

GOVERNOR NEWSOM'S 2022-23 BUDGET PROPOSAL:

Summary of Some Concerns of Interest to NCJW-CA

On January 10, Governor Newsom released his proposed budget for the coming fiscal year. That budget has important implications for many of the public policy concerns of particular interest to NCJW-CA. This summary of the budget through the NCJW lens is largely taken directly from the analysis provided by the California Budget and Policy Center (CBPC). Their entire analysis can be accessed at <https://calbudgetcenter.org/resources/first-look-understanding-the-governors-proposed-2022-23-state-budget/>. The CBPC's introduction to includes the following:

“Governor Gavin Newsom released his proposed 2022-23 state budget on January 10, drawing on a second year of stronger-than-expected revenues to call for a series of emergency investments to respond to the public health effects of COVID-19 and a combination of one-time and ongoing investments to provide greater support for the health and economic well-being of Californians....The state’s fiscal health presents state leaders with an opportunity in the 2022-23 state budget to address California’s great paradox: How can a state with such wealth also be home to immense poverty where so many Californians are blocked from comprehensive health care, affordable housing, stable jobs, paid sick leave, reliable child care, and quality higher education?”

The governor’s budget proposal would make progress by providing comprehensive Medi-Cal for Californians who are undocumented and ages 26-49, providing cash assistance for low-income Californians through state tax credits, investing in homelessness prevention and housing, investing in behavioral health, and committing additional funding across education systems, from early learning to K-12 to higher education. The governor’s proposals leave open the possibility of additional urgent and ongoing investments. As state leaders deliberate on the 2022-23 state budget, other priority investments that should move forward include but are not limited to:

- *Extending temporary economic support to families, including a larger amount of aid for Californians who are undocumented and excluded from federal support;*
- *Expanding cash support for Californians without children;*
- *Significantly increasing investments in rebuilding the child care system, particularly supporting providers who have struggled to stay open and parents who can’t find affordable care for their kids so they can go to work;*
- *Providing additional paid sick leave so workers can follow public health guidelines during the pandemic and increasing paid family leave benefits;*

- *Fast-tracking planned investments in the social safety net, such as Medi-Cal expansion and increases in SSI-SSP grants, currently not scheduled to begin until 2024 and within the means of the state to start earlier;*
- *Expanding CalWORKs to include children in all eligible households;*
- *Monitoring K-12 funding and enrollment formulas to ensure students and schools are not harmed by attendance shifts as a result of the pandemic;*
- *Providing ongoing funding for people experiencing homelessness; and*
- *Boosting ongoing investments in public health.*

The governor's proposal also includes a number of proposals for tax breaks for businesses that are unnecessary or deserve further scrutiny. Most notably, the administration proposes to spend \$3 billion over the next two years to unnecessarily pay a federal unemployment insurance loan, which amounts to a tax break that primarily benefits larger businesses and corporations.

State leaders must also figure out how to manage the state's constitutional spending limit — or Gann Limit — that holds the state back from building a better future that is especially critical for Californians with low incomes, people of color, immigrant Californians, and women. The administration is leaving details of how the state will manage the spending limit to the May Revision.”

Health Care

- **Medi-Cal for all:** Building on the federal Affordable Care Act (ACA), California has previously substantially expanded access to health coverage. For example, more than 14 million Californians with modest incomes – nearly half of whom are Latinx — receive free or low-cost health care through Medi-Cal (California's Medicaid program), several million more than before the ACA took effect. Another 1.4 million Californians receive federal subsidies to reduce the cost of coverage purchased through Covered California, our state's health insurance marketplace. Nonetheless, many Californians — including immigrants who are undocumented — remain uninsured. The governor's proposed budget expands — no sooner than January 2024 — Medi-Cal eligibility to undocumented immigrants ages 26 to 49, the last group excluded from coverage. California is now the first in the nation in providing health insurance to all low-income residents.

- **Reduced Medi-Cal premiums for many Californians:** The governor proposes to reduce premiums for around 500,000 Medi-Cal enrollees, a group that includes pregnant women, children, and working people with disabilities. These are Medi-Cal enrollees whose incomes are “marginally above” the cut-off for no-cost Medi-Cal and who therefore must pay a monthly premium to access Medi-Cal services.
- **Proposals to maintain and improve availability of reproductive health care services:** The governor’s proposals include reducing administrative barriers to medication abortion services; adding the human papillomavirus vaccine as a covered benefit under the Family PACT program, effective July 1, 2022; providing one-time funding of \$20 million General Fund for scholarships and loan repayments to help boost the number of reproductive health care services providers; and providing one-time funding of \$20 million to help reproductive health care facilities improve their security.
- **Robust Medi-Cal reform initiatives:** This year also the administration is moving forward with implementing the ambitious Medi-Cal reform effort known as CalAIM (California Advancing and Innovating Medi-Cal) that was originally introduced in 2019. In late 2021, California received the federal authority needed to implement these reforms. The main goal is to better support millions of Californians enrolled in Medi-Cal — particularly those experiencing or at-risk of homelessness, children with complex medical conditions, children and youth in foster care, Californians involved with the justice system, and older adults — who often have to navigate multiple complex delivery systems to receive health-related services.

Child Care

The governor’s proposed budget uses federal COVID-relief dollars to increase the number of subsidized child care spaces across the state. Since the beginning of the pandemic, California has received more than \$5 billion in one-time federal COVID-relief dollars specifically for child care meant to stabilize children, working parents, and providers during pandemic. The administration proposes to use \$823.7 million dollars — roughly one-third of the remaining relief funds — for 36,000 additional child care spaces. Other child care investments in the proposed budget include \$35.6 million for support programs. This includes \$25 million for the California Child Care Initiative Project to increase licensed family child care capacity for infants and toddlers in areas without providers and \$10.6 million for the California Infant and Early Childhood Mental Health Consultation program.

At the same time, the budget proposal fails to maintain policy changes implemented in the past year to support families and providers during the pandemic, such as waiving family fees for working parents and supporting providers when the virus impacts attendance or forces sites to temporarily close. And state and federal leaders have never provided enough funding to provide subsidized child care for all children in eligible families or to pay providers offering subsidized care fair and just rates for this critical work. President Biden's Build Back Better plan proposes significant new investments to expand subsidized child care, but the ability of Congress to pass this piece of legislation is uncertain. In order to stabilize the subsidized child care system during the current crisis, ensure continuity of care for families, and support the caregiving economy, state leaders will need to commit to additional, ongoing funding in the 2022-23 fiscal year and beyond.

Poverty

The governor's budget also included numbers of anti-poverty proposals including:

- **No work requirement for the Young Child Tax Credit:** California's Young Child Tax Credit provides up to \$1,000 annually to help families with low incomes and young children pay for basic needs, such as food and diapers. More than 8 in 10 people who are eligible to benefit from this tax credit are people of color, and nearly 6 in 10 are women. The governor proposes ending the work requirement for the Young Child Tax Credit, arguing that "young children living in households with no earned income are just as deserving of being protected from poverty as are children living in households with low income." This proposal would likely make California the first state to end the work requirement for a state child tax credit.
- **Tax credit for former foster youth:** The proposed budget also includes a new refundable tax credit for former foster youth modeled after the Young Child Tax Credit. Specifically, this credit would provide a \$1,000 credit to young adults ages 18 to 25 who were in the foster care system at some point at age 13 or older and would otherwise qualify for California's Earned Income Tax Credit (CalEITC). The administration estimates that this new credit will cost \$20 million annually, implying that they expect it to benefit 20,000 young adults each year. Transition-age foster youth experience high rates of poverty due to high unemployment and low annual earnings. A Santa Clara County pilot program that provided free tax assistance to current and former foster youth showed how refundable tax credits, like the CalEITC, are important tools for boosting the incomes of

transition-age youth, helping them to maintain housing, stay in school, and pay for basic needs like food.

- **No improvements to the CalEITC:** California's Earned Income Tax Credit (CalEITC) is a refundable state tax credit that helps millions of families and individuals with low earnings from work pay for basic needs, such as food. The administration does not include any proposals to strengthen or expand the CalEITC. Advocates for the CalEITC would like California to increase the size of the credit for workers without dependents in their home, who comprise more than 7 in 10 CalEITC recipients. Nearly half of these individuals receive less than \$100 from the CalEITC and many do not qualify for the federal EITC despite their low earnings.
- **Increase in CalWORKs grants but not all CalWorks children lifted out of poverty:** The California Work Opportunity and Responsibility to Kids (CalWORKs) program provides modest cash assistance for children from low-income households while helping parents overcome barriers to employment and find jobs. Even before the COVID-19 crisis, CalWORKs primarily served children of color, who faced higher rates of economic insecurity than did white children. As millions of California workers – especially workers of color – lost their jobs or saw reduced wages due to a long-term public health emergency and recession, CalWORKs is a particularly critical source of support. After over a decade of inadequate grants, state policymakers in recent years have raised the maximum CalWORKs grant above the deep poverty threshold (50% of the federal poverty line) for many children in CalWORKs. However, these prior increases left children who share resources with ineligible family members living in deep poverty. Even as the administration proposes a 7.1% increase to the maximum grant (with an estimated cost of \$200.7 million in 2022-23), the proposed budget continues to keep these children well below the deep poverty threshold.

Hunger

Most of the governor's anti-poverty proposals clearly affect the numbers of Californians experiencing hunger. Other proposals directing addressing hunger include:

- **Expanding access to food assistance:** In another step toward a fully inclusive safety net, the Governor's budget proposes to make the California Food Assistance Program (CFAP) available to income-eligible Californians ages 55 and older regardless of immigration status. The CFAP is the state-funded counterpoint to the federal CalFresh program.

- **Strengthening our commitment to school meals for all:** Last year, California became the first state to permanently adopt free school meals for all K-12 students. The Governor’s budget funds that commitment, providing \$650 million to cover the costs of high quality breakfasts and lunches.
- **Increasing assistance to food banks:** The Governor’s budget also includes \$30 million in one-time monies for Emergency Food Assistance Program providers, food banks, tribes and tribal organizations to address food needs of food insecure populations.

Homelessness and Housing

At last count, more than 161,000 Californians were experiencing homelessness and many more were struggling to maintain stable housing because of unaffordable housing costs. The governor’s proposed budget included:

- \$500 million in one-time funding to address homeless encampments by investing and short-and long-term rehousing strategies.
- \$1.5 billion over two years for housing and treatment of unhoused Californians with serious behavioral health issues.
- \$2 billion to boost programs that support affordable housing.

Support for Immigrants

California has the largest share of immigrant residents of any state and is home to an estimated 2 million to 3.1 million individuals who are undocumented. The governor’s proposal builds on important supports provided to immigrants in the 2021-22 budget. In addition to expanding Medi-Cal coverage to all undocumented California’s the proposed budget:

- **Ends the exclusion of undocumented adults, age 55 and older, from food assistance program.** CFAP provides state-funded food assistance to “qualified” immigrants who are not eligible for CalFresh, California’s Supplemental Nutrition Assistance Program (SNAP). While the proposal extends CFAP to adults over the age of 55, it pares back the framework for broader CFAP expansion in the current year (2021-22) budget.

- **Provides funding to support newly arrived migrants and communities near the California and Mexico border.** \$74 million one-time General Fund is set aside for the California Department of Public Health for “humanitarian efforts,” including sheltering, testing, vaccines, and support services for newly arrived migrants.
- **Invests in immigrant workforce development programs.** The proposal includes \$30 million to expand the English Language Learner pilots in the Integrated Education and Training Programs, \$20 million for the Employment Training Panel to expand workplace literacy training, and \$10 million to expand earn-and-learn community change career pathways for community college students, including immigrant students.
- **Supports undocumented students at California Community Colleges.** The governor’s proposal allocates \$20 million one-time Proposition 98 for emergency financial assistance to eligible AB 540 students.

At the same time, the governor’s budget proposal misses an opportunity to extend temporary economic support through additional stimulus payments to Californians who are undocumented and have been excluded from most support programs, including standard unemployment insurance as well as expanded COVID-19 federal relief. And while the administration’s proposal to expand this support to adults ages 55 and older is an important step, it falls short of ensuring all Californians have access to food assistance. More than half of all undocumented immigrant families live in poverty.