

May Revision 2023-24

The State Budget and the End of Pandemic Supports

Kayla Kitson, Senior Policy Analyst



@kaylakitson

May 23, 2023



Presentation Goals

- Identify key federal and state pandemic supports that Californians are losing
- Discuss the state's economic and fiscal outlook
- Outline key proposals and missed opportunities in the governor's May Revision that impact the well-being of Californians with low incomes
- Q&A



Key Context:

End of Pandemic Supports



California Budget
& Policy Center

Federal Pandemic Supports Have Ended

Federal and State Support Kept Many Californians Out of Poverty

- **Hunger Cliff**
 - End of CalFresh Emergency Allotments: Loss of at least \$95/month in food benefits for assisted families
 - End of Pandemic EBT
- **End of Medi-Cal continuous coverage** may lead to 2-3 million Californians losing coverage during unwinding period
- **Enhanced cash supports and unemployment benefits** available earlier in the pandemic have expired



State Pandemic Supports Have Ended or Are Ending Soon

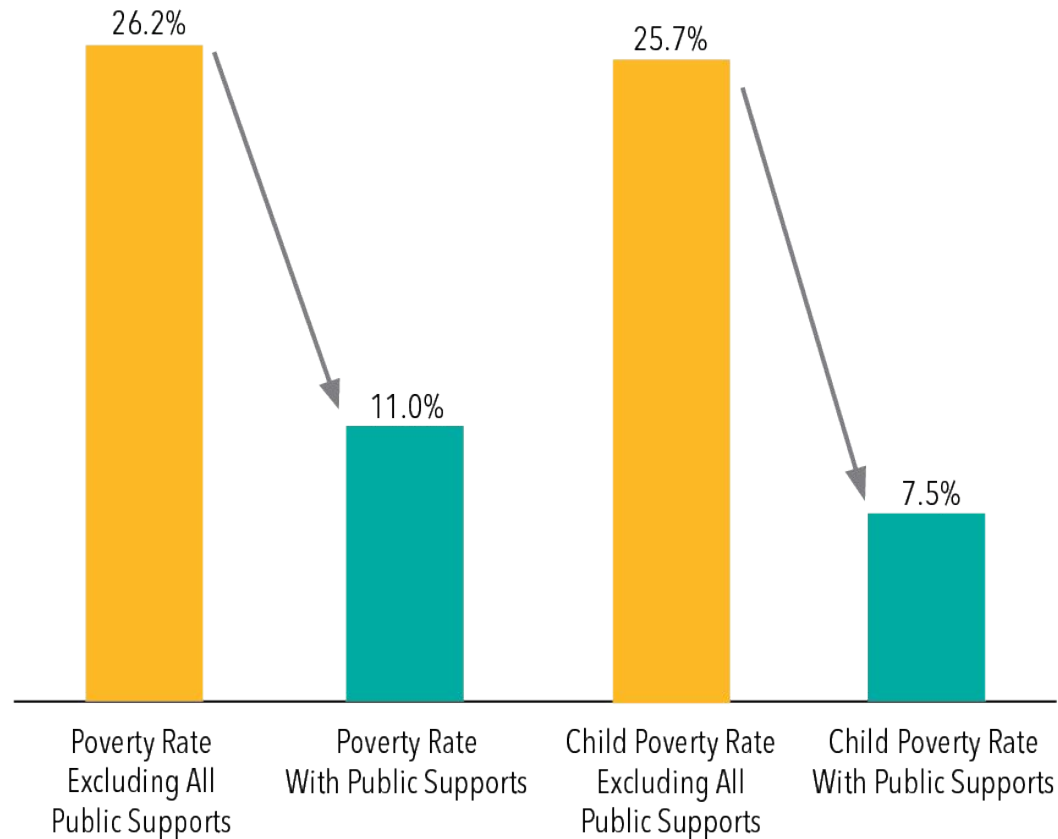
Federal and State Support Kept Many Californians Out of Poverty

- **Child Care Family Fee Waiver**
 - Was set to expire at the end of June, but early action budget package extended waiver through end of September
- **Enhanced Paid Sick Leave**
 - Supplemental paid sick leave (80 hours) ended in 2022, leaving workers with only 3 days of guaranteed sick time
- **Pandemic housing protections** (i.e. rent relief, eviction moratorium) are long over



Public Supports Dramatically Reduced Poverty and Child Poverty in California in 2021

California Poverty Rates Under the Supplemental Poverty Measure, 2021



Note: Public supports include cash benefits (e.g., SSI/SSP, Social Security, CalWORKs), non-cash benefits (e.g., CalFresh, school meals, housing subsidies), and refundable tax credits (e.g., Child Tax Credit, EITC).
Source: Center on Budget & Policy Priorities analysis of US Census Bureau, Current Population Survey public-use microdata



California Budget
& Policy Center

Key Context:

State Fiscal Situation



California Budget
& Policy Center

Governor's Revised Budget Projects \$31.5 Billion Shortfall

Shortfall Estimate Is Up from \$22.5 Billion in January

- Estimated shortfall reflects downgraded revenue estimates due to **lower-than-expected current-year tax collections** and economic conditions, including higher interest rates and a weaker stock market
- May Revision projection **does not assume a recession**
- Legislative Analyst's Office estimates the shortfall is likely to be **\$6 billion higher** than the administration's estimate



Governor Would Address Budget Problem By:

- **Reducing or delaying** previously committed spending
 - Some funding may be restored if sufficient resources are available in January 2024
- **Shifting costs** between funds
- **Increasing federal support** for Medi-Cal and free up state General Fund dollars by renewing the Managed Care Organization (MCO) tax
- **Withdrawing half (\$450 million)** of the Safety Net Reserve balance



Governor's May Revision

Key Proposals Affecting Economic Security



California Budget
& Policy Center

Revised Budget Includes No Major Investments in CalWORKs

Automatic Grant Increases Now Expected to Be Higher than Projected in January

- **Statutory 3.6% increase** to grant levels reflecting sales tax revenue estimates
- Delay in **pass-through of child support payments** to formerly assisted families to April 2024
- No additional information about CalWORKs grant increase “trigger investment” included in the 2022-23 budget



Governor Proposes Additional Funds for Food Assistance

But More Investments Would Be Required to Meet the Need

- Provides \$300 million in additional support to meet the demand for the **Universal School Meals** program
- Includes an additional \$47 million for outreach and automation costs to phase in federal **summer EBT program** beginning summer 2024
- Moves up expansion of **California Food Assistance Program** (CFAP) for undocumented older adults to October 2025, but proposes no further expansions
- Includes no proposals to address hunger cliff



May Revision Continues to Assume Medi-Cal Expansion

Governor Could Go Further to Ensure Californians Can Afford Health Care

- **Maintains** commitment to expand Medi-Cal to **all undocumented Californians** starting January 2024
- **Fails** to use funds from the state's individual mandate penalty as intended: to **help more Californians afford coverage** through Covered California



State Leaders Extended Child Care Family Fee Waiver

No Ongoing Provider Rate Increase

- Governor signed bills to **extend family fee waivers** through September (child care and state preschool)
- Recent legislation also includes **temporary stipends** to subsidized child care providers and state preschool employees
- No ongoing increase for **child care provider rates**
- Maintains January proposal to fund 20,000 new child care slots in 2024-25 but **no new slots in 2023-24**



No New Housing or Homelessness Funding Proposed

Funding Included for 2023-24 in Last Year's Budget Mostly Maintained

- Sustains \$1 billion one-time funding for **Homeless Housing, Assistance and Prevention (HHAP)** grant program, but no ongoing funding
- No new affordable housing funds, but maintains previously committed funding for 2023-24 for multifamily housing, adaptive reuse, and infill infrastructure
- Maintains January proposal for \$350 million reduction to **homeownership and Accessory Dwelling Unit (ADU) programs**
- Defers \$345 million in funds to help nonprofits **acquire buildings in, or at risk of, foreclosure** to operate affordable housing



What's Next for the State Budget

Timeline Is Very Tight for State Leaders to Finalize Budget

- Legislative budget committee hearings wrapping up this week — major decisions are already happening
- Legislature must pass a budget bill by **June 15**
- Additional **budget bills** and **budget trailer bills** can be enacted throughout the 2023-24 fiscal year



Questions?



California Budget
& Policy Center

Thank you!

kkitson@calbudgetcenter.org



California Budget
& Policy Center