



May 19, 2017

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The Honorable Richard Pan, M.D.
Chair, Senate Budget Subcommittee #3 on Health and Human Services
State Capitol, Room 5109
Sacramento, CA 95814

**RE: Governor's May Revision Regarding Elimination of the IHSS MOE –
SUPPORT**

Dear Senator Pan,

The Board of Directors of the California State Association of Counties (CSAC), which consists of one representative from each of California's 58 diverse counties and CSAC leadership, voted to support the May Revision proposal to mitigate the fiscal impact of the elimination of the In Home Supportive Services (IHSS) Maintenance of Effort (MOE) for counties.

Counties note that the proposal within the Governor's May Revision Budget reflects a significant improvement over the January Budget in which the Department of Finance notified Californians of the end of the CCI and the statutorily required shift of \$623 million in new In Home Supportive Services (IHSS) costs to counties.

The May Revision updates the estimates of new IHSS costs to \$592.2 million in 2017-18. The proposal also directs State General Fund dollars – \$400 million in the first year and \$1.1 billion over four years – toward IHSS program costs. The May Revision proposal also includes the following:

- A new county IHSS maintenance of effort (MOE).
- A starting annual inflator rate of zero percent in 2017-18, rising to five percent in the second year, and then seven percent annually thereafter, with a mechanism to reduce the inflator in years with no or very limited revenue growth.
- Redirection of all 1991 Realignment sales tax and Vehicle License Fee (VLF) growth funding over three years, and then half of these revenues in years four and five, to further offset IHSS costs. This redirection would preserve existing base funding for Health and Mental Health services but impact growth for these subaccounts over the next five years. The proposal also encompasses VLF growth supporting the County Medical Services Program (CMSP), but would redirect the funding to help mitigate impacts in the 35 CMSP counties, including many of the smallest counties in the state.
- Institute an annually adjusted cap on funding for local IHSS Administration (IHSS social workers) and activities related to determining eligibility for the program.
- Returns wage and benefit bargaining for IHSS providers to all counties, with adjustments to local bargaining that include increases to the state participation cap on wages and benefits and language to allow an appeal to the Public Employees Relations Board in any county without a completed bargaining agreement within nine months.

While there are numerous provisions and complexities within this proposal, the result of this plan would be a significantly reduced overall county contribution for IHSS costs in 2017-18 and 2018-19 compared to the January budget.

Critical Immediate Funding and Flexibility

Counties appreciate the Governor's acknowledgement of the potential for significant county hardship due to the end of the CCI, and wish to thank him for including several carefully considered provisions to provide low-interest loans to counties, reducing rates for inpatient services paid out of county mental health funds, and forgiving the potential impacts of a fiscal error made by the State Board of Equalization through Fiscal Year 2015-16. The proposal would also change how counties are reimbursed for IHSS costs from a lengthy accrual process to a month-by-month payment schedule, which would ensure that counties are reimbursed for IHSS activities in a timely manner.

These mitigations, coupled with the Governor's ongoing contribution of State General Fund toward IHSS costs, provide counties with critical funding and flexibility to operate the IHSS program for the next two years.

Out-Year Sustainability Concerns

After year 2018-19, however, our members have significant concerns with the proposed seven percent annual increase in the county MOE. While an MOE offers predictability to counties, and counties appreciate the inclusion of such a structure within the proposal, the high inflator starting in year three is not sustainable for counties. A seven percent annual increase in costs would not only immediately exhaust all available 1991 Realignment revenues, but would also force counties to cut vital health, mental health, social services, and public safety programs.

Given these out-year concerns, counties welcome the "look-back" provisions to evaluate the sustainability of the 1991 Realignment structure, including the County MOE, inflation factor, and alignment between Realignment revenues and program costs.

Economic and Policy Uncertainties

Counties, like Governor Brown, are also keenly aware of the significant uncertainties that exist in the world today. California and its counties are facing a raft of fiscal unknowns in the coming years, including a precarious economy and instability at the federal level. These uncertainties further the risks to counties under an MOE that increases by seven percent each year. Further, the IHSS program is growing rapidly due to demographic and policy changes. Within this context, counties strongly support the Governor's desire to find an equitable solution for IHSS costs.

The proposal within the May Revision achieves this goal for the first two years and it is a framework that the CSAC Board of Directors finds worthy of county support. CSAC would like to thank the Governor and his staff for their time and attention to this shared critical issue. Counties will continue to work with Department of Finance staff to produce trailer bill language to implement the May Revision proposal. Should such language be adopted into the 2017 Budget Act, CSAC is committed to working with the Legislature and other stakeholders, including county affiliates, labor organizations, and mental health and health advocates, to reexamine the path forward after year two. Large federal and state uncertainties may be known at that time, and counties remain committed to ensuring a sustainable IHSS program in California.

Should you have any questions about our analysis or position, please don't hesitate to contact me or my staff.

Thank you,



Matt Cate
Executive Director

cc: The Honorable President pro Tempore, Kevin de León, California State Senate
The Honorable Holly Mitchell, Chair, Senate Budget and Fiscal Review Committee
The Honorable Bill Monning, California State Senate
The Honorable Jeff Stone, California State Senate
Theresa Peña, Consultant, Senate Budget and Fiscal Review Committee
Michael Cohen, Director, Department of Finance
Will Lightbourne, Director, Department of Social Services
Jennifer Kent, Director, Department of Health Care Services
Donna Campbell, Deputy Secretary of Legislative Affairs, Office of the Governor
Craig Cornett, Office of Senate President pro Tempore de León
Jennifer Troia, Office of Senate President pro Tempore de León
Ginni Bella Navarre, Legislative Analyst's Office
Kirk Feely, Senate Republican Caucus
Joe Parra, Senate Republican Caucus