



February 5, 2019

The Honorable Richard Pan, M.D.
Chair, Senate Budget and Fiscal Review Subcommittee #3
State Capitol, Room 5114
Sacramento, CA 95814

Re: Revised County In-Home Supportive Services Maintenance of Effort – Support

Dear Senator Pan:

On behalf of the California State Association of Counties (CSAC), the County Welfare Directors Association of California (CWDA), the County Health Executives Association of California (CHEAC), the County Behavioral Health Directors Association of California (CBHDA), the California Association of Public Authorities (CAPA), the California Association of Public Hospitals and Health Systems (CAPH), the Urban Counties of California (UCC), and the Rural County Representatives of California (RCRC), we are writing to express our strong support for the Governor's January Budget proposal to revise the County In-Home Supportive Services (IHSS) Maintenance of Effort (MOE). Counties are grateful to the Governor for the proposal which significantly increases State General Fund commitments for IHSS costs, and we appreciate the Department of Finance's collaboration related to the 1991 Realignment Report that was the genesis for this IHSS proposal.

Counties have proudly partnered with the state and administered the IHSS program since it was realigned in 1991. The IHSS program provides critical services to seniors and disabled individuals to help them remain in their own homes rather than in more expensive institutional care. County social workers, Public Authority workers, and IHSS providers are the backbone of this social services program which has proven to reduce care costs and improve the well-being of residents. This letter outlines the recent changes to the County IHSS MOE, the required 1991 Realignment Report, and the details of the Governor's proposed IHSS MOE revisions.

2017 County IHSS MOE

In 2017, the conclusion of the Coordinated Care Initiative also resulted in the cessation of the existing IHSS MOE and the shift of nearly \$600 million in IHSS costs from the state to counties. In response, a new IHSS MOE was negotiated through 2017-18 budget-related legislation (SB 90, Chapter 25, Statutes of 2017), which also included specific offsetting revenue, additional collective bargaining provisions, and refinement of the costs for county administration of the

IHSS program. Specifically, the 2017-18 Budget Act included provisions that:

- Established a new County IHSS MOE with an annual inflation factor (5% for one year, 7% thereafter),
- Provided State General Fund contributions to partially offset increased county IHSS costs (\$400 million in 2017-18, \$330 million in 2018-19, \$200 million in 2019-20, \$150 million thereafter),
- Redirected Health and Mental Health 1991 Realignment vehicle license fee (VLF) growth funding to Social Services to partially offset increased county IHSS costs (100% of growth in the first three years, 50% of growth in the next two years),
- Redirected County Medical Services Program (CMSP) 1991 Realignment VLF growth funding to Social Services to partially offset increased county IHSS costs in the 35 CMSP counties (100% of growth in the first three years, 50% of growth in the next two years),
- Accelerated caseload growth payments from 1991 Realignment sales tax growth so that counties receive this funding earlier to partially offset increased county IHSS costs, and
- Provided additional tools for local collective bargaining including a wage supplement and state participation in a limited amount above the state participation cap.

Counties have dedicated significant time and effort to partnering with the Department of Finance and the Department of Social Services on implementing these changes over the first year-and-a-half of the new MOE. These fiscal arrangements are complex and countless hours have been devoted to establishing new processes and providing training to implement these changes. Counties and provider unions have also utilized the new tools during local collective bargaining.

Required 1991 Realignment Report

Most significantly, SB 90 also contained a provision that required the Department of Finance to reexamine the 2017 IHSS fiscal structure during the development of the 2019-20 budget. Specifically, the Department of Finance was required to submit findings and recommendations to the Legislature by January 10, 2019 on four specific elements:

1. The extent to which revenues available for 1991 Realignment are sufficient to meet program costs that were realigned.
2. Whether the IHSS program and administrative costs are growing by a rate that is higher, lower, or approximately the same as the MOE, including the inflation factor.
3. The fiscal and programmatic impacts of the IHSS MOE on the funding available for the Health Subaccount, the Mental Health Subaccount, the County Medical Services Program Subaccount, and other social services programs included in 1991 Realignment.
4. The status of collective bargaining for the IHSS program in each county.

This reopener provision was absolutely vital as counties knew that it was likely possible to manage the first two years of the new MOE, but starting with 2019-20, the increased costs would become unsustainable. This includes substantial Realignment revenue shortfalls that would grow each year and require counties to utilize significant county General Fund that has been usually earmarked for local services to be dedicated to IHSS instead. Counties were also concerned that there would be increasing negative impacts to critical health and mental health services, such as reductions of public health services for communicable disease surveillance and reduced capacity to pay for Institutions for Mental Disease placements. During our engagement with the Department of Finance, counties advocated for three key points to be addressed in the 1991 Realignment Report:

1. There is a significant and growing gap between the IHSS program costs that counties are responsible for and available revenues.
2. There will be negative impacts on other Realignment programs, including public health, health care, and behavioral health programs, due to the IHSS cost pressures.
3. Additional revenues will be needed to ensure the sustainability of IHSS and other critical services that counties administer on behalf of the state.

Governor's IHSS MOE Proposal

The Department of Finance released the *Senate Bill 90: 1991 Realignment Report* on January 10. It contains a history of recent changes to the IHSS program and detailed findings and recommendations on the four required elements. It also indicates that 1991 Realignment revenue is not sufficient to cover the costs of the IHSS program given all of the state and federal policy changes that have occurred to the program since 1991, including state minimum wage increases and implementation of federal overtime rules. Finally, the report outlines the Governor's proposed revisions to the IHSS fiscal structure. This proposal comprehensively addresses the three concerns that counties had shared throughout the consultation on the IHSS fiscal structure and Realignment report.

The Governor is proposing to increase the State General Fund commitment to IHSS by \$241.7 million in 2019-20, growing to \$547.3 million in 2022-23, for a total of an increased commitment of \$1.6 billion over the next four years. This is accomplished through several changes to the current IHSS MOE. These changes are:

- Lowering the County IHSS MOE base in 2019-20 to \$1.56 billion,
- Reducing the MOE inflation factor from seven percent to four percent,
- Stopping the redirection of VLF growth funds from Health, Mental Health, and County Medical Services Program to Social Services,
- Ending the State General Fund IHSS mitigation,
- Returning to the original method for calculating IHSS caseload and no longer utilizing accelerated caseload growth, and
- Funding IHSS administrative costs through a General Fund allocation.

The increased State General Fund investment will provide needed fiscal relief for counties and allow our members to continue to deliver vital services on behalf of the state. Under the current structure, counties are facing Realignment shortfalls of several hundred million dollars in the coming years and negative impacts to health and mental health programs that would harm the well-being of residents. The Governor's proposal will help avoid these consequences and would create a more sustainable structure for counties to manage IHSS costs. The proposal does not take away all of the risk of Realignment, but dramatically improves the outlook for counties, critical social services, health, and mental health programs, and the residents we all serve for years to come.

Additional Provisions

In addition to the core revisions to the IHSS MOE itself, the Realignment Report outlines a number of related changes. These include replacing the 1991 Realignment general growth schedule with a fixed general growth percentage for each subaccount and distributing growth funds to counties in proportion to their base, eliminating growth allocations to the CMSP Board until the Board's operating reserves fall below three months operating costs, and altering the state and county cost-sharing ratio for locally negotiated wage and health benefit increases.

CSAC and county affiliates will gather additional details on these specific provisions and work together to evaluate the implications. We look forward to continuing the discussion on these items with the Administration and the Legislature.

Conclusion

Since the enactment of the new IHSS MOE in 2017, counties have consistently pointed towards the required 1991 Realignment Report and the 2019-20 budget as the ideal and necessary time to revisit the IHSS fiscal structure. The Governor's IHSS MOE proposal follows through on the commitment of the state to work with counties and identify a long-term and sustainable solution for IHSS funding that allows counties to effectively deliver all of the vital 1991 Realignment health, mental health, and social services programs on behalf of the state.

We respectfully request your support of this IHSS MOE proposal and stand ready to work with the Legislature and the Administration on trailer bill language and other aspects of this proposal in the coming months. Thank you for your consideration.

Sincerely,



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CSAC Executive Director



Frank Mecca
CWDA Executive Director



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cc: Honorable Members, Senate Budget and Fiscal Review Subcommittee #3
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Rebecca Hamilton, Senate Republican Fiscal Office
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