time resources. Ongoing funding for supportive services and maintenance of these properties would need to be provided by local governments and other entities. How the administration would target the resources administered by the Department of Health Care Services (DHCS) and Department of Social Services (DSS) to address homelessness is unclear. In some cases, addressing homelessness might not be the principal benefit of some proposals."

In 2019, More People Experienced Homelessness in California Than Any Other State.



In 2019, Highest Concentration of People Experiencing Homelessness in Most Populated Areas.

Distribution of Homeless Population in California[a]
2019



[a] Based on the U.S. Department of Housing and Urban Development's 2019 point-in-time homelessness count.

CoC = Continuum of Care, local entities that administer housing assistance programs within a particular area, often a county or group of counties.

LAO

DSS Housing Programs. The DSS Housing and Homelessness Branch (HHB) team has designed and stood up programs to support critical needs in local communities through the development of the Housing Support Program (HSP), Bringing Families Home (BFH), Housing and Disability Advocacy Program (HDAP), Home Safe, and Project Roomkey. These programs serve a portion of the population of Californians experiencing homelessness. In 2019-20, DSS supported counties and tribes providing critical housing interventions to over 100,000 families and individuals experiencing homelessness or housing instability. The HHB team worked with over 200 local programs to provide intensive technical assistance and oversight to deliver these supports.

Governor's Proposal for Rehabilitation of Adult Residential Facilities/Residential Care Facilities for the Elderly. The Governor's budget includes $250 million General Fund in 2021-22 for the acquisition and/or rehabilitation of Adult Residential Facilities (ARF) and Residential Care Facilities for the Elderly (RCFE) available to individuals who are homeless or at risk of becoming homeless. These funds are intended to further stabilize ARFs and RCFEs, including physical upgrades and capital improvements. According to the department, there is a significant need for this funding as many facilities are at risk of closing due to the economic recession caused by the COVID-19 pandemic. Grants would be provided to local governments and a portion of the funding will be used for state operations.

Over 200,000 Californians live in ARFs or RCFEs. These are adults who cannot live independently due to physical limitations or behavioral health needs and depend on licensed residential care facilities for housing and assistance with activities of daily living (ADLs). These facilities, commonly referred to as board and care or assisted living facilities, are licensed by the DSS Community Care Licensing Division (CCLD) as Adult Residential Facilities (ARFs) or Residential Care Facilities for the Elderly (RCFEs). ARFs serve adults ages 18 to 59 and RCFEs serve those 60 and older. All facilities serve individuals with differing needs. Those individuals include people with disabilities, cognitive impairments, and mental and behavioral health needs. ARFs and RCFEs do not provide medical services, but rather provide 24-hour, assistance with ADLs, such as meals, help with toileting or bathing, transportation to appointments in the community, and medication management. The average cost of care in an RCFE ranges from a low of around $900 a month for a resident on SSI to over $5,000 a month for residents who pay privately. How individuals pay for these facilities varies. Some residents pay out of their pocket. Other times facilities are reimbursed through public assistance programs such as SSI/SSP. The state provides a supplement to SSI/SSP grants known as the Non-medical Out of Home Care (NMOHC) rate. This rate is intended to support SSI/SSP recipients who require additional care. As of January 2021, the SSI rate with the NMOHC supplement is $1,217.37 per month for an individual. This amount is meant to cover a resident's room and board and overall care and supervision. Facilities are not permitted to charge individuals receiving SSI above the state-mandated rate. As a result, few facilities are willing to take residents who receive SSI/SSP income.

The Social Security Administration (SSA) reports the number of SSI/SSP recipients who are receiving the NMOHC rate. According to the SSA, the NMOHC rate is distributed to about 45,500 individuals statewide. However, data limitations make it difficult to accurately estimate how many SSI/SSP recipients receiving this rate reside in these facilities. CCL reports that from 2014-15 to 2018-19 the number of licensed ARFs has increased by 132 facilities, while the capacity of these facilities has decreased by 1,572. The number of licensed RCFEs has decreased by 187, but the capacity has increased by 9,159. This suggests newly opening RCFEs have a larger capacity than those that closed, while newly opened ARFs have less capacity than those that closed.

DSS BCPs – CalWORKs Homeless Assistance Program/Housing Support Program Resources. The Governor's budget includes the following proposals for increased resources to support the CalWORKs Homeless Assistance Program (HAP) and the CalWORKs Housing Support Program (HSP):

- $260,000 ($38,000 General Fund) to support one Associate Governmental Program Analyst (AGPA) and one-half (0.5) Staff Services Manager I (SSM I) to provide adequate ongoing county technical assistance and oversight as well as implementing the ongoing and multiple policy changes associated with SB 1065 (Hertzberg), Chapter 152, Statutes of 2020.
- $350,000 ($178,000 General Fund) to support one Staff Services Manager I (SSM I) and one Associate Governmental Program Analyst (AGPA) for the CalWORKs HSP.

SB 1065 Background. The HAP was established to help families in the CalWORKs program meet the costs of securing or maintaining permanent housing or to provide emergency shelter when a family is experiencing homelessness. SB 1065 makes ten distinct changes to the Homeless Assistance Program, which include repealing the $100 asset limit, redefining eligibility criteria, requiring same-day payments, and expanding the availability of benefits for applicants that are fleeing domestic violence. The implementation of the policy changes will be a complex and ongoing workload for the staff at CDSS, beyond the initial implementing guidance. DSS estimates a timely, accurate implementation of SB 1065 will require: (1) a minimum of three initial statewide county letters; (2) regulation updates; and, (3) revisions to a minimum of three program forms in addition to various automation changes requiring meetings, research, and implementation. Utilization of the program is also expected to increase as a result of SB 1065. Utilization of the program has increased each year since 2015-16 and DSS anticipates that trend will continue.

Fiscal Year	Families Served	Expenditures
2015 - 2016	34,968	$30,201,101
2016-2017	50,518	$43,323,428
2017-2018	63,890	$54,096,667
2018-2019	64,094	$62,279,210
2019- 2020	65,574	Expenditures not yet final

The requested AGPA will be responsible for, but not limited to, writing ACLs and All County Information Notices (ACINs) to formally advise counties on how to implement changes in the HA program. The requested SSM I will provide program oversight by reviewing the submitted ACLs and ACINs and revising emergency regulations.

CalWORKs HSP Background. The CalWORKs HSP was created via Senate Bill 855 (Committee on Budget and Fiscal Review), Chapter 29, Statutes of 2014 to foster housing stability for families experiencing homelessness in the CalWORKs program. HSP offers financial assistance and housing related wrap around supportive services. To implement this program, counties require individualized and intensive technical assistance from DSS. DSS provides technical assistance in many forms, including providing statewide written guidance, statewide training opportunities, and webinars as well as individualized resources directly related to each local community. DSS also convenes ongoing HSP seminars where HSP counties share best practices and outside experts present materials related to housing support. DSS is requesting one AGPA position and one SSM I to support ongoing increases in technical assistance and policy development for the CalWORKs HSP. The requested AGPA will be involved in, but not limited to, drafting new regulations pertaining to the HSP and circulating them for review by all levels of management, and drafting memorandums and other various documents related to regulations development. The SSM I will be assisting with county inquiries, reviewing legislation, and coordinating department meetings. These positions will support the larger county caseload, as well as the ongoing policy and program guidance needs, critical to combat family homelessness. HSP state operations have remained stagnant over the past six years and this proposal requests resources to support the ongoing workload necessary to successfully administer HSP.

STAFF COMMENTS AND QUESTIONS

The rates of use of the housing and homelessness programs for families and individuals enrolled in the DSS-supervised, county-administered social services programs has risen in recent years as program barriers and limitations have been incrementally reduced and dismantled. The trends before the pandemic were demonstrating rising housing needs and risks of homelessness, so it is very concerning to find a stalling or reduction in use of housing support and emergency/homelessness supports and services in the COVID-19 pandemic. In addition, the state needs better data on the housing needs of vulnerable communities receiving public benefits. This is critical research and data that needs to be prioritized.

Coming out of the pandemic, given what we know about current exacerbated poverty and the period of time it takes for people to gain their economic footing post-recession, here are some options the state could take to help people stay housed and avoid homelessness:

- Provide substantial, additional funding to capped and in-demand programs at DSS for housing and homelessness needs. These programs include the CalWORKs Housing Support Program, Bringing Families Home in Child Welfare, the Housing Disability Advocacy Program targeted toward SSI recipients, and Home Safe within the Adult Protective Services program, which launched in 2018 and would otherwise come to an end June 30, 2021.

- Provide lump payments to no or low-income caseloads to aid in rental relief.

- Allow for recipients in public programs to access housing supports prior to an eviction having started.

In this vein, staff suggests making the following requests in the course of the hearing:

1. Ask DSS to provide options and assessment of possible program expansions for all its housing and homelessness programs.

2. Ask the Administration to provide draft trailer bill language related to its RCFE proposal for consideration by the Legislature by mid-April. The language should lay out requirements for the use of the funds, expected results, and other outcome information to track the progress and effectiveness of this proposed investment.

3. Ask for a Housing and Homeless Data Bank, perhaps to be created in the DSS Research, Data, and Analytics Branch, working in tandem with the Housing and Homelessness Branch, to collect and make public information on the housing needs of communities served in the various children, families, and adults programs across the department.

Staff Recommendation: Make the three requests as indicated above in the agenda, with a note that staff may be seeking further information as investment options are further developed in the weeks leading to the release of the Governor's May Revision.

ISSUE 4: EQUITY-DRIVEN CARE FOR CHILDREN AND FAMILIES SERVED BY THE CHILD WELFARE AND FOSTER CARE SYSTEM

This issue's conversation is focusing on children and families served by the child welfare and foster care and what more can be done in the 2021 Budget to assure the safety of children and keeping families intact, through a racial equity lens.

PANELISTS AND QUESTIONS ASKED OF EACH PRESENTER

Panelists have been asked to specifically answer the questions below as listed for each individual panelist in their five-minute maximum presentation to the Subcommittee.

1. **Kim Johnson, Director, California Department of Social Services**
    - Please describe the trends, and your thoughts, on Child Welfare Services referrals in the COVID pandemic and what you are expecting with the reopening of schools for more students statewide starting in April.

2. **Greg Rose, Assistant Director, Equity and Inclusion, Children and Family Services, California Department of Social Services**
    - For Child Welfare related pandemic response that ended June 30, 2020 (or some other date in 2020), what has been happening since then and have counties continued to exercise flexibilities using local funds?
    - Regarding the continuing implementation of the Continuum of Care Reform (CCR), please share the status of the Child and Adolescent Needs and Strengths (CANS) implementation and the Level of Care Protocol? What feedback have you received from counties and advocates on the implementation of these components?
    - What is intended newly to foster prevention of entry into the Child Welfare System in the Federal Family First Prevention Services Act (FFPSA) proposed trailer bill language from the Administration and what funding is proposed to align with that vision?
    - What process is envisioned by the Administration to modify your trailer bill proposal given pending and likely substantial feedback to the Administration's FFPSA proposed language?
    - What are the pressing needs for youth in the Child Welfare system in COVID? Are the emergency placements adequate and culturally appropriate and do they last long enough to prevent further harm and instability for these youth?

3. **Angela Short, Legislative Analyst's Office**
    - Please identify the pandemic response proposals that are currently unfunded for Child Welfare Services for 2020-21, but included in the Governor's Budget.
    - Describe the issues around support for resource families and STRTPs during the pandemic and why these options are important for the long-term success of CCR? What is your assessment of the Administration's FFPSA trailer bill language, areas of concern, and ideas for modification and refinement?

4. Justin Freitas, Department of Finance

- The Administration proposed that counties begin pandemic response activities in January 2021. Did this occur and what guidance has been provided or will be provided to counties to ensure that they are able to provide the proposed supports?
- What is the thinking behind the end date of December 2021 for select expansions and flexibilities and what will this mean for Non-Minor Dependents (NMDs)? What supports will be provided to help youth prepare for the transition into independence?
- Has the Administration considered a temporary direct support for resource families and Short-Term Residential Therapeutic Programs (STRTPs) through monthly rate supplements? If not, what effect will this potentially have on the health of the CCR implementation effort and outcomes for child welfare involved youth?
- Why did the Administration not extend the pre-approval funding for emergency caregivers, while average Resource Family Approval processing time continues to extend past 90 days?

5. Cathy Senderling-McDonald, Executive Director, County Welfare Directors Association of California

- What would be required to strengthen the Prevention component of the state's response to implement the FFPSA?
- What has been the workload associated with Resource Family Approval and was it accounted for under the 2011 Realignment agreement?
- How can training improve the provision of more adequate child welfare services and can any proposed training include a racial bias/trauma, implicit bias, and cultural sensitivity component(s)?

6. Kristin Power, Vice President, Policy & Advocacy, Alliance for Children's Rights

- How can our public service sector better support transition age youth through and beyond the pandemic?
- What are the issues for older youth and their entry into the foster care system and what improvements can we make to facilitate their connection to services and supports?
- What is your feedback to the FFPSA trailer bill proposal so far?

7. Susanna Kniffen, Director, Child Welfare Policy, Children Now

- How can our public service sector better support youth and their caregivers through and beyond the pandemic?
- What has been the impact of the Emergency Child Care Bridge Program and could the state expand and improve it?

8. Christine Stoner-Mertz, Chief Executive Officer, California Alliance of Child and Family Services

- What are the gaps in the CCR and how are they impacting the goal of moving youth into family-based care that can address racial disparities that exist in foster care?
- How have providers, and the youth and families they serve, been impacted by COVID-19?
- What efforts would increase culturally responsive home-based care, increase permanency, and stabilize services for the most at-risk foster youth?

9. Jordan Sosa, Statewide Legislative & Policy Manager, California Youth Connection

- Given that the pandemic has exacerbated disparities among our youth and increasingly disconnected youth from their peers, family, teachers, and policymakers, how can state policy-makers connect with young people with lived experience in the foster care system authentically with a racial equity lens during these times?
- Being an organization dedicated to transforming systems that will honor and nourish every youth impacted by California's foster care system, what recommendations do you have on supporting youth and addressing the ethnic and racial disparities within the child welfare system?

BACKGROUND

The following information below was provided by the Legislative Analyst's Office (LAO).

California's children and family programs include an array of services to protect children from abuse and neglect and to keep families safely together when possible. This analysis: (1) provides program background; (2) outlines the Governor's proposed budget for children and family programs, including child welfare services (CWS) and foster care programs, in 2021-22; and, (3) provides key questions and issues for the Legislature to consider as it evaluates the budget proposal.

Child Welfare Services (CWS). When children experience abuse or neglect, the state provides a variety of services to protect children and strengthen families. The state provides prevention services—such as substance use disorder treatment and in-home parenting support—to families at risk of child removal, to help families remain together if possible. When children cannot remain safely in their homes, the state provides temporary out-of-home placements through the foster care system, often while providing services to parents with the aim of safely reunifying children with their families. If children are unable to return to their parents, the state provides assistance to establish a permanent placement for children, for example, through adoption or guardianship. California's counties carry out children and family program activities for the state, with funding from the federal and state governments, along with local funds.

2011 Realignment. Until 2011-12, the state General Fund and counties shared significant portions of the nonfederal costs of administering CWS. In 2011, the state enacted legislation known as 2011 realignment, which dedicated a portion of the state's sales and use tax and vehicle license fee revenues to counties to administer child welfare and foster care programs. As a result of Proposition 30 (2012), under 2011 realignment, counties either are not responsible or only partially responsible for CWS programmatic cost increases resulting from federal, state, and judicial policy changes. Proposition 30 establishes that counties only need to implement new state policies that increase overall program costs to the extent that the state provides the funding. Counties are responsible, however, for all other increases in CWS costs—for example, those associated with rising caseloads. Conversely, if overall CWS costs fall, counties retain those savings.

Continuum of Care Reform (CCR). Beginning in 2012, the Legislature passed a series of legislation implementing CCR. This legislative package makes fundamental changes to the way the state cares for youth in the foster care system. Namely, CCR aims to: (1) end long-term congregate care placements; (2) increase reliance on home-based family placements; (3) improve access to supportive services regardless of the kind of foster care placement a child is in; and, (4) utilize universal child and family assessments to improve placement, service, and payment rate decisions. Under 2011 realignment, the state pays for the net costs of CCR, which include upfront implementation costs. While not a primary goal, the Legislature enacted CCR with the expectation that reforms eventually would lead to overall savings to the foster care system, resulting in CCR ultimately becoming cost neutral to the state. We note that CCR is a multiyear effort—with implementation of the various components of the reform package beginning at different times over several years—and the state continues to work toward full implementation in the current year.

Extended Foster Care (EFC). At around the same time as 2011 realignment, the state also implemented the California Fostering Connections to Success Act (Chapter 559 of 2010 [AB 12, Beall]), which extended foster care services and supports to youth from age 18 up to age 21, beginning in 2012. To be eligible, a youth must have a foster care order in effect on their 18th birthday, must opt in to receive EFC benefits, and must meet certain criteria (such as pursuing higher education or work training) while in EFC. Youth participating in EFC are known as non-minor dependents (NMDs). In addition to case management services, NMDs receive support for independent or transitional housing.

Foster Placement Types. As described above, when children cannot remain safely in their homes, they may be removed and placed into foster care. Counties rely on various placement types for foster youth. Pursuant to CCR, a Child and Family Team (CFT) provides input to help determine the most appropriate placement for each youth, based on the youth's socio-emotional, behavioral and mental health needs, and other criteria. Placement types include:

- **Placements With Resource Families.** For most foster youth, the preferred placement type is in a home with a resource family. A resource family may be kin (either a non-custodial parent or relative), a foster family approved by the county, or a foster family approved by a private foster family agency (FFA). FFA-approved foster families receive additional supports through the FFA and therefore may care for youth with higher-level physical, mental, or behavioral health needs.
- **Congregate Care Placements.** Foster youth with intensive behavioral or mental health needs preventing them from being placed safely or stably with a resource family may be placed in a Short-Term Residential Therapeutic Program (STRTP). These facilities provide specialty mental and behavioral health services and 24-hour supervision. STRTP placements are designed to be short term, with the goal of providing the needed care and services to safely transition youth to resource families.
- **Independent and Transitional Placements for Older Youth.** Older, relatively more self-sufficient youth and NMDs may be placed in supervised independent living placements (SILPs) or transitional housing placements. SILPs are independent settings, such as apartments or shared residences, where NMDs may live independently and

continue to receive monthly foster care payments. Transitional housing placements provide foster youth ages 16 to 21 supervised housing as well as supportive services, such as counseling and employment services, that are designed to help foster youth achieve independence.

- **Total Foster Care Placements Have Remained Stable, With Shifts in Placement Types.** Over the past decade, the number of youth in foster care has remained around 60,000 (ranging from around 55,000 to around 63,000 at any point in time). While the total number of placements has remained stable, the predominance of various placement types has shifted over time. In particular, pursuant to the goals of CCR, congregate care placements have decreased, while more independent placements have increased since the implementation of EFC. The figure on the next page illustrates changes in foster placements over time.

Federal Family First Prevention Services Act (FFPSA). Historically, one of the main federal funding streams available for foster care—Title IV-E—has not been available for states to use on services that may prevent foster care placement in the first place. Instead, the use of Title IV-E funds has been restricted to support youth and families only after a youth has been placed in foster care. Passed as part of the 2018 Bipartisan Budget Act, FFPSA expands allowable uses of federal Title IV-E funds to include services to help parents and families from entering (or re-entering) the foster care system. Specifically, FFPSA allows states to claim Title IV-E funds for mental health and substance abuse prevention and treatment services, in-home parent skill-based programs, and kinship navigator services once states meet certain conditions. FFPSA additionally makes other changes to policy and practice to ensure the appropriateness of all congregate care placements, reduce long-term congregate care stays, and facilitate stable transitions to home-based placements.

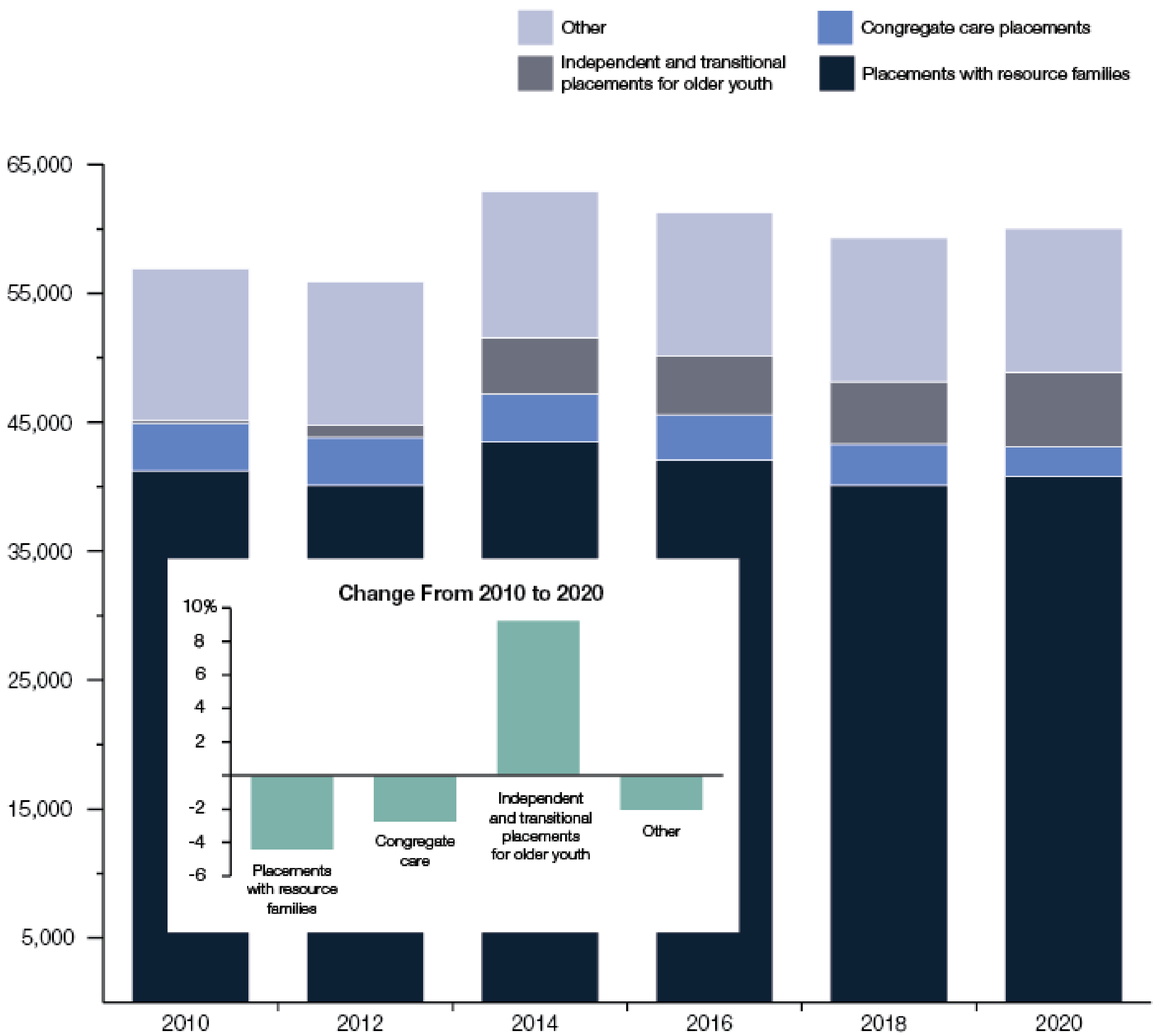
The law is divided into several parts; Part I (which is optional and related to prevention services) and Part IV (which is required and related to congregate care placements) have the most significant impacts for California. States are required to implement Part IV by October 1, 2021 in order to prevent the loss of federal funds for congregate care. States may not implement Part I until they come into compliance with Part IV.

Overview of Governor’s Budget.

Total Funding for Child Welfare Services and Foster Care Increases, While State and Federal Shares Decrease Slightly. The 2021-22 Governor’s Budget proposal estimates total spending for child welfare programs would increase by around $264 million from 2020-21 to 2021-22. This net change includes decreases in federal and state General Fund spending, offset by increases in county spending and Title XIX reimbursement for health-related activities.

Foster Care Placements: Point-in-Time Counts 2010 to 2020

Number of Youth in Foster Care



Data from California Child Welfare Indicators Project (CCWIP). Retrieved January 29, 2021 from University of California Berkeley CCWIP website.

Data reflects point-in-time count of youth in care for October 1 of each year shown.

Data reflects child welfare placements; probation placements not included.

Other placement types include pre-adoption placements and trial home visits, guardian placements, youth in shelters, youth who have runaway or are missing, and other placements.

Proposed Local Assistance for Child Welfare and Foster Care

Includes Child Welfare Services, Foster Care, AAP, KinGAP, and CalWORKS ARC (In Millions)

	Total Funds	Federal Funds	State General Fund	County Funds	Reimbursement
2020-21 revised budget	$7,083	$3,260	$845	$2,799	$179
2021-22 Governor's Budget proposal	7,347	3,251	797	3,110	189
Change	**$264**	**-$9**	**-$48**	**$311**	**$10**

Notes: DSS made display adjustments to county funds to reflect more holistic expenditures, including growth to the LRF subaccounts. The display adjustments include partial changes in 2020-21 and full-year changes in 2021-22. This resulted in what appears to be a year-over change for county funds of more than $1.5 billion. For future years, DSS' display will include LRF adjustments, and we will update our numbers accordingly. For this table, however, we have removed the display changes to ensure year-over changes in county and total funds do not appear overly large.

AAP = Adoption Assistance Program; KinGAP = Kinship Guardianship Assistance Payment; ARC = Approved Relative Caregiver; DSS= Department of Social Services; and LRF = Local Revenue Fund.

Primary drivers of the federal and state funding decreases include:

- **Expiration of Temporary Federal Medical Assistance Percentage (FMAP) Increase.** In response to the pandemic, the federal government is providing a temporary 6.2 percent increase to FMAP for eligible Title IV-E foster care, adoptions assistance, and kinship guardian cases. The Governor's budget assumes the temporary FMAP increase ends midyear 2021-22, meaning increased funds are budgeted for all of 2020-21 but only part of 2021-22.
- **Expiration of Federal Supplemental Title IV-B Funds.** Also in response to the pandemic, the federal government provided one-time supplemental federal Title IV-B funds through the Coronavirus Aid, Relief, and Economic Security Act. This funding for eligible CWS may be expended through September 2021.
- **Ramp Down of Federal Family First Transition Act Funding.** The federal Family First Transition Act supports counties in their transition to FFPSA. For counties that previously participated in Title IV-E Waiver Demonstration Projects (which ended in September 2019), funding certainty grants—based on funding provided to counties through the waiver projects in federal fiscal year 2019—are provided in federal fiscal years 2020 and 2021. Maximum grant amounts decrease from 90 percent of base year funding in 2020 to 75 percent of base year funding in 2021. In addition, the federal government provided one-time grant funding in 2020 to help all counties begin to implement FFPSA.
- **Ramp Down of Some State Pandemic Response Efforts.** Some one-time and limited-term state expenditures for pandemic response are projected to end in 2020-21, while others are projected to end midway through 2021-22.
- **Decrease in State Funding for Placement Prior to Approval for Emergency Caregivers.** When children are removed from their homes, certain individuals (primarily relatives) are eligible to begin providing foster care without prior approval as a resource family. Current statute dictates these eligible individuals may receive foster payments for up to 120 days (or up to 365 days if a good-cause extension is warranted) while

completing the resource family approval process. In 2021-22, the statutory time limit for pre-approval funding decreases to 90 days, without any option for extension.

- **Expiration of One-time State Funds for Counties in 2020-21.** The state provided a one-time payment of $80 million to counties in 2020-21 for CWS. These funds were intended to reimburse counties for some CCR-related implementation costs.

The state and federal funding reductions described above are partially offset by some notable increases in federal and state child welfare spending in 2021-22:

- **State and Federal Increases for Home-Based Family Care (HBFC) Rates.** Pursuant to CCR, foster care payments are shifting from the prior age-based rate system to universal HBFC rates for resource families. Resource families caring for youth with a higher level of need—as assessed through a Level of Care (LOC) protocol tool—receive higher monthly foster care payment rates. In 2021-22, HBFC rates receive a statutory cost-of-living adjustment (COLA). Additionally, we understand that the administration's estimate assumes the LOC protocol tool is fully rolled out in 2021-22. To date, however, the tool has been rolled out only to FFA placements and there is no clear time line for roll out to county-approved resource family placements at this time. There is ongoing work to better understand what portion of the HBFC rate increase is due to LOC assumptions.
- **Slight Increase in Funding for Other CCR Expenditures.** The Governor continues to propose the state provide funding for counties to implement some elements of CCR. Aside from funding for HBFC rates and placement prior to approval for emergency caregivers—both of which are described above—other CCR expenditures include: CFTs, Resource Family Approval (RFA), LOC protocol tool, Statewide Automated Welfare System project, second level administration review, contracts, and CCR reconciliation. Funding for most of these CCR elements is unchanged year over year, while funding for CFTs increases by a few million dollars in 2021-22, reflecting more up-to-date caseload estimates.
- **FFPSA Part IV Implementation.** The administration's 2021-22 budget proposal includes funding for several new activities related to implementing Part IV of FFPSA.
- **Other Changes, Including Federal Increases for Realigned Programs.** Other changes in estimated expenditures from 2020-21 to 2021-22 reflect expected annual growth of realigned programs, such as for foster care assistance payments ($30 million federal increase), adoption assistance program payments ($16 million federal increase), county administration of foster care ($31 million federal increase), and CWS program costs ($118 million federal increase). These changes reflect updated expenditure data, COLAs, and projected caseload growth.
- **County Expenditures Increase Primarily Due to Growth in Realigned Programs.** The estimated increase in county expenditures from 2020-21 to 2021-22 reflects the administration's projections based on historical expenditure trends for realigned programs, including foster care assistance payments and administration, adoption assistance program payments and administration, and CWS program costs. Additionally, the estimated increase in county expenditures includes the administration's assumptions about the county share of costs to implement FFPSA Part IV ($37 million).

Summary of Changes in Child Welfare Spending

(In Millions)

	2020-21 revised		2021-22 Governor's Budget		Change	
	Federal Funds	State General Fund	Federal Funds	State General Fund	Federal Funds	State General Fund
Temporary FMAP increase	$139	—	$70	—	-$68	—
Supplemental Title IV-B funds	5	—	—	—	-5	—
Family First Transition Act	295	—	129	—	-166	—
State pandemic response	—	$85	—	$61	—	-$24
Placement Prior to Approval	10	32	5	15	-6	-17
One-time state funds to counties	—	80	—	—	—	-80
HBFC rates	103	211	111	227	8	17
Other CCR expenditures	29	76	30	81	1	4
FFPSA Part IV implementation	—	—	18	43	18	43
Other changes	—	—	—	—	208	9
Totals					**-$9**	**-$48**

FMAP = federal medical assistance percentage; HBFC = home-based family care; CCR = Continuum of Care Reform; and FFPSA = Family First Prevention Services Act.

Pandemic Response Would Continue. In the weeks following the state and federal emergency declarations in response to coronavirus disease 2019, the state authorized funding in 2019-20 for several measures to provide pandemic support to families within the child welfare system. The figure on the next page summarizes these actions in addition to new action the administration has proposed as part of its 2021-22 budget proposal.

State Funds for Pandemic Response Within Child Welfare Programs

(In Thousands)

	2019-20[a]	2020-21[b]	2021-22[c]
Cash cards for families at risk of foster care	$27,842	$28,000	—
Family Resource Centers funding	3,468	7,000	$6,000
State contracts for technology (laptops and cell phones) and hotlines for foster youth and families[d]	—	2,042	1,750
Administrative workload for child welfare social workers (overtime and pandemic outreach)	5,000	—	—
Rate flexibilities for resource families directly impacted by pandemic	3,005	9,136[e]	3,458
Flexibilities and expansions for NMDs/former NMDs who turn 21 or lose otherwise lose eligibility for EFC due to pandemic	1,846	37,133	49,487
Pre-approval funding for emergency caregivers beyond 365 days	1,312	1,234	—
Totals	**$42,473**	**$84,545**	**$60,695**

[a]For 2019-20, funds were provided April through June 2020. Activities were approved by the Legislature through the Section 36.00 letter process.

[b]For 2020-21, pandemic-response activities are proposed by the administration for January through June 2021 for all actions other than flexibilities and expansions for NMDs. The Legislature has not yet approved these activities for 2020-21, with the exception of flexibilities and expansions for NMDs, which were included in the *2020-21 Budget Act* and are in place July 1, 2020 through June 30, 2021.

[c]For 2021-22, funds are proposed by the administration for July through December 2021.

[d]Funding for state contracts for technology and hotlines in 2019-20 is included in the amount for Family Resource Centers funding.

[e]Includes $5.678 million funding from DREOA.

Note: Where applicable, amounts include assistance plus administration costs.

NMD = non-minor dependents; EFC = extended foster care; and DREOA = Disaster Response Emergency Operations Account.

The LAO notes that 2019-20 funding ended June 30, 2020. For all 2020-21 actions other than flexibilities and expansions for NMDs, funding amounts listed in the figure reflect new proposals from the administration as part of the 2020-21 revised budget at the time of the 2021-22 Governor's Budget proposal. The administration has indicated the proposed activities would begin in January 2021. Therefore, we note that there appears to be a funding gap between July 2020 and January 2021. There is ongoing work with the administration to better understand what actions (if any) counties have been able to take to continue these pandemic supports in the interim, and what authority and communication is needed for counties to continue (or re-launch) these supports for youth and families in 2020-21.

Implementation of FFPSA Part IV Would Begin. As noted earlier, states are required to come into compliance with the congregate care provisions stipulated by Part IV of FFPSA by October 1, 2021. If not in compliance by that time, states will lose federal funding for congregate care placements. As part of ongoing CCR, California already has made changes to congregate care that position the state ahead of many others in terms of coming into compliance with FFPSA Part IV. Namely, California has made significant progress toward reducing reliance on congregate care, instead providing more supports and services to youth in resource family placements and more independent living placements, and providing intensive services through STRTPs when a youth cannot safely be placed in a resource family home. As such, CCR efforts run parallel to the goals of FFPSA Part IV's congregate care reforms, which aim to ensure the appropriateness of all congregate care placements, reduce long-term congregate care stays, and facilitate stable transitions to home-based placements. Nonetheless, the state will need to make changes to ensure compliance with FFPSA's congregate care facility licensing standards and placement criteria.

To meet FFPSA Part IV requirements, the Governor's budget proposal aspires to the following elements:

- **Guaranteed Access to Nursing Care.** FFPSA requires STRTPs to have 24/7 access to nursing care. To meet this requirement, the administration proposes to contract with and fund a virtual telehealth hotline, facilitating interaction between STRTPs and nurses at any time.
- **QI Assessment of Congregate Care Placements.** FFPSA requires a qualified individual (QI), who is medically certified, to assess and report on the appropriateness of all STRTP placements. The administration's plan includes funding for QIs to participate in CFTs, conduct the Child and Adolescent Needs and Strengths (CANS) assessment, and prepare required court documentation for all STRTP placements.
- **Access to Aftercare Services.** FFPSA requires at least six months of specified support services for youth and families after a youth exits a congregate care placement. The administration's proposal includes funds to provide aftercare services for at least seven months for youth transitioning from an STRTP to a family-based care setting.
- **Court-Related Activities.** FFPSA requires enhanced assessment and reporting around congregate care placements. As such, social workers will need to spend additional time on court-related activities, such as attending additional hearings and completing supplemental reports for STRTP placements. The administration's proposal includes funding for these increased social worker costs.
- **Judicial Branch Training.** FFPSA requires states to train judges and other court staff on child welfare policies, including federal funding limitations for out-of-home foster placements. The administration proposes to pass Title IV-E funds through to the state's Judicial Council for this required training.
- **Placement Assessment Evaluation and Review.** In California, CFTs use the CANS assessment to determine placements. To implement FFPSA, the administration proposes that QIs will participate in CFTs and also will use the CANS tool to assess the appropriateness of congregate care placements. The administration proposes to

establish an ongoing external contract and funding to evaluate CANS data for placement assessments.

- **Various Training.** Finally, the administration's proposal includes funding for various FFPSA training costs, including training for: QIs on CFTs and CANS procedures, providers on developing and implementing aftercare services, and social workers on new federal provisions.

Once states comply with FFPSA Part IV's congregate care provisions, Part I affords states the option of using Title IV-E dollars for certain services and activities aimed at preventing entry into foster care. We note that General Fund dollars are not included in the Governor's budget for this purpose, meaning if FFPSA Part I implementation legislation were proposed, it likely would be optional and counties would need to provide the required matching funds using their realignment revenues or other county sources to be able to claim additional federal Title IV-E dollars.

Proposes Maintaining Program Suspensions Calculation. Under current law, several child welfare programs would be subject to suspension after December 31, 2021 if the Department of Finance found there would not be sufficient revenues to support them at the time of the 2021-22 May Revision. Under both the LAO's revenue estimates and those by the Department of Finance, there would be sufficient revenues to support the programs and the suspension would not take effect. The 2021-22 Governor's Budget proposes to maintain the suspension calculation for the 2021-22 budget. The following figure lists the child welfare programs on the suspension list.

Child Welfare Programs Subject to Suspension

General Fund (In Millions)

Program Subject to Suspension	Annual Cost of Program, Once Fully Implemented
Family Urgent Response System	$30
Public health nursing early intervention pilot program in Los Angeles County	8
Emergency Child Care Bridge program supplement	10
Foster Family Agency social worker rate increase	7
Transitional Housing Program grants to counties for former foster youth[a]	8

[a]Program administered by the California Department of Housing and Community Development. All other programs administered by the Department of Social Services.

STAFF COMMENTS AND QUESTIONS

The questions and concerns for CWS/Foster Care programs raised by the Legislative Analyst's Office align significantly with those of Subcommittee staff. They are summarized below.

Continued Implementation of CCR: What Is the Status of CFTs, CANS, and LOC Protocol Tool? If the Governor's budget proposal assumes full implementation will occur in 2021-22, actual expenditures may be lower than budgeted to the extent that there are implementation delays, and resulting savings could be directed toward other legislative priorities.

- What is the status of CFT implementation? How many CFTs occurred in 2020? Are counties on track to achieve universal usage of CFTs in 2020-21 or 2021-22?
- What is the status of CANS implementation? How many CANS assessments were completed in 2020? Are counties on track to achieve universal usage of CANS in 2020-21 or 2021-22?
- What is the status of LOC protocol tool implementation and what feedback is the department hearing since the February announcement?

Recommend Allowing Extension for Funding for Emergency Caregivers Prior to RFA. As we expressed during the previous budget cycle, we remain concerned that statute dictates funding for pre-approval funding will decrease to 90 days—without any option for extension—while average RFA processing time continues to exceed 90 days. This statutory time limit change will result in emergency caregivers losing access to foster payments if they experience delays in the RFA process—even when delays are beyond their control. We recommend the Legislature consider changing statute to continue to allow for good cause extension on an ongoing basis, especially during a pandemic.

Questions About Pandemic Response Proposals. As described above, initial state funding (provided in April 2020) for several pandemic response activities within child welfare appears to have ended in June 2020. At the time of the 2021-22 Governor's Budget proposal, the administration proposed new child welfare pandemic response spending in 2020-21 and 2021-22.

- For components that ended June 30, 2020 (or some other date in 2020)—what has been happening since then? Have counties continued exercising flexibilities using local funds?
- Considering the Legislature has not yet approved these actions, the funding mechanism for newly proposed 2020-21 pandemic response remains unclear. What funding mechanism does the administration propose to use for newly proposed activities in the current year?
- The administration proposed that counties could begin activities in January 2021. Did this occur? What guidance has been provided or will be provided to counties to ensure they are able to provide the proposed supports in 2020-21?
- If pandemic resources are needed beyond December 31, 2021, what action would be needed to continue supports? Projecting the course of the pandemic, and predicting

what needs children and families will have, is difficult and some continued flexibilities may be needed.

- Regarding support for NMDs and former NMDs, when expansions and flexibilities end in December, will youth who become ineligible to remain in EFC be able to transition successfully? What supports will be provided to help youth prepare for the transition into independence?
- Finally, the Legislature may wish to examine whether alternative pandemic support proposals within child welfare should be considered, either in addition to or instead of some of the administration's proposals. For example, the Legislature could consider providing temporary direct support for resource families and/or STRTPs through monthly rate supplements. Such supplemental payments could assist caregivers and providers with the higher costs of providing foster care during the pandemic (like for food and utilities), and help mitigate other adverse economic impacts caregivers and providers may be facing. For example, providing an additional $200 for each of the estimated 46,000 foster youth placed with resource families (including emergency caregivers) and in STRTPs would cost around $9.2 million per month.

Questions About FFPSA Part IV Proposal. As described above, the administration proposes funds to implement Part IV of FFPSA, as required by October 1, 2021, in order to retain federal funding for congregate care placements.

- Are STRTP providers prepared to begin using the telehealth hotline, facilitating aftercare services, and meeting other requirements? What training and technical assistance do STRTP providers need, and what is the time line?
- Are STRTP providers expected to provide aftercare services directly, or contract with a third party to provide the required care?
- QIs play an important role in ensuring congregate care placements are necessary and meeting new federal reporting requirements. Who would be QIs? How would these individuals be selected? What would be the time line for selecting and training QIs?
- The administration proposes that QIs will participate in CFTs and use CANS assessments to determine the necessity of STRTP placements. If these components of CCR have not been fully rolled out by October 1, what alternative processes and tools would QIs use?

The administration does not include any General Fund dollars for implementation in the 2021-22 Governor's Budget. Therefore, newly allowed activities would be county options, and counties would be able to use local funding for these activities at their discretion. Implementing FFPSA Part I as a county option without any state support raises potential equity concerns. Namely, some counties may not implement optional activities due to local budget constraints or differing local priorities. As a result, families in different counties may receive different levels of service and some children may not receive the benefits of these programs and therefore could be more likely to enter foster care. Any investment toward prevention would be matched by federal funds, thereby roughly doubling the fiscal impact, and also potentially could reduce the costs of foster care over time by preventing entries.

To further explore this issue, we ask the administration:

- Without state resources, how would the administration ensure that all families throughout the state have access to prevention programs?
- Could the existence of prevention programs in some counties and not in others create equity concerns?
- Could providing funding for prevention programs ultimately lead to overall savings to the child welfare system?
- Has the administration considered creating a loan program or providing one-time start-up funding for counties interested in starting prevention programs but limited by their own fiscal constraints?

Due to all of these significant questions, staff recommends that the Subcommittee request the following in the course of the hearing:

1. Ask for a CWS/CCR/FFPSA Working Group to be formed regarding the Governor's proposals, including administration officials, legislative staff, the LAO, county representatives, and principal children's advocates, and to meet on a regular basis, between now and the release of the Governor's May Revision. This Working Group would have the opportunity to address the complex and interrelated questions summarized above about CCR implementation, pandemic response, and FFPSA implementation and planning, through an equity lens.

2. As one outgrowth of the above-mentioned Working Group, an expectation would be set for a second, modified version of the administration's recently released FFPSA trailer bill to be released before or with the Governor's May Revision. The feedback already received from some advocates is substantial and complicated and this would afford the administration an opportunity to absorb suggestions and make necessary changes.

Staff Recommendation: Make the two requests as indicated above in the agenda, with a note that staff may be seeking further information as investment options are further developed in the weeks leading to the release of the Governor's May Revision.

ISSUE 5: FIRST STEPS TOWARD REALIZING THE GOALS OF THE CALIFORNIA MASTER PLAN FOR AGING

This issue's conversation is focusing on the Master Plan for Aging vis-à-vis Human Services programs and what more can be done in the 2021 Budget to take meaningful first steps toward realizing the Master Plan's five goals.

PANELISTS AND QUESTIONS ASKED OF EACH PRESENTER

Panelists have been asked to specifically answer the questions below as listed for each individual panelist in their five-minute maximum presentation to the Subcommittee.

1. **Kim Johnson, Director, California Department of Social Services**
   - What are the race/ethnic, gender, and age demographics of the populations served by the largest DSS anti-poverty and safety net programs for seniors and people with disabilities, principally In-Home Supportive Services (IHSS) and the Supplemental Security Income/State Supplementary Payment (SSI/SSP) programs, and how does that relate and reconcile with income inequality and race/ethnicity in California?
   - Do you have concerns about access to IHSS and SSI/SSP for eligible communities given current year trends and what might normally be expected for these programs in an economic recession?

2. **Debbi Thomson, Adult Programs Division Deputy Director, California Department of Social Services**
   - What would the effect be of the 7 percent hours reduction for the IHSS program if it were enacted either pursuant to the current suspension language or in the context of the suspension delay as included in the Governor's Budget?
   - What is the history of the purchasing power of the SSI/SSP grant and how does this contribute to housing instability and homelessness for the senior community reliant on the grant?

3. **Kim McCoy Wade, Director, California Department of Aging**
   - What specific new investments toward the goals of the MPA are there in the Governor's Budget for the Senior Nutrition, Multipurpose Senior Services Program (MSSP), and the Long-Term Care Ombudsman Program? What other CDA-specific investments for 2021-22 are proposed for action or trailer bill adoption?
   - What has occurred in food access and senior hunger from the state perspective? What are the gaps and what is the state's strategy to address these issues?

4. **Joseph Rodrigues, State Long-Term Care Ombudsman, California Department of Aging**
   - What are the highest priority challenges that CDA and the Ombudsman Office are identifying for the aging community in COVID?

5. **Jackie Barocio, Legislative Analyst's Office**
   - Can you tell us about your assessment of the current Long-Term Services and Supports program capacity (specific to IHSS and the Multipurpose Senior Services Program (MSSP)), your assessment of future demand, and the ability of state programs to grow in response to rising demand?
   - Please tell us about the challenges of accessibility, fragmentation, and demographics as these relate to IHSS and MSSP?
   - What are some options for the state to consider that will help to secure appropriate supports and services for the aging population in our state?
   - What is the view of the LAO on the suspensions policy as they related to Master Plan for Aging programs, specifically IHSS and Senior Nutrition?
   - Please describe any issues with the IHSS, SSI/SSP, and APS programs that you would raise for legislative consideration, including lessons learned from COVID-19.
   - For IHSS, please discuss the risks of the proposal to automate terminations and your recommendations regarding the IHSS Residual Program, particularly given the temporary suspension of Medi-Cal redeterminations during COVID-19.

6. **John Lewis, Audit Principal, California State Auditor's Office**
   - Please share the high-level findings of the recently released audit titled, "In-Home Supportive Services Program: It Is Not Providing Needed Services to All Californians Approved for the Program, Is Unprepared for Future Challenges, and Offers Low Pay to Caregivers."
   - What did the audit identify as specific issues and challenges regarding access to the program, delays in approval, planning deficiencies, low pay for caregivers, and related workforce capacity issues?

7. **Beverly Yu, State Government Affairs Director, United Domestic Workers (UDW)/AFSCME**
   - What initiatives identified in the recent Auditor's report would improve the IHSS program?
   - Can effective incentives be created to facilitate local collective bargaining agreements that improve IHSS wages and benefits for caregivers?

8. **Tiffany Whiten, Senior Government Relations Advocate, California State Council of Service Employees International Union**
   - What are the critical workforce needs for IHSS and what would improve the situation for the program?
   - What were the consequences of hours reductions that occurred as part of past budget deals and what are the lessons?
   - How does or should IHSS as a program fit into the thinking around the MPA?

9. **Justin Garrett, Legislative Representative, California State Association of Counties**
   - Can you provide an overview of the landscape for county IHSS collective bargaining, including how many agreements have been reached in recent years?

- What IHSS funding mechanisms are currently available and have those tools been utilized to reach an increased number of agreements between counties and provider unions? If so, how?
- What are the upcoming changes in state law that will alter these IHSS funding mechanisms? What are you recommending instead in order to achieve further progress on IHSS collective bargaining?

10. Cathy Senderling-McDonald, Executive Director, County Welfare Directors Association of California

- What has been the experience of implementing Home Safe? What are the lessons?
- How can the Adult Protective Services (APS) program be strengthened? What will happen if it is not strengthened?
- From the county perspective, what can be done to ease enrollment and access to IHSS, in the pandemic and post-pandemic?

11. Claire Ramsey, Senior Staff Attorney, Justice in Aging

- What are the key investments California must make in our core human services programs—SSI/SSP, IHSS, APS, and senior nutrition—to advance the goals of the MPA and improve the lives of older Californians and adults with disabilities?
- How can these programs be leveraged to advance equity in California for older adults and people with disabilities?

12. Andrew Cheyne, Director of Government Affairs, California Association of Food Banks, Representing the Californians for SSI Coalition

- How has the COVID-19 pandemic affected SSI/SSP recipients, who are known to live at or below the federal poverty level?
- What opportunities are there to ensure that the Supplemental Nutrition Benefit and the Transitional Nutrition Benefit programs fulfill their original intention to hold harmless the households that lost some or all of their CalFresh benefits as a result of the CalFresh expansion to the SSI population?

13. Clay Kempf, Executive Director of the Seniors Council of Santa Cruz & San Benito Counties, Representing the California Association of Area Agencies on Aging

- Are there existing core programs in aging that need to be strengthened in order to give MPA the foundation to succeed?
- Can anything be done to eliminate the spider web of multiple funders and combine services under one roof?
- How do we afford the costs of the MPA recommendations?
- Considering innovation versus tried and true investments: where should new dollars be prioritized?

14. Denise Likar, Vice President, Independence at Home, a SCAN community service

- MSSP received a temporary rate increase for three years. What is the potential impact/consequences to the network and the MSSP beneficiaries if the rate expires?

- How has MSSP been able to help keep nursing home eligible beneficiaries safe in the community during unprecedented crises such as the COVID pandemic, wildfires, extreme heat and cold, and power outages?
- As the state plans for the future of long-term supports and services for an increasing population of older adults, what role can MSSP play in the provision of comprehensive services to Californians?

15. Sarah Steenhausen, Senior Policy Advisor, The SCAN Foundation

- COVID-19 has amplified long-standing system challenges impacting older adults, people with disabilities and their caregivers, particularly among Black, Indigent, Latinx, and Asian and Pacific Islander communities who have been hardest hit by the pandemic. What are the most pressing policy issues that need to be addressed to ensure an equitable path forward for aging in our state?
- What is needed to ensure success in implementation of the MPA?
- Older adults, people with disabilities and their caregivers often experience tremendous difficulty accessing services when they need them. In fact, several of us in our own personal lives have confronted significant challenges in navigating a very complicated system to help our loved ones get the care they need. What are some ways to better coordinate services and make the system more navigable for everyone?

BACKGROUND

COVID-19 Response in the Home-Bound Senior Population. The Governor's budget includes both state and federal funds to respond to the COVID-19 pandemic at CDA and DSS. The federal stimulus funds passed to date provided needed funding for aging programs for older adults so that they had access to services while they are under stay-at-home orders. The Families First Coronavirus Response Act (FFCRA) provided funding for the Older Americans Act (OAA) Senior Nutrition programs. The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided funding for OAA Senior Nutrition programs, Supportive Services and Family Caregiving, ADRC programs, and Long-Term Care Ombudsman programs.

State Operations & Local Assistance	2019-20 Actual Expenditures			
Program	**Older Americans Act**	**FFCRA**	**CARES**	**TOTAL**
Title IIIB- Supportive Services	$42,174,000	$0	$18,834,000	$61,008,000
Title IIIB- Ombudsman	$41,366,000	$7,945,000	$0	$49,311,000
Title IIIC1- Congregate Nutrition	$41,746,000	$7,945,000	$0	$49,691,000
Title IIIC2- Home Delivered Nutrition	$36,100,000	$16,487,000	$45,155,000	$97,742,000
Title IIID- Preventive Health	$3,062,000	$0	$0	$3,062,000
Title IIIE- Family Caregiver	$20,799,000	$0	$9,297,000	$30,096,000
Title VII Ombudsman	$1,658,000	$0	$1,881,000	$3,539,000
Title VII Elder Abuse Prevention	$499,000	$0	$0	$499,000
Nutrition Services Incentives Program (NSIP)	$13,550,000	$0	$0	$13,550,000
TOTAL, State Operations & Local Assistance	**$200,954,000**	**$32,377,000**	**$75,167,000**	**$308,498,000**

* Reflects actual expenditures only and does not include any encumbrances for 2019/20.

State Operations & Local Assistance	2020-21 Budget			
Program	**Older Americans Act**	**FFCRA**	**CARES**	**TOTAL**
Title IIIB- Supportive Services	$39,832,000	$0	$1,836,000	$41,668,000
Title IIIB- Ombudsman	$2,296,000	$0	$0	$2,296,000
Title IIIC1- Congregate Nutrition	$42,824,000	$0	$418,000	$43,242,000
Title IIIC2- Home Delivered Nutrition	$32,650,000	$0	$5,840,000	$38,490,000
Title IIID- Preventive Health	$2,448,000	$0	$0	$2,448,000
Title IIIE- Family Caregiver	$18,492,000	$0	$0	$18,492,000
Title VII Ombudsman	$1,872,000	$0	$200,000	$2,072,000
Title VII Elder Abuse Prevention	$471,000	$0	$0	$471,000
Nutrition Services Incentives Program (NSIP)	$13,157,000	$0	$0	$13,157,000
TOTAL, State Operations & Local Assistance	**$154,042,000**	**$0**	**$8,294,000**	**$162,336,000**

The latest stimulus funding in the Federal Fiscal Year 2021 Budget (H.R.133 - Consolidated Appropriations Act, 2021) includes a total of $168 million for Senior Nutrition Programs, and $100 million for Elder Justice funds, including Long-Term Care Ombudsman programs, for all states. CDA is awaiting the allocation amounts for these programs from the federal Administration for Community Living.

The Governor's budget includes a total of $63.9 million total funds for COVID response within the In-Home Supportive Services (IHSS) program in 2020-21 and $11.2 million in 2021-22. Savings of $456.2 million in 2021-22 and $842.6 million in 2020-21 were observed due to the temporary Federal Medical Assistance Payment (FMAP) increase provided by federal COVID relief legislation. Highlights of the state's COVID response within the IHSS program are listed below:

- **COVID-19 Backup Provider System.** The Governor's Budget includes $15.7 million ($8.0 million General Fund) in 2020-21 and $7.8 million ($4 million General Fund) in 2021-22 as additional funding to counties to continue operating the COVID-19 county emergency provider back-up systems. An additional $1.3 million General Fund is for service costs. These systems facilitate the process of finding back-up providers for IHSS recipients that would cover for those providers that are out due to COVID-19-related reasons.

- **COVID-19 Backup Provider Wage Differential.** The Governor's budget includes $6.7 million ($2.7 million General Fund) in 2020-21 and $3.3 million ($1.3 million General Fund) in 2021-22 to pay COVID-19 IHSS emergency back-up providers a $2.00 per hour differential on top of the regular county negotiated hourly wage.
- **Temporary FMAP Enhancements.** As outlined in The FFCRA, the federal government is providing a temporary 6.2 percent increase in the FMAP reimbursement rate for federally eligible Title XIX service expenditures. Application of the enhanced rate will result in a projected $842.6 million in General Fund savings in 2020-21 and $465.2 million in General Fund savings in 2021-22 for IHSS.

Based on data from 2018, there were 8.2 million adults age 60 or older in California. Of those, 1.5 million lived alone, and 1.2 million were 100 percent below the federal poverty level. Beginning in March 2020, the Administration pivoted towards rapid response efforts to help protect the lives of these vulnerable Californians.

Senior Nutrition Programs. Under the CARES Act, states were allowed additional program flexibility for nutrition programs. States were allowed to transfer up to 100 percent of funding from congregate to home-delivered meals programs without prior federal approval to provide home-delivered meals to individuals homebound for social distancing purposes, and temporarily waive certain dietary guidelines for meals. The 33 Area Agencies on Aging (AAAs) adapted by reinventing and expanding nutrition services. Congregate meal programs were transformed to serve older adults through meal pick-up and home-delivery. In 2020, there were a record 27 million meals delivered to older Californians. This represents a 51% increase over 2019 numbers (17.8 million). In April, the Governor announced the Great Plates Program, which partnered with local governments and the Federal Emergency Management Agency (FEMA) to provide delivered meals to seniors at no cost to them. Note that the Great Plates program is administered by the Governor's Office of Emergency Services.

Virtual Home and Community Based Services. Community-Based Adult Services (CBAS) are day health programs that provide services to 37,000 older adults and adults with chronic conditions and/or disabilities. Due to the COVID-19 outbreak, CBAS centers were allowed to provide services through video conferencing, the phone, and door-step deliveries, as well as very limited in-center services that adhered to COVID-19 safety guidelines. The services to the frailest adults through Multipurpose Senior Services Program (MSSP), allowed for temporary suspension of home visits and virtual care as allowable methods for conducting care management activities. Waiver funds were also approved for purchases of masks and urgent needs for personal hygiene supplies.

Long-Term Care Ombudsman (LTCO) Program. The CARES Act provided flexibility in the LTCO program by allowing ombudspersons to have continued "direct access (or other access through the use of technology) to residents in long-term care facilities" during the public health emergency. Services moved to virtual, and out of residential facilities, in the wake of the pandemic. The LTCO Program has a 24-hour toll free line to assist residents in LTC facilities and their families with issues related to day-to-day care, health, safety, and personal preference. The LTCO Program has reported between 1,500-2,000 calls per month since the onset of the pandemic. In August 2020, the LTCO Program provide guidance for local LTC Ombudsman to re-enter facilities, and by October 2020, all local health jurisdictions had cleared LTCOs to resume in-person visits following health guidelines including social distancing and utilizing personal protective equipment (PPE). In December 2020, there were 1,600 on-site visits made to facilities statewide.

Information and Assistance. CDA upgraded the California Aging and Adults Info Line answered by local AAAs to meet the increased volume of calls from older adults. CDA also mailed a postcard mailer to Californians age 80 and older with information on the resources available to Stay Home and Stay Connected during the pandemic, in partnership with AARP and DMV (18 million resource cards were mailed). Resource telephone lines included 211, Friendship Line, Long Term Care Crisis Line, AARP Fraud Hotline, and several other aging and adult services, as well as info on accessible and in-language resources.

Equity and Isolation Prevention. CDA has worked to ensure that older Californians are provided with the social and emotional care needed while staying home during the pandemic. CDA contracted with the Institute on Aging to expand, statewide, the “Friendship Line,” which is a 24-hour hotline that isolated older adults can call and speak to trained staff and volunteers, to prevent loneliness, isolation, and suicide. 71,000 Friendship Line calls were received from April 2020 through December 2020. During this pandemic, access to reliable internet and digital devices have been critical tools necessary to remain socially connected while physically distancing. As older Californians continue to stay home to save lives during the pandemic, CDA has made bridging the digital divide to combat loneliness and isolation a top priority. CDA has leveraged public-private partnerships with AT&T and Google to provide tablets and smart speakers to thousands of older Californians who are low income and live alone. Google has donated 8,500 smart speaker devices which have been distributed to local Area Agencies on Aging (AAAs) and Multipurpose Senior Services sites to distribute to their clients. CDA has also entered into an agreement with AT&T to purchase 4,000 iPad tablets that will be provided to AAAs to distribute to low-income older adults who live alone.

In-Home Supportive Services (IHSS) Program. In response to COVID-19 DSS shifted its operations on many fronts to ensure the safety of IHSS recipients, providers, and county staff. The department implemented a backup provider system to ensure recipients received services even when their primary provider was out due to COVID-19. The department also suspended requirements concerning overtime rules, parent providers, provider enrollment, in-person reassessments, and quality assurance visits. The department permitted providers with paid sick leave to take care of themselves or family members affected by COVID-19. DSS also helped to provide masks, gloves, and other protective equipment to providers and recipients to ensure recipients could remain safely in their homes while receiving services during the pandemic.

Department of Aging Budget. With a proposed 2021-22 budget of $258.1 million ($67.9 million General Fund), the CDA administers community-based programs that serve older adults, adults with disabilities, family caregivers, and residents in long-term care facilities throughout the state. As the federally designated State Unit on Aging, the department administers federal Older Americans Act (OAA) programs and the Health Insurance Counseling and Advocacy Program.

California Department of Aging
Expenditures by Fund Source
* Dollars in thousands

Grand Total By Fund	Fiscal Year	
	2020-21	(Proposed Budget) 2021-22
General Fund	$67,514	$67,935
State HICAP Fund	$2,502	$2,509
Federal Funds	$178,937	$171,138
Special Deposit Fund	$2,208	$1,216
Reimbursements	$12,680	$13,039
Department of Public Health Licensing and Certification Program Fund	$400	$400
Skilled Nursing Facility Quality and Accountability Fund	$1,900	$1,900
Total All Funds	$266,141	$258,137

History of the Master Plan on Aging. In June 2019, Governor Newsom issued an executive order calling for the creation of a Master Plan for Aging (MPA). This plan was spurred, in large part, by the projected growth of California's over-65 population to 8.6 million by 2030. The CDA has taken a lead role in developing the MPA.

Between September 2019 and October 2020, the CDA oversaw the Together We Engage Campaign, which collected input from the public, stakeholders, and partners through pledges, surveys, meetings, webinars, and community roundtables. Public opportunities included the Together We Engage pledge and survey to identify Master Plan priorities (summer 2019); Webinar Wednesdays to hear from experts and gather community input on specific topics (winter 2020); and an Equity in Aging Town Hall to address ageism (summer 2020). In addition, the Secretary of the Health and Human Services Agency and director of the department co-hosted roundtables with various members of the Legislature to learn more about issues in their districts.

The California Health and Human Services Agency formed a Stakeholder Advisory Committee (SAC), a Long-Term Services and Supports Subcommittee, and a Research Subcommittee in

August 2020 comprised of 78 members from local government, healthcare providers, health plans, employers, community-based organizations, academia, researchers, and service recipients. The SAC formed an Equity Work Group in December 2020, tasked with ensuring that equity is fully integrated into the Master Plan.

Throughout the stakeholder engagement process, these committees and the Administration received over 240 policy recommendation letters submitted by stakeholder organizations and over 1,000 public comments. This engagement process culminated in the SAC's submission of an Equity Tool and Glossary, a Long-Term Services & Supports Stakeholder Report, a Livable Community and Purpose Stakeholder Report, a Health and Well-being Stakeholder Report, and an Economic Security, Safety, and Emergency Preparedness Stakeholder Report. The final MPA was released on January 6, 2021.

Five Goals for 2030. The Master Plan for Aging presents a comprehensive approach for every Californian to help build a California for All Ages by 2030. The plan identifies five goals and 23 strategies for state and local leaders in government, business, philanthropic, and community-based organizations to collaborate. The Master Plan for Aging is considered to be a living document for the long-term.

1. Housing for All Ages and Stages.
2. Health Reimagined.
3. Inclusion and Equity, not Isolation.
4. Caregiving that Works.
5. Affording Aging.

2021 Governor's Human Services Budget Investments to Address Aging. The Governor's January budget proposes new investments to many programs, some within the human services arena, to advance the goals of the MPA. It includes both overarching proposals to advance a California for All that will benefit all Californians as we age, as well as targeted new, and continuing, investments in aging. These investments are proposed across multiple departments in the California Health and Human Services Agency, including CDA. Targeted investments within the human services field include:

- **Aging and Disability Resource Connection (ADRC).** The budget includes a half-year augmentation of $5 million General Fund in 2021-22 and a half-year augmentation of $5 million General Fund in 2022-23 to maintain and expand the ADRC. This proposal is discussed in more detail later in this agenda.

- **Senior Nutrition.** The Governor's budget proposes to extend the suspension date for $17.5 million General Fund for the Older Americans Act Senior Nutrition program that was originally set to suspend on December 31, 2021. The Governor's budget proposes to extend funding for these programs until December 31, 2022, which will enable local Area Agencies on Aging (AAAs) to expend the full $17.5 million in 2021-22. The program provides both home-delivered and congregate meals at community and senior centers, nutrition education, and nutrition-risk screening to individuals 60 or older.

- **Expand Facilities to Support Housing.** The Governor's budget includes $250 million one-time General Fund for the Department of Social Services (DSS) to acquire and rehabilitate Adult Residential Facilities (ARFs) and Residential Care Facilities of the Elderly (RCFEs) with a specific focus on expanding housing for low-income seniors who are homeless or at risk of becoming homeless. This issue was discussed under Issue 3 of this agenda.
- **Placeholder Funding.** The Governor's budget includes $5 million General Fund in placeholder funding for spring proposals to further implement the Master Plan for Aging.

IN-HOME SUPPORTIVE SERVICES (IHSS)

The following information below was provided by the Legislative Analyst's Office (LAO).

The Governor's budget proposes a total of $16.5 billion (all funds) for In-Home Supportive Services (IHSS) in 2021-22, which is about $1.5 billion (10 percent) above estimated expenditures in 2020-21.

Primary Cost Drivers for IHSS. General Fund costs are estimated to be $5.3 billion in 2021-22, a net increase of $1 billion (24 percent) compared to estimated 2020-21 levels. A combination of the three following factors are primarily responsible for growth in IHSS costs:

- **Caseload.** The number of individuals receiving services. In 2021-22, the administration estimates the IHSS caseload will grow by 3.9 percent.
- **Cost Per Hour.** The amount providers of IHSS are paid to provide care. The Governor's budget assumes the cost per hour of IHSS will increase by 5.6 percent in 2021-22.
- **Hours Per Case.** The number of hours of IHSS services (up to a maximum of 283 per month) individuals receive. The 2021-22 budget estimates the average hours per case will increase by 1.1 percent.

Main Reasons for Year-to-Year General Fund Cost Increase. The year-over-year net increase in IHSS General Fund expenditures primarily is due to the following:

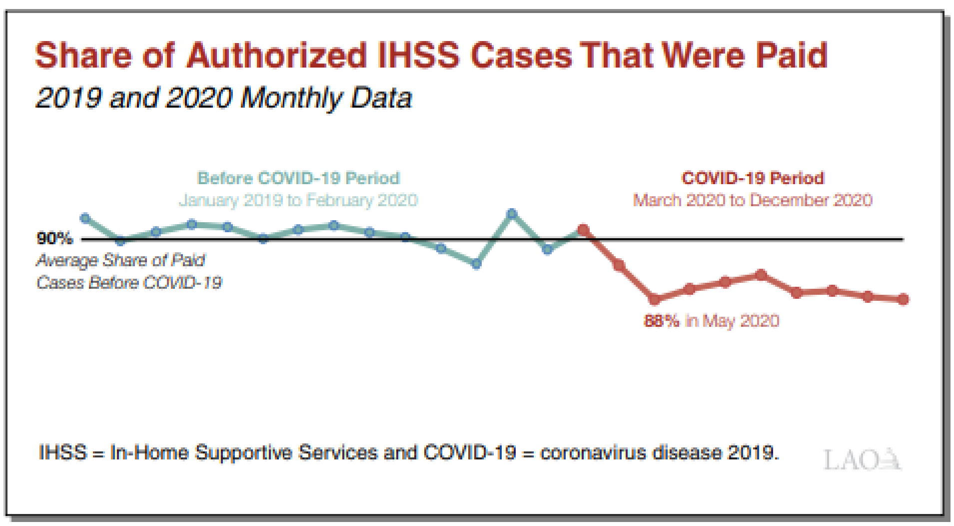
- **Ramp Down of Enhanced Federal Funding.** As a part of federal coronavirus disease 2019 (COVID-19) response legislation, Congress approved a 6.2 percentage point increase in the federal government's share of cost for Medicaid, including IHSS, for the duration of the COVID-19 national public health emergency. The Governor's budget assumes that the enhanced federal funding will remain in place through December 2021. This anticipated ramp down in temporary federal funds means that the General Fund would need to increase to cover roughly $450 million in IHSS costs that were temporarily covered by enhanced federal funding. (The expiration date of the enhanced federal funds ultimately depends on when the federal government declares the COVID-19 emergency is over.)
- **Growth in Caseload, Cost Per Hour, and Hours Per Case.** As described above, the Governor's budget assumes that caseload, wage costs (including the state minimum

wage), and hours per case will continue to grow in 2021-22, resulting in increasing IHSS program costs.

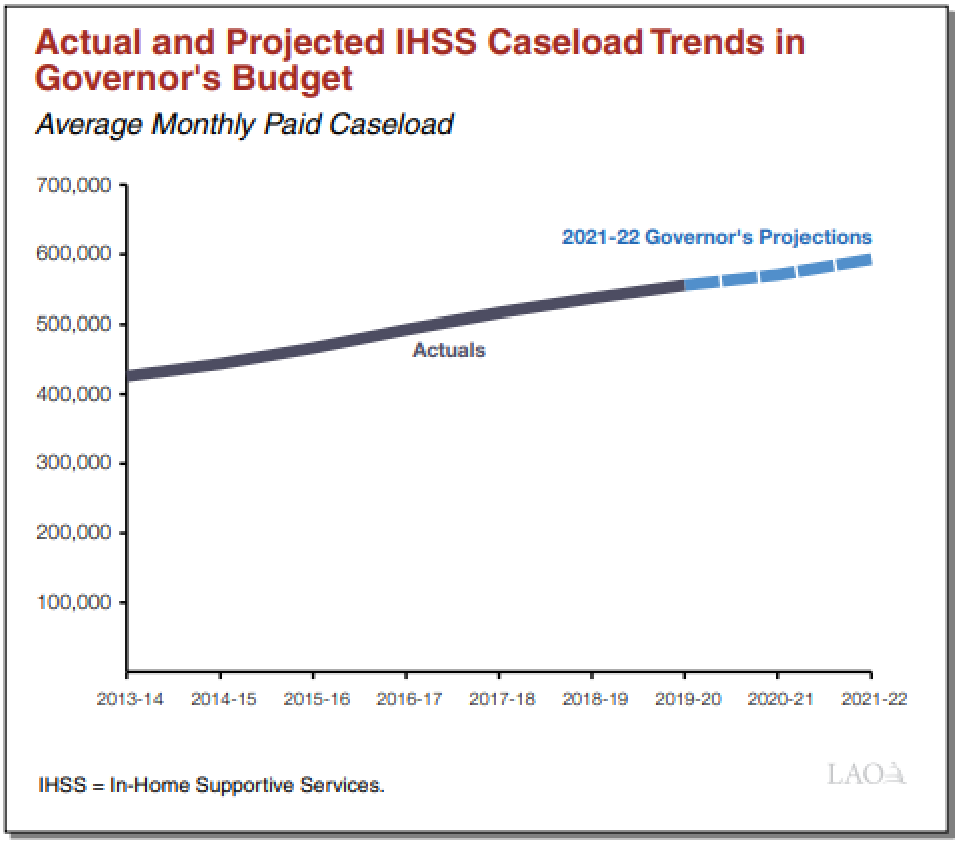
Comparing Authorized Cases to Paid Cases, Not All Authorized IHSS Cases Are Paid Every Month. While IHSS recipients may be authorized to receive services, not all authorized IHSS cases receive service payments every month. Specifically, from 2014-15 until the pandemic, about 90 percent of authorized IHSS cases are paid cases any given month. Reasons why an IHSS recipient may not receive IHSS paid services in any given month include:

- Recipient is still in the process of hiring an IHSS provider.
- Recipient is temporarily hospitalized or admitted into a licensed care facility.
- Recipient is temporarily receiving care from someone other than their authorized provider, such as a visiting family member.

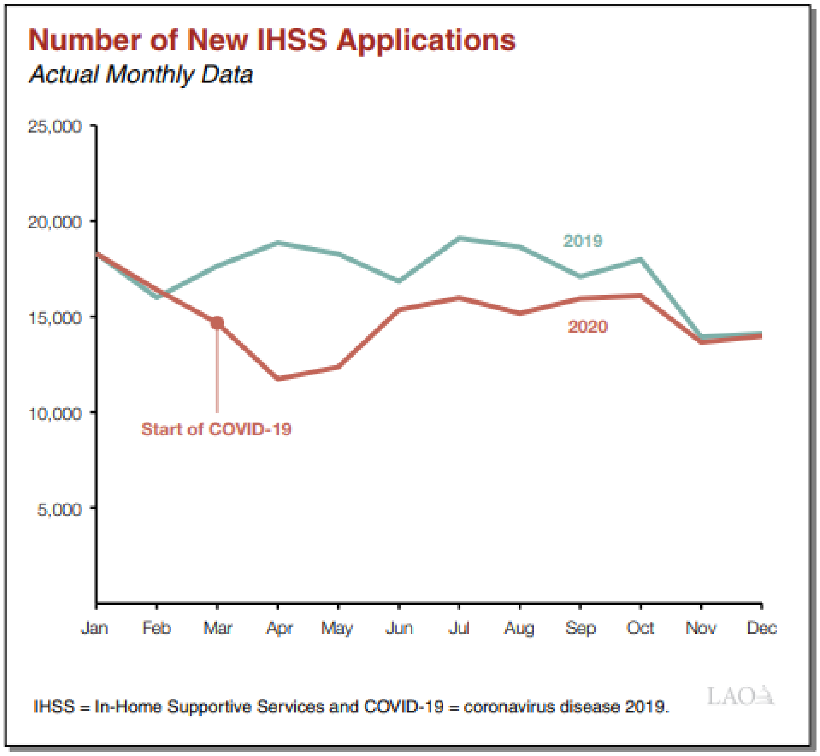
Share of Authorized Cases That Are Paid Cases Slightly Lower Than Past Levels. Since the start of COVID-19, the average share of authorized cases that were paid every month slightly decreased and has remained at 88 percent. This translates to roughly 10,000 fewer paid IHSS cases every month relative to 2019 levels. While the reasons why a slightly smaller share of IHSS cases are paid for services every month are unclear, it may be partially attributed to recipients with non-live-in providers and/or non-live-in providers themselves being hesitant to interact face to face with individuals outside of their household due to COVID-19 public health concerns.



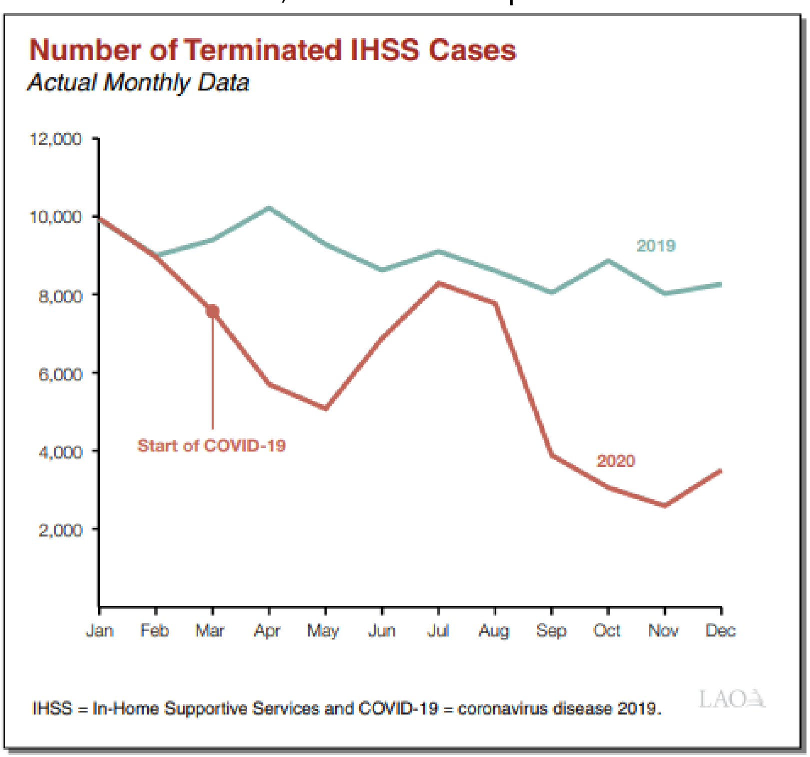
Continued, But Slower Than Expected, Annual Growth in IHSS Paid Caseload. Since 2014-15, IHSS paid caseload has grown at an average of about 4 percent year to year. The Governor's budget estimates that IHSS caseload will grow by 2.7 percent in 2020-21 and 3.9 percent in 2021-22. In May 2020, the administration estimated that IHSS caseload would increase by 4.1 percent in 2020-21. However, the Governor's budget estimates a growth rate of 2.7 percent in 2020-21, which is below recent annual averages. This slower growth is primarily due to the number of paid cases reflecting a slightly lower share of total authorized cases, as described above.



Decrease in New IHSS Applications at the Start of COVID-19, but Applications Seem to Be Rebounding. Prior to COVID-19, the average number of new IHSS applications received in any given month was around 17,000. However, the number of new applications decreased to a low of about 12,000 in April 2020. In recent months, the number of new IHSS applications has been increasing and is beginning to reflect pre-COVID-19 levels.



In 2019, roughly 7,000 IHSS applications were denied every month. The average number of monthly denials generally remained the same during COVID-19. The average number of recipients terminated from IHSS in any given month has decreased significantly from about 9,000 individuals per month to about 5,000 individuals per month since the start of COVID-19.

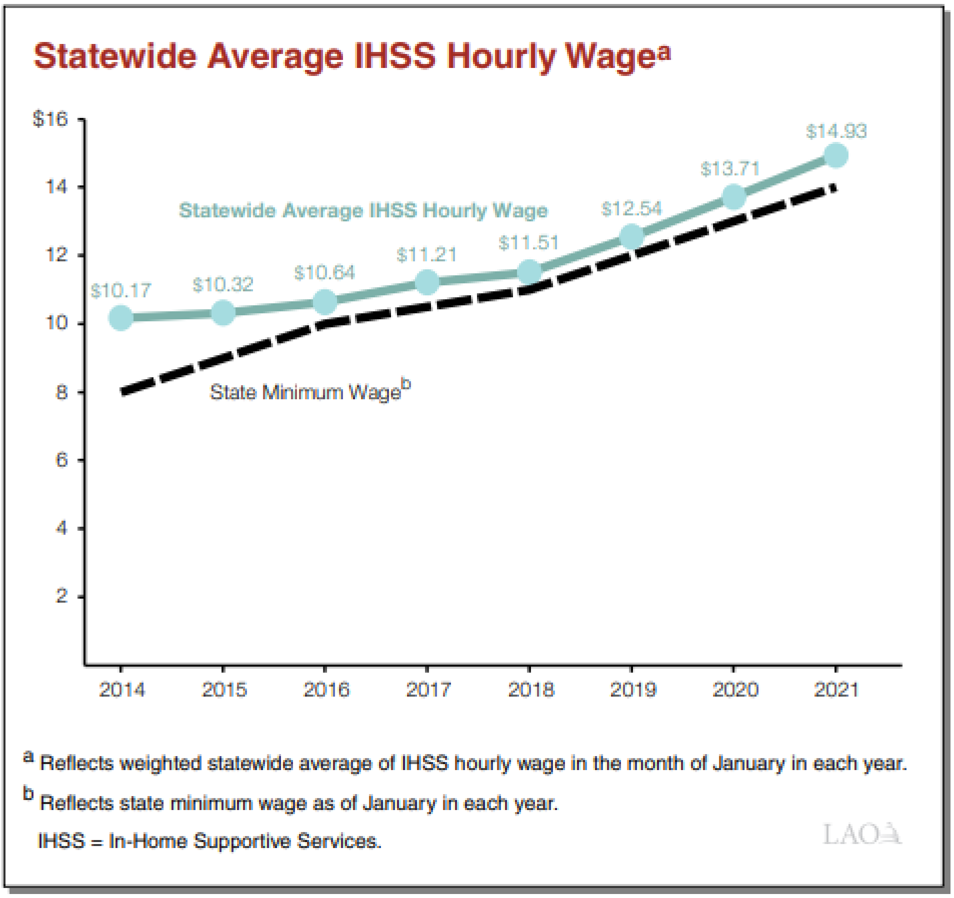


Reduction in the Number of IHSS Terminations Likely Due to Temporary Program Flexibilities. In an attempt to reduce in-person interactions and maintain services levels for existing recipients during COVID-19, the state and federal government temporarily waived and modified certain IHSS and Medi-Cal program requirements. These program changes likely are the reason why IHSS terminations during COVID-19 have been lower than prior years. Some examples of these flexibilities are:

- **Medi-Cal Program Flexibilities Resulted in Fewer Terminations Than Usual.** Federal COVID-19-related legislation effectively requires the state to suspend most eligibility redeterminations in Medi-Cal for the duration of the national public health emergency declaration. As a result, the number of IHSS recipients terminated due to noncompliance with Medi-Cal eligibility rules significantly decreased from about 2,000 individuals in January 2020 to 43 individuals in December 2020.
- **Temporary Suspension of IHSS Reassessments and Adverse Actions.** In March 2020, the Governor issued an executive order which suspended any scheduled IHSS reassessments through June 2020. Additionally, the state postponed the enforcement of adverse actions, including termination from IHSS, as a result a reassessments through June 2020. During the time in which these program flexibilities were in place, the number of IHSS terminations due to noncompliance with IHSS reassessments and other eligibility rules declined, from over 1,500 in January 2020, to about 500 in May 2020.
- **Public Health-Related Program Flexibilities Resulted in Increased Compliance and Reduced Termination.** While counties are still required to conduct initial IHSS eligibility assessments and reassessments, they may do so by video call or telephone (only available for reassessments) as an alternative to in person when appropriate. Remote assessments likely make it easier for recipients to connect with the county social worker and comply with IHSS eligibility rules. Since the implementation of this program flexibility in July 2020, the number of IHSS terminations due to noncompliance with IHSS eligibility rules declined from about 2,000 to 221 in December 2020.

Spike in IHSS Terminations Between June 2020 and August 2020 Likely Due to Expiration of Some Program Flexibilities. Counties were required to complete any postponed reassessments and process IHSS terminations from completed reassessments following the expiration of the program flexibilities mentioned above in June 2020. As a result, the number of IHSS terminations due to failure to comply with IHSS reassessment and other eligibility rules peaked at 2,000 in July 2020 (up from 500 in May 2020), which coincides with the spike in total IHSS terminations between June 2020 and August 2020. Although total IHSS terminations spiked, they still remained below pre-COVID-19 levels.

Historical Growth in IHSS Hourly Wages. The average IHSS hourly wage has increased by 6 percent annually since 2014. The growth in IHSS hourly wages partially is due to increases to the state minimum wage—from $8 per hour as of January 1, 2014 to $14 per hour as of January 1, 2021. Additionally, counties may establish IHSS hourly wages above the state minimum wage through local wage ordinances or, more commonly, collectively bargained agreements. As of January 2021, 45 counties have IHSS hourly wages above the state minimum wage ($14 per hour).

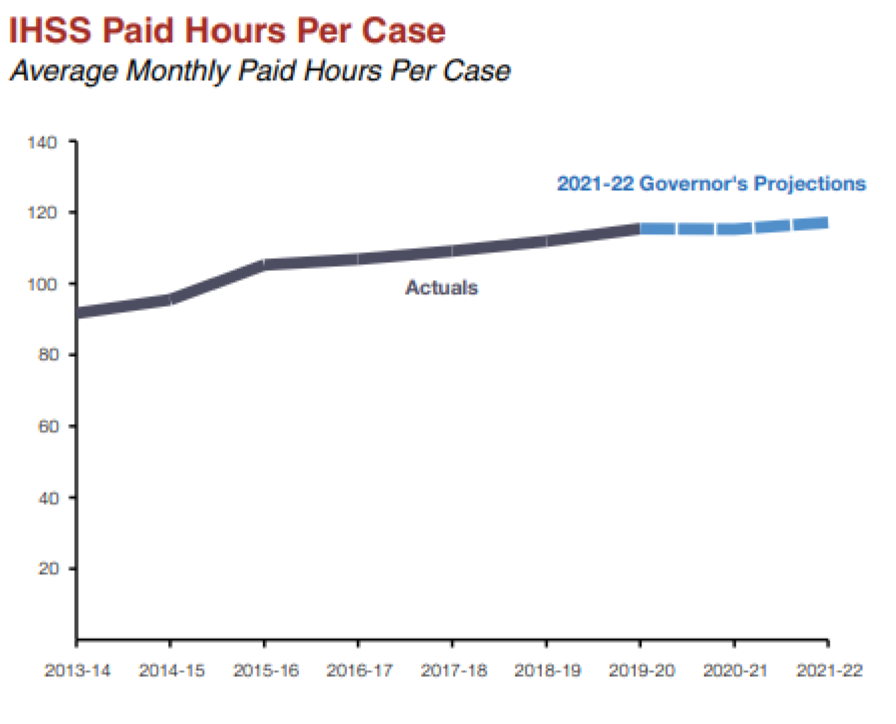


IHSS Hourly Wages Expected to Increase in 2021-22. The Governor's budget includes $560 million General Fund ($1.2 billion total funds) in 2021-22 for increases in IHSS hourly wages. The wage increases are in part due to the anticipated cost of the January 2021 state minimum wage increase ($13 to $14 per hour) and costs of the January 2022 state minimum wage increase ($14 to $15 per hour). Additionally, as of January 2021, 40 counties have an active collectively bargained agreement, most of which include IHSS wage increases in 2022 that would place local IHSS hourly wages above the state minimum wage ($15 per hour in 2022).

Historical Growth in IHSS Paid Hours Per Case. Since 2016-17, the number of IHSS paid hours per case increased by about 2 percent annually. IHSS paid hours per case decreased from 117 hours per case in March 2020 to 115 hours per case in April and May 2020. However, IHSS paid hours per case began to steadily increase in June 2020 at an average monthly rate similar to pre-COVID-19 rates (about 1 percent).

Expect IHSS Paid Hours Per Case to Increase in 2020-21. Despite the continued steady growth in hours per case in recent months, the Governor's budget estimates that the average paid hours per case will be roughly the same in 2020-21 as they were in 2019-20 (115 hours). Based on recent growth trends, we expect that the average paid hours per case in 2020-21 likely will be higher than (as opposed to remain roughly the same as) actual 2019-20 average paid hours per case.

IHSS Paid Hours Per Cases Expected to Increase in 2021-22. The Governor's budget estimates that the average paid hours per case will increase by over 1 percent (from 115 hours to 117 hours) in 2021-22, which generally aligns with historical annual growth trends.



IHSS = In-Home Supportive Services.

Seven Percent Restoration of IHSS Service Hours Subjects Restoration of IHSS Service Hours by 7 Percent to New Budget Bill Suspension Language. The 2021-22 Governor's Budget includes $450 million General Fund to continue the restoration of IHSS service. Additionally, the Governor's budget proposes to subject the continuation of the restoration beyond 2021-22 to new budget bill suspension language with the possible suspension date of December 31, 2022.

Under Current Law, IHSS Service Hour Restoration Likely to Continue in Future Years. Under current law, the continuation of the restoration is subject to possible suspension on December 31, 2021 if estimated revenues from the 2021 May Revision are not sufficient to fund total state expenditures in 2021-22 and 2022-23. Because the state has a significant windfall in 2021-22, estimated revenues should be sufficient to fund expenditures including all suspension items. This would result in the continuation of the IHSS service hour restoration permanently.

LAO Recommendation Regarding Suspension. The LAO recommends rejecting the new suspension delay proposal. Funding to restore IHSS service hours supports the core program goal of providing recipients with the assessed amount of personal care services to remain in their own home and avoid institutionalized care. The proposed suspension language treats IHSS ongoing costs as temporary, which fundamentally understates the true ongoing cost of the state's policy commitments. Additionally, automating the suspension of funding for certain programs hinders the Legislature from weighing the trade-offs of all possible options when considering how to manage a projected budget shortfall. Additionally, the LAO recommends the Legislature repeal the outdated statute that links the restoration of IHSS services hours to the first Managed Care Organization tax adopted in 2016.

Automation of Certain IHSS Terminations Proposes to Automate IHSS Termination for Recipients Who Are Terminated From Medi-Cal Program. The Governor's budget proposes to automate the termination process for IHSS recipients who are terminated from Medi-Cal due to a failure to comply with Medi-Cal eligibility rules, including not completing the annual Medi-Cal redetermination (referred to as Medi-Cal noncompliance). While the automation change initially was proposed by the administration in May 2020, the 2020-21 budget deferred action on the proposal with an agreement between the Legislature and administration to work together to consider: (1) how the automation process would work; (2) how the change would impact IHSS recipients; and, (3) how the process would impact the IHSS program.

IHSS Is Predominantly Provided to Recipients as a Medi-Cal Benefit. The vast majority of recipients are eligible for Medi-Cal and receive IHSS as a Medi-Cal benefit. Providing IHSS through the Medi-Cal program allows the state to draw down federal funds to offset state IHSS costs. The state also operates the IHSS-Residual program, which provides services to individuals not eligible for federally funded Medi-Cal benefits. Costs for the IHSS-Residual program are fully covered by the state.

Administration's Interpretation of IHSS-Residual Eligibility Rules. Under current statue, individuals eligible for federally funded Medi-Cal benefits are ineligible for the IHSS-Residual program. Only individuals not eligible for federally funded Medi-Cal benefits are eligible to receive services through the IHSS-Residual program. The administration's interpretation of statute is that individuals who were once eligible for federally funded Medi-Cal benefits, but were terminated from Medi-Cal due to noncompliance, are ineligible for the IHSS-Residual program.

Currently, IHSS Recipients Who Do Not Comply With Medi-Cal Eligibility Rules May Be Treated Differently. The consequences for IHSS recipients terminated from Medi-Cal due to Medi-Cal noncompliance currently varies.

- **Some Cases are Manually Terminated From IHSS.** If a recipient terminated from Medi-Cal is manually terminated from IHSS, the recipient needs to reinstate their Medi-Cal eligibility first to receive paid services through the IHSS program again. As a result, a recipient's provider will not receive payments for services until the recipient reinstates their Medi-Cal eligibility. Once the recipient reinstates their Medi-Cal eligibility, they are eligible to return to IHSS. Additionally, the state can retroactively draw down federal funds and pay IHSS providers for services provided during the gap in IHSS and Medi-Cal eligibility.

- **Some Cases Get Transferred to the IHSS-Residual Program.** If a recipient terminated from Medi-Cal is not manually terminated from IHSS, by default, the recipient is enrolled into the IHSS-Residual program until the county worker updates the case. While this means that a recipient's provider continues to receive service payments in real time, the state is responsible for covering all costs and cannot draw down federal funds until the recipient is reenrolled into Medi-Cal. Currently, there is no limit to how long an IHSS case may remain in the IHSS-Residual program. The state cannot retroactively draw down federal funds for payments made through the IHSS-Residual program during the recipient's gap in Medi-Cal eligibility.

Proposed Automation Process Would Ensure Recipients Terminated From Medi-Cal Are Not Enrolled in IHSS-Residual Program. The proposed automation change would ensure recipients who are terminated from Medi-Cal due to Medi-Cal noncompliance also are automatically terminated from IHSS. This effectively would eliminate the possibility of recipients entering and receiving services through the IHSS-Residual program while they are ineligible for Medi-Cal.

- **Governor's Budget Assumes All Terminated Cases Would Reinstate Medi-Cal and IHSS Eligibility.** Under the administration's automation proposal, recipients would be automatically reenrolled into IHSS if they reinstate their Medi-Cal eligibility within 90 days. (Recipients would be manually reinstated into IHSS if they reinstate their Medi-Cal eligibility after 90 days.) The Governor's budget assumes all recipients would be reinstated into Medi-Cal and IHSS.
- **Associated General Fund Savings From Recipients No Longer Receiving Services Through IHSS-Residual Program.** The administration assumes all recipients would continue to receive services during the gap in eligibility and providers would be retroactively reimbursed once the recipient is reenrolled into Medi-Cal and IHSS. Rather than paying for all service costs through the IHSS-Residual program, the state would be able to draw down federal funds to cover a portion of these service costs. As a result, the Governor's budget includes $84 million General Fund savings in 2021-22.
- **About Half of the General Fund Savings Likely Would Happen Regardless of Automation Changes.** As previously mentioned, most eligibility redeterminations in Medi-Cal are postponed for the duration of the COVID-19 emergency declaration, which the 2021-22 budget assumes will be in effect through December 31, 2021. This effectively means that no recipient would be terminated from Medi-Cal or IHSS due to Medi-Cal noncompliance. As a result, about half of the estimated $84 million General Fund savings likely would occur since existing recipients would continue to receive IHSS through Medi-Cal, not the IHSS-Residual program.

Current Statute Is Not Clear on Whether Recipients Terminated from Medi-Cal Are Ineligible for IHSS-Residual Program. As previously mentioned, the administration interprets current statute as rendering recipients terminated from Medi-Cal ineligible for the IHSS-Residual program. Specifically, current statue mentions that individuals ineligible for federally funded Medi-Cal benefits are eligible for the IHSS-Residual program. If an individual is terminated from Medi-Cal due to noncompliance, technically that means the individual is ineligible for federally funded Medi-Cal benefits. Consequently, it is unclear whether that individual could be eligible for the IHSS-Residual program.

LAO Recommends Legislature Clarify IHSS-Residual Eligibility Rules in Statute to Ensure Statewide Consistency. Regardless of whether the Legislature adopts the proposed automation change, the LAO recommends amending statute to clarify whether individuals ineligible for federally funded Medi-Cal benefits due to Medi-Cal noncompliance are or are not eligible for the IHSS-Residual program. Such clarification will increase the likelihood that the policy is implemented consistently throughout the state.

Additional Issues for Consideration if Legislature Adopts Governor's Proposal. While the administration assumes all recipients would continue to receive services during the gap in Medi-Cal and IHSS eligibility and providers would be retroactively reimbursed for those services once the recipient is reenrolled into Medi-Cal and IHSS, some recipients may experience a disruption in care and not return to Medi-Cal and IHSS. Thus, the Legislature may want to consider asking the administration to monitor and report back on: (1) how long it takes recipients to reinstate their Medi-Cal and IHSS eligibility; (2) the extent to which recipients experience a disruption in care; and, (3) the number of recipients who ultimately do not return to Medi-Cal or IHSS.

Additional Issues for Consideration if Legislature Does Not Adopt Governor's Proposal. If the Legislature does not adopt the Governor's proposal, the state likely would continue to provide services to some recipients who were terminated from Medi-Cal due to noncompliance through the IHSS-Residual program. The Legislature may want to consider whether the IHSS-Residual program should serve as a temporary safety net for all recipients who are terminated from Medi-Cal and can no longer receive IHSS as a Medi-Cal benefit. Additionally, the Legislature may want to consider how long recipients would be permitted to remain in the IHSS-Residual program and whether recipients would be manually or automatically terminated from the IHSS-Residual program if the recipient does not reinstate their Medi-Cal eligibility within the specified timeline.

COVID-19 Back-Up Provider System Temporarily Extends Duration of COVID-19 Back-Up Provider System. The 2021-22 budget includes $5.3 million one-time General Fund ($4 million for county administration and $1.3 million for additional service costs) to extend the duration of the IHSS back-up provider system within counties from December 31, 2020 to December 31, 2021.

Structure of COVID-19 Back-Up Provider System. Under the IHSS back-up provider system, providers are assigned to IHSS recipients when their regular provider cannot work due to circumstances related to COVID-19. Additionally, IHSS back-up providers are paid an additional $2 per hour above the current county wage rate.

Utilization and Service Costs of COVID-19 Back-Up Provider System Below 2020-21 Budget Estimates. The 2020-21 Budget Act initially appropriated $10 million General Fund for

220,000 providers to provide back-up services between April 2020 and December 2020. However, as of December 2020, about 2,200 recipients received back-up service hours, resulting in less than $1 million General Fund service costs. (The 2020-21 Budget Act also appropriated $10 million General Fund for counties to create and administer COVID-19 back-up provider systems. How much of this funding has been spent thus far is unclear.)

Governor's Budget Estimates Based on Actual Utilization Trends. In the 2021-22 Governor's Budget, the administration adjusted its COVID-19 back-up provider system cost estimate to reflect recent utilization trends. The LAO will continue to monitor actual utilization and costs and provide updates at the May Revision if needed.

Consider Benefits and Trade-Offs of Maintaining a Back-Up Provider System After COVID-19. Under the Governor's budget, the back-up provider system will end on December 31, 2021 (same as the assumed end date of the national public health emergency declaration). Given that IHSS providers may be prevented from performing work for illnesses other than COVID-19, the Legislature may wish to consider the benefits and trade-offs of maintaining some form of an IHSS back-up provider system after COVID-19.

Other Key IHSS Budget Items.

Aligning IHSS Administration With Caseload Growth Makes Sense. In January 2020, the administration proposed to increase 2020-21 IHSS administration funding levels based on estimated caseload growth. However, the 2020-21 budget ultimately did not provide the funding increase, resulting in IHSS administration funding levels remaining at 2019-20 levels. The 2021-22 Governor's Budget proposes to increase IHSS county and public authority administration funding levels from $325 million General Fund in 2020-21 to $343 million General Fund in 2021-22. This increase is based on estimated caseload growth since 2019-20. Overall, the LAO has no concerns with the proposed IHSS administration funding increase.

Electronic Visit Verification (EVV) Penalty Costs. The Governor's budget includes $15 million General Fund in 2020-21 and $16.6 million General Fund in 2021-22 to pay federal penalties due to the state not complying with EVV system requirements by December 31, 2020. Recently, the federal government notified California that its initial EVV plan for IHSS did not comply with the requirement to electronically capture a non-live-in IHSS provider's location at the start and end of every work day. DSS is working, in consultation with stakeholders, to identify how the state will comply with these requirements and expects to be fully compliant by December 31, 2021.

Proposed Trailer Bill Language Clarifies Undocumented Adult Medi-Cal Cases Are Eligible for IHSS-Residual Program. In recent years, the state has expanded eligibility for Medi-Cal to undocumented adults aged 19 to 25 (referred to as state-only Medi-Cal cases). The costs associated with this Medi-Cal expansion are fully covered with the state General Fund.

- **Administration Proposes to Align IHSS-Residual Program Eligibility Rules With Current Practices.** Currently, state-only Medi-Cal beneficiaries eligible for IHSS services receive them through the IHSS-Residual program. However, if these cases are technically eligible for the IHSS-Residual program under current law is unclear. The administration proposes to modify statute to explicitly allow state-only Medi-Cal cases to receive services through the IHSS-Residual program.

- **LAO Recommendation.** The LAO has no concern with the proposed language change given that it largely codifies current program practices. However, as discussed earlier, the LAO recommends the Legislature expand the proposed trailer bill to also clarify whether IHSS recipients terminated from Medi-Cal due to Medi-Cal noncompliance are eligible for the IHSS-Residual program.

Recent Findings of the California State Auditor. In a February 25, 2021 report titled, "In-Home Supportive Services Program: It Is Not Providing Needed Services to All Californians Approved for the Program, Is Unprepared for Future Challenges, and Offers Low Pay to Caregivers," the State Auditor made the following findings regarding the IHSS program:

40,000 Californians Approved for IHSS each Month Did Not Receive Care.

- From 2015 to 2019, the average number of IHSS recipients who lacked care each month increased from 33,000 to more than 40,000.
- State law requires counties to ensure monthly care is provided to all IHSS recipients.
- Over the five years we reviewed recipients did not receive 132 million hours of care for which they had been approved.
- These care gaps can occur for reasons such as an inability to hire a caregiver or a recipient moving and having to find a new caregiver.
- 32 of the 51 counties that responded to our survey indicated that they lacked a sufficient number of caregivers to provide all recipients with approved services.

A Growing Number of Californians Will Need IHSS Care.

- The population of Californians over 65 is increasing, which will create additional demand for IHSS services.
- The Auditor estimates that the number of Californians who rely on IHSS could increase by 52 percent by 2030, from 600,000 to 900,000 recipients.

IHSS Recipients Experience Long Delays in Approval, Then Face More Delays Before Receiving Services.

- In 2019, applicants waited 72 days on average for approval.
- Social Services requires counties to approve applications within 30 days unless an exception applies. However, Social Services does not track the number of exceptions.
- Most recipients currently receive services from a family member; however, changing demographics will likely result in fewer family caregivers in the next 10 years.
- From 2015 through 2019, recipients who entered the IHSS program without a caregiver waited 108 days on average before first receiving services.

For Decades Social Services and All 58 Counties Have Failed to Conduct Legally Mandated Planning to Ensure Care is Provided to IHSS Recipients.

- State law requires counties to make annual plans—and submit them to Social Services— describing how they will ensure all recipients receive care. However, Social Services has not required counties to complete this requirement, and none have.
- In our survey, only two counties reported conducting their own planning for their current and future caregiver needs.

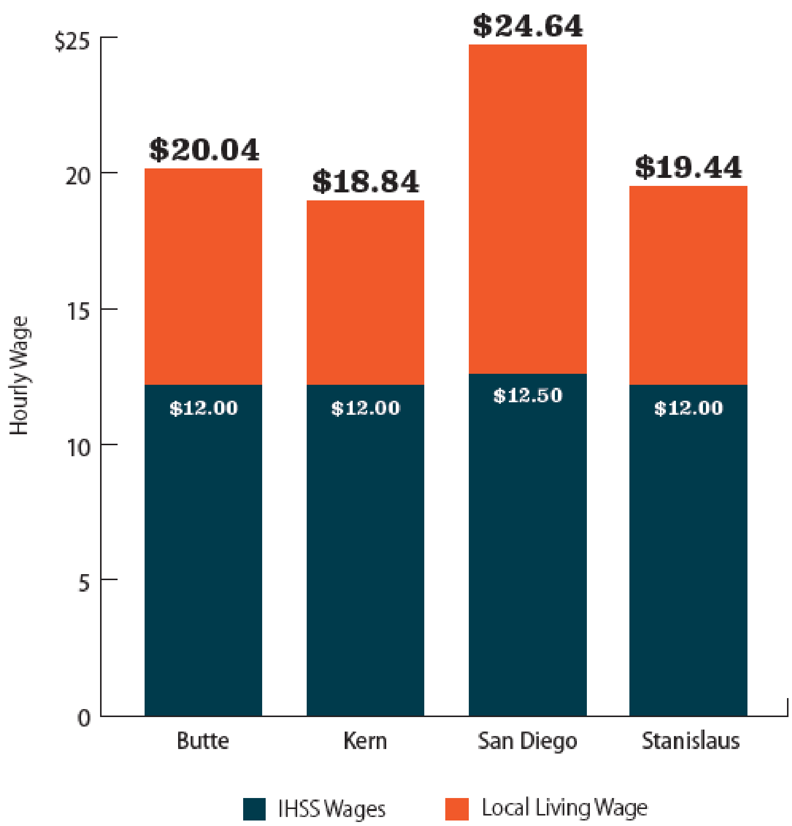
Auditor Recommendations to Social Services.

1. By August 2021, Social Services should require counties to submit annual plans detailing how they will ensure services are promptly provided.
2. By August 2021, Social Services should begin monitoring counties' compliance with its IHSS regulations on application processing, and the timely provision of care.

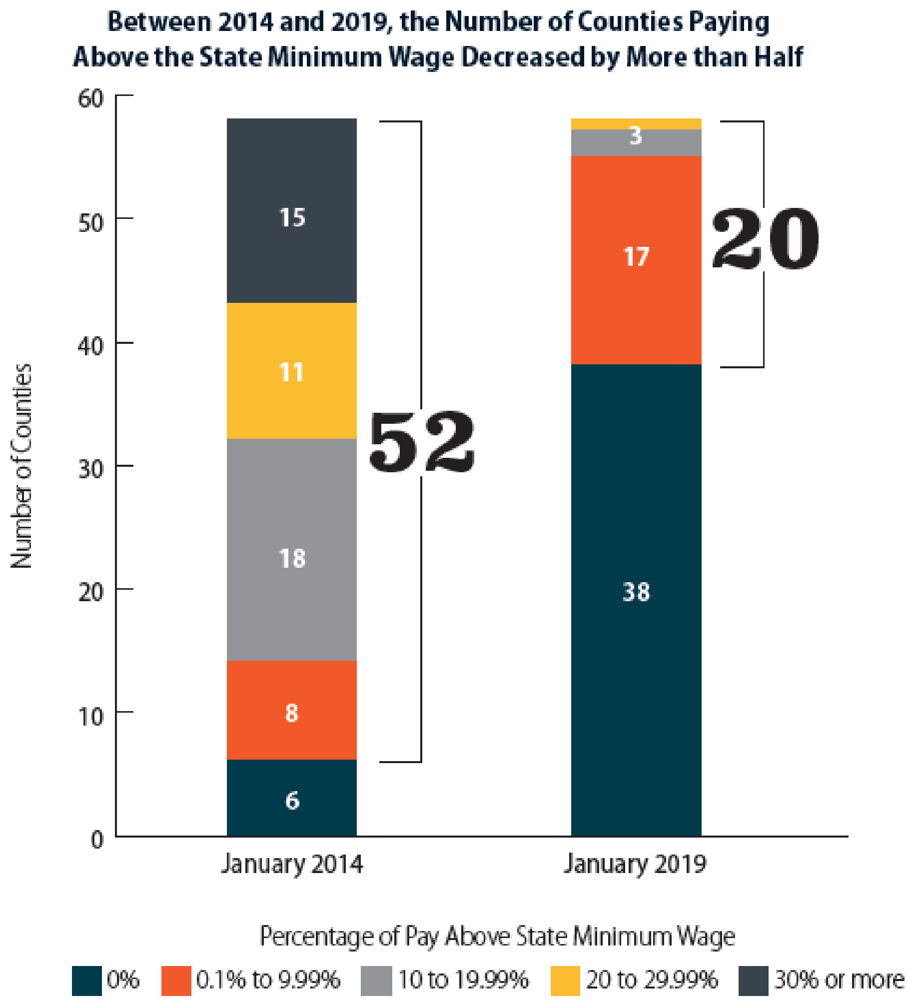
Response from DSS. Rather than implement the recommendations, DSS indicated that it plans to revise its regulation to eliminate planning requirements and ease approval timelines.

Additional Findings from the Auditor. Low Pay Makes Recruiting a Sufficient Number of Caregivers Challenging. Caregivers do not receive a living wage. The statewide average provider wage in 2019 was $12.29 an hour, compared to an average living wage of $21.19 an hour.

In 2019 Caregivers Earned a Fraction of the Local Living Wage



Low Pay Makes Recruiting a Sufficient Number of Caregivers Challenging. State law discourages counties from raising wages by requiring counties to pay a greater share of IHSS costs related to the increased wages, and not eliminating the increase when the minimum wage is increased. Over the course of five years, 32 counties transitioned to paying caregivers minimum wage instead of higher wages.



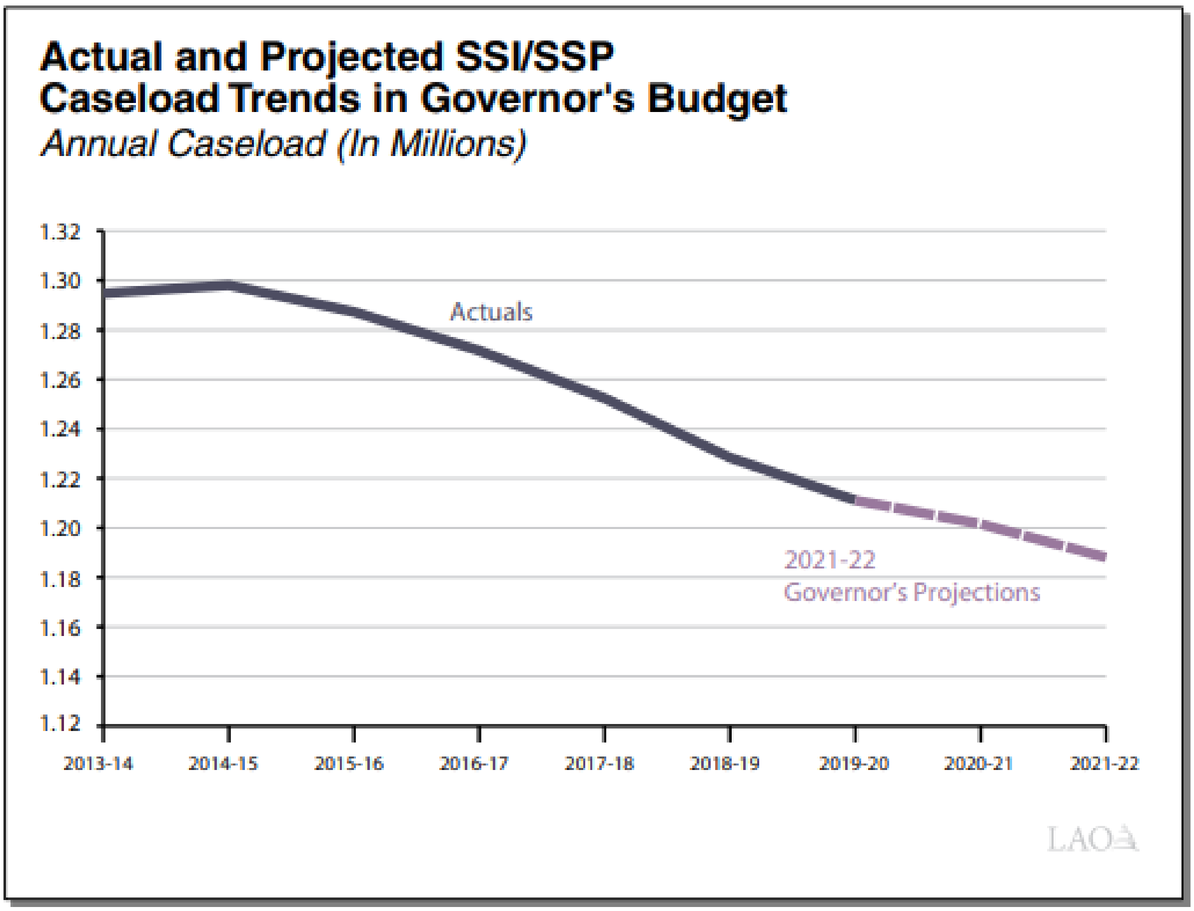
Selected Recommendations to the Legislature.

- Modify the State's cost-sharing system to eliminate the ongoing costs that counties pay for local wage increases that are nullified by increases to the State's minimum wage.
- Consider using the annual budget process to allocate additional funds to counties to enable them to better afford increasing caregiver wages.
- Prioritize the availability of such funds to counties where caregivers earn the least, relative to a living wage, and exempt these wage increases from Welfare and Institutions Code 12306.16, subdivision (d), so that the amounts allocated are not included in adjustments to the county contribution.

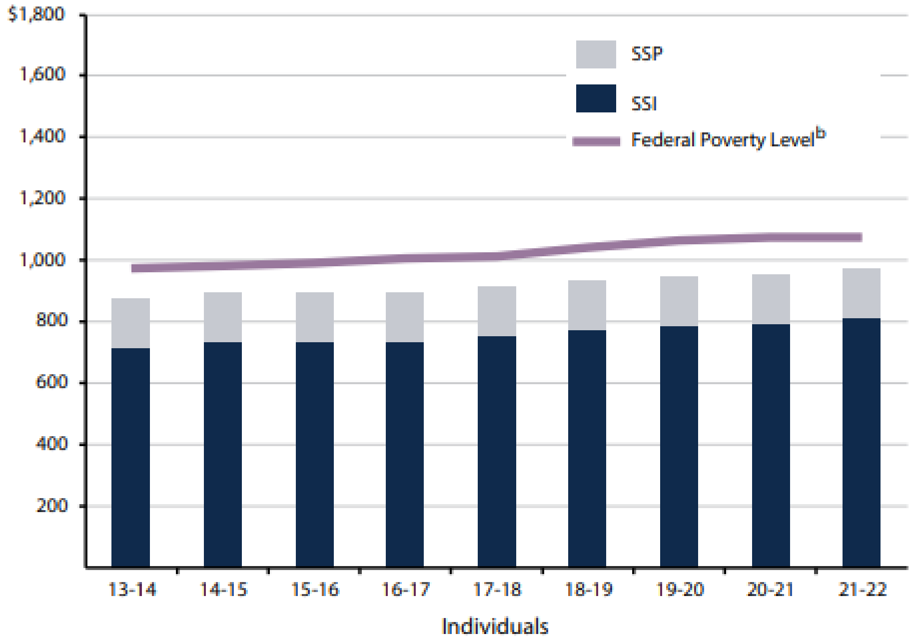
SUPPLEMENTAL SECURITY INCOME / STATE SUPPLEMENTARY PAYMENT (SSI/SSP)

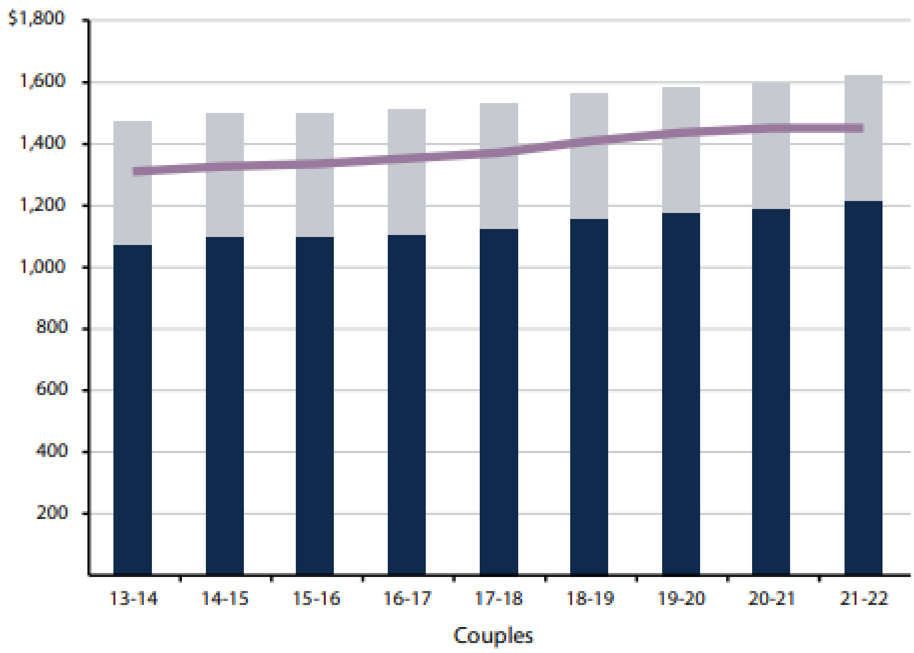
The following information below was provided by the Legislative Analyst's Office (LAO).

The Governor's budget includes $9.8 billion ($2.7 billion General Fund) in both 2020-21 and 2021-22. As compared to the 2020 enacted budget, funding for the SSI/SSP program increased by $70.1 million ($6.6 million General Fund) in 2020-21, which reflects larger grant amounts and approximately 9,200 more cases than previously projected. The Cash Assistance Program for Immigrants (CAPI) program costs are $162.0 million in 2020-21 and $168.2 million in 2021- 22. Grant Levels.



Maximum SSI/SSP Grants for Individuals and Couples[a] Compared to Federal Poverty Level[b]





[a] The maximum monthly grants displayed refer to those for aged and disabled individuals and couples living in their own households, effective as of January 1 of the respective budget year.

[b] Federal poverty levels as established by the U.S. Department of Health and Human Services, effective as of January 1 in each budget year up to 2020-21. The 2021-22 grant levels are compared to 2020-21 federal poverty levels given that the federal poverty levels are not yet available for 2021-22.

SSI/SSP Monthly Maximum Grant Levels[a]
Governor's Proposal

	2020-21	2021-22 Governor's Estimates[b]	Change From 2020-21
Maximum Grant—Individuals			
SSI	$794.00	$811.00	$17.00
SSP	160.72	160.72	—
Totals	**$954.72**	**$971.72**	**$17.00**
Percent of federal poverty level[c]	89%	90%	
Maximum Grant—Couples			
SSI	$1,191.00	$1,217.00	$26.00
SSP	407.14	407.14	—
Totals	**$1,598.14**	**$1,624.14**	**$26.00**
Percent of federal poverty level[c]	110%	112%	

[a] The maximum monthly grants displayed refer to those for aged and disabled individuals and couples living in their own households, effective as of January 1 of the respective budget year.
[b] Reflects Governor's budget estimate of the January 2022 federal cost-of-living adjustment for the SSI portion of the grant.
[c] Compares grant level to federal poverty guidelines from the U.S. Department of Health and Human Services for 2021.

Grant Levels and the Federal COLA. The federal government generally applies a Cost of Living Adjustment (COLA) to SSI grant levels annually. The Governor's budget estimates that the federal COLA will be 2.2 percent in 2022, increasing the maximum monthly SSI grant by $17 for individuals and $26 for couples. The current maximum SSI/SSP grant level for individuals remains below the 2021 Federal Poverty Level (FPL), while the grant level for couples remains just above the 2021 FPL. The FPL is a measure of income issued by the federal government each year to determine eligibility for programs and benefits.

Caseload. The caseload in the program has declined at an average rate of about one percent for the past five years. The Governor's budget estimates caseload will continue to decrease slightly – 0.8 percent in 2020-21 and 1.1 percent in 2021-22. In general, the average month-to-month change in total SSI/SSP cases has remained the same thus far between the period before COVID-19 and the COVID-19 period—less than 1 percent decline. The rate has not changed because the average entry and exit rate into the SSI/SSP program generally has remained the same thus far between the pre-COVID-19 and COVID-19 period.

Federal and State Stimulus Payments. Since the onset of the COVID-19 pandemic, the federal government has provided two one-time stimulus payments to eligible adults— (1) up to $1,200 for eligible adults and an additional $500 for each eligible child in late March 2020; and, (2) up to $600 for eligible singles ($1,200 for eligible married couples) and an additional $600 for each eligible child in December 2020. Aid associated with the recently-approved American Rescue Plan will also go to SSI/SSP recipients. In general, SSI/SSP recipients are eligible to receive the federal stimulus payments. The federal stimulus payments do not affect an individual's eligibility for SSI/SSP or other means-tested programs, including Medi-Cal and

CalFresh. On February 17, 2021, it was announced that the Legislature and Governor reached an agreement on the Golden State Stimulus proposal, which will provide $600 one-time payments to lower-income Californians, including SSI/SSP recipients. The state is currently working with the federal government (current administrators of the SSI/SSP payment system) to determine the timing of the payment to SSI/SSP recipients.

STAFF COMMENTS AND QUESTIONS

Current programs for seniors and people with disabilities (SPDs) implemented under DSS and CDA constitute bedrock adult programs that figure largely into meeting all of the goals of the Master Plan for Aging.

Staff recommends that the Subcommittee request a listing from the LAO of active proposals—from Members of the Legislature, aging and SPD advocates, labor partners, and counties—that relate to all of the programs mentioned in this agenda and how each one may or may not help to meet the goals of the Master Plan for Aging. It is requested that this listing come back to the Subcommittee by the end of April.

Staff Recommendation: Request the listing of possible investments or other program changes and how they relate to the five goals of the Master Plan for Aging from the LAO by the end of April, 2021.

PUBLIC COMMENT
(PUBLIC COMMENT WILL BE TAKEN ON ALL ITEMS)

This agenda and other publications are available on the Assembly Budget Committee's website at: https://abgt.assembly.ca.gov/sub1hearingagendas. You may contact the Committee at (916) 319-2099. This agenda was prepared by Nicole Vazquez.