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The May Revision to Governor's Proposed 2019-20 Budget

Governor Newsom released his "May Revision" to the 2019-20 proposed budget on Thursday, May 9, 2019. The Governor and Legislature are expected to agree to a spending plan for the 2019-20 budget year before July 1. In laying out his May Revision, the Governor focused on making California an affordable place to live and to providing opportunities for children to thrive from cradle to career. He also pointed to the increased number of individuals experiencing homelessness across the state and the lack of adequate services for the mentally ill as points of urgency. His May Revision is intended to make progress in addressing those issues. The May Revision also includes an important expansion of special education and furthers early childhood learning and care.

The Governor also noted, however, that his May Revision forecasts slower growth in the economy that could result in revenue declines in the next three years. Thus, many of the investments in the Revision are proposed to be temporary allowing for review in the future. Unfortunately, the Governor did not propose a Supplemental Security Income/State Supplemental Payment (SSI/SSP) increase, did not close the gap in the Medi-Cal Aged and Disabled Program eligibility level, and did not fund social recreation and camping for persons with developmental disabilities, all of which are important to people with disabilities.

The major provisions in the May Revision that impact persons with disabilities are discussed below.

CalFresh

The May Revision proposes a one-time increase of \$15 million General Fund (GF) in 2019-20 for county administration efforts to process new CalFresh applicants as a result of eliminating the Supplemental Security Income Cash-Out policy.

Covered California

The May Revision includes General Fund expenditures of \$295.3 million in 2019-20, \$330.4 million in 2020-21, and \$379.9 million in 2021-22 to provide subsidies for health care coverage through Covered California to individuals between 200 percent and 250 percent of the federal poverty level.

Developmental Services

The Governor's January budget did not include any major changes or proposals for the Department of Developmental Services. His May Revision, however, includes a plan for implementing the provider rate study which was submitted in March.

- **Provider Rate Increases for Community Developmental Services:** The May Revision includes \$165 million (\$100 million GF) beginning January 1, 2020 for supplemental provider rate increases for community developmental services. The annual cost of the increases are \$300 million (\$200 million GF). The funds will be primarily directed in three specific areas: stabilizing residential capacity, addressing rate differences between Regional Centers and vendors, and mandating fingerprinting requirements. Also, included are other reforms focused on Regional Center performance goals, accountability and transparency. The supplemental rates will sunset December 31, 2021. The May Revision also includes \$7 million for additional reform efforts and the implementation of the supplemental rates.
- **Uniform Holiday Schedule:** The May Revision includes \$50 million to suspend the Uniform Holiday Schedule through December 31, 2021, which will allow additional days of services to be paid to vendors.

- **Social Recreation and Camping:** The proposed January budget and the May Revision do not include a restoration of social recreation and camping.

Early Childhood

The Governor's January budget included \$10 million for a long-term strategic master plan to align early childhood learning and child care with the goal of achieving universal preschool and improved access to child care. The May Revision funds several proposals furthering that agenda.

- **Child Care:** The May Revision provides \$144 million from various sources to expand vouchers and subsidies for CalWORKs recipients and families in crises.
- **Full-Day Kindergarten:** The Governor's January Budget included \$750 million to assist schools in developing facilities to expand to full-day kindergarten programs. The May revision reduces that amount to \$600 million and permits the funding to be used over a three-year period.
- **Trauma and Developmental Screenings:** The May Revision provides \$60 million over three years to train providers who will be screening for trauma for children and adult Medi-Cal beneficiaries.
- **Paid Family Leave:** The May Revision proposes to expand the maximum duration of a Paid Family Leave benefit claim from six weeks to eight weeks for all bonding and care-giving parents, effective July 1, 2020. This expansion adds an additional month of paid leave for two-parent families—allowing up to a combined four months of leave after the birth or adoption of their child.
- **Child Savings Accounts Grant Program:** The May Revision proposes \$50 million for a one-time grant program to support the development or strengthening of cost-effective models that can be replicated or expanded to increase access to Child Savings Accounts among incoming kindergartners.

Earned Income Tax Credit

The May Revision proposes to rename the earned income tax credit to California EITC, to provide a cost-of-living refund, and to significantly expand the credit. The newly expanded credit will be available to roughly 3 million households in total, and will approximately triple the amount of credits provided from \$400 million to about \$1.2 billion. The expansion will:

- Provide a \$1,000 credit for every family that otherwise qualifies for the credit and has at least one child under the age of 6.
- Increase the maximum eligible earned income to \$30,000 so that those working up to full-time at the 2022 minimum wage of \$15 per hour will be eligible for the credit.
- Change the structure of the credit so that it phases out more gradually, providing a more substantial credit for many eligible families.

The May Revision includes \$18.7 million in 2019-20 for the Franchise Tax Board to develop and administer a program to give California EITC recipients the option to receive a portion of their EITC as monthly advance payments rather than as a lump sum at the end of the year when they file their taxes. The program is targeted to begin in 2021 and is contingent upon a Department of Finance determination that the monthly advance EITC payments will not affect taxpayer's eligibility for any income-based federal or state programs. To pay for the entire California EITC program, the May Revision proposes conforming to a number of federal tax provisions mainly impacting business income.

Equal Access Fund

The May Revision proposes an additional \$20 million one-time General Fund to provide grants through the Equal Access Fund to legal services organizations to assist low-income Californians specifically with landlord-tenant disputes, including legal assistance for counseling, renter education programs, and preventing evictions.

Homelessness

The May Revision provides \$1 billion for the Homeless Emergency Aid Program to fund local jurisdictions for emergency housing vouchers, rapid rehousing programs, and emergency shelter construction, among other purposes. Specifically, it provides \$650 million to local governments for homeless emergency aid, \$120 million for expanded Whole Person Care pilots, \$150 million for strategies to address the shortage of mental health professionals in the public mental health system, \$25 million for Supplemental Security Income advocacy, \$40 million for student rapid rehousing and services for University of California (UC) and California State University (CSU) systems, and \$20 million in legal for eviction prevention.

In Home Supportive Services (IHSS)

- **Restoration of the 7 percent Across-the-Board Reduction to IHSS Service Hours:** The May Revision proposes to temporarily restore the 7 percent reduction only through December 31, 2021, due to lower than expected revenues over the forecast period and ongoing efforts to contain costs.
- **Maintenance-of-Effort Adjustment:** The May Revision adjusts the counties' Maintenance-of-Effort requirements by increasing the state General Fund by \$55 million.

Long-Term Care

The May Revision provides one-time \$1 million to local Long-Term Care Ombudsman programs.

Medi-Cal

- **Supplemental Payments – Proposition 56:** The May Revision includes the following Proposition 56 investments, through December 31, 2021, in addition to the \$1 billion in the January proposed budget:
 - o \$120 million additional one-time funding for the loan repayment program for physicians and dentists who commit to serving Medi-Cal beneficiaries.

- \$70 million additional one-time funding for the Value-Based Payments program, specifically for behavioral health integration.
 - \$25 million in 2019-20 (\$60 million over three years) to train providers to conduct the trauma screenings that were proposed in the Governor's Budget.
 - \$11.3 million to restore optician and optical lab services for adult beneficiaries in the Medi-Cal program, effective no sooner than January 1, 2020.
- **Full-Scope Medi-Cal Expansion for Undocumented Young Adults:** The May Revision includes \$98 million (\$74.3 million General Fund) to expand full-scope Medi-Cal coverage to eligible young adults aged 19 through 25 regardless of immigration status, starting no sooner than January 1, 2020. The assumed implementation date is six months later than assumed in the Governor's Budget. This expansion will provide full-scope coverage to approximately 90,000 undocumented young adults in the first year.
 - **Aged & Disabled (A&D) Medi-Cal Eligibility:** The A&D disparity level correction for recipients in the A&D program was not included in the January Budget or in the May Revision.

Mental Health

- **Whole Person Care Pilots:** The May Revision includes one-time \$20 million Mental Health Services Fund over five years for counties that currently do not operate Whole Person Care Pilots. This is in addition to the \$100 million one-time General Fund proposed in the Governor's Budget for counties that currently operate pilots. With this funding, additional counties will be able to develop and implement essential programs focused on coordinating health, behavioral health (for individuals with a mental health and/or substance use disorder), and critical social services such as housing. Priority will be given to individuals with mental illness who are also homeless, or at risk of becoming homeless.

- **Peer-Run Mental Health Crisis Line:** The May Revision allocates \$3.6 million Mental Health Services Fund annually for three years to the Department of Health Care Services to provide support for a statewide peer-run mental health crisis line, a critical resource for those on the brink of a mental health crisis. This proposal maintains the Administration's focus on prevention and early intervention by providing resources offering information, referrals, emotional support, and non-judgmental peer support to those living with mental illness. This statewide crisis line would also increase employment opportunities to those who have recovered from mental health issues.
- **Workforce Education and Training:** The May Revision provides \$100 million to address the shortage of qualified mental health professionals in the public mental health system.

Special Education

The May Revision proposes to allocate \$696.2 million ongoing Proposition 98 General Fund for special education. This is \$119.2 million more than was proposed in the Governor's Budget and is a 21 percent year-over-year increase in state funding for services for students with disabilities. The May Revision also includes \$500,000 one-time non-Proposition 98 General Fund to increase local educational agencies' ability to draw down federal funds for medically related special education services and to improve the transition of three-year-olds with disabilities from regional centers to local educational agencies.

SSI/SSP

The May Revision does not include any increase in the SSP grant.

State Hospitals

The May Revision proposes an increase of \$5.7 million General Fund in 2019-20 (\$11.5 million General Fund annually thereafter) for the Department of State Hospitals to contract for a 78-bed community step-down program to serve Mentally Disordered Offenders and Not Guilty by Reason of Insanity commitments who are preparing for conditional release from state hospitals within 18 to 24 months. This funding also includes

increasing an existing Department of State Hospitals' contract by 4 beds for a total of 24 beds.

Voting

The May Revision includes, in addition to the \$134 million in the 2018 Budget Act, a one-time General Fund investment of \$87.3 million to replace and upgrade county voting systems. This will provide an additional 25 percent of the estimated vote center model costs for counties with over 50 precincts (\$65.7 million), which brings the state's investment to 75 percent of total estimated costs; full funding of the estimated polling place model costs for counties with 50 or fewer precincts (\$3.6 million); and \$18 million for county election management system replacements.

The Governor's May Revision can be located at <http://www.ebudget.ca.gov/>