



## **Health and Human Services**

**2013-14**

### **Budget Conference Committee on AB 110**

**Senator Mark Leno, Chair**

**Assembly Member Bob Blumenfield, Vice Chair**

**Members: Assembly Member Jeff Gorell, Assembly Member Holly Mitchell, and Assembly Member Nancy Skinner  
Senator Kevin de León, Senator Bill Emmerson, and Senator Loni Hancock**

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0977

California Health Facility Financing Authority (CHFFA)

Issue	Description	Difference (dollars in thousands)	Conference Action
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CA Health Facility Financing Authority (CHFFA) & Other State Agencies (see table below)

Investment in Mental Health Wellness

Governor (no proposal).

Senate approved a total of \$206.2 million (\$142.5 million one-time GF, \$38.9 million Mental Health Services Act (MHSA) Fund, and \$24.8 million federal funds) as an investment to build capacity for mental health treatment services. See table below for description of investments.

Assembly (no proposal).

Senate  
\$142,500 GF  
One-time,  
BBL & TBL

Assembly  
\$0

Difference  
\$142,500 GF  
One-time,  
BBL & TBL

Investment Description	GF (One-Time)	MHSA (State Admin)	Federal	Total	State Agency
2,000 Crisis Residential Treatment Capacity	\$125.0 m			\$125.0 m	CHFFA
25 Mobile Crisis Teams	\$2.5 m	\$4.0 m	\$2.8 m	\$9.3 m	CHFFA
600 Triage Personnel		\$32.0 m	\$22.0 m	\$54.0 m	Mental Health Services Oversight & Accountability Commission
Crisis Stabilization Units	\$15.0 m			\$15.0 m	CHFFA
Peer Support Crisis Training		\$2.0 m		\$2.0 m	Office of Statewide Health Planning & Development
Guidelines for Involuntary Commitment Care & Training for Section 5150 purposes		\$400,000 (one-time)		\$400,000 (one-time)	Mental Health Services Oversight & Accountability Commission
State Administration		\$500,000 (one-time)		\$500,000 (one-time)	CHFFA
<b>TOTAL</b>	<b>\$142.5 m</b>	<b>\$38.9 m</b>	<b>\$24.8 m</b>	<b>\$206.2m</b>	

Issue	Description	Difference (dollars in thousands)	Conference Action
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**4260-101-0001 Medi-Cal Local Assistance**

298 **Medi-Cal Adult Dental Benefits**

Senate  
\$131,000 GF  
+ TBL

**Background.** Adult Dental Services, with the limited exception of “federally required adult dental services” (FRADS) and dental services to pregnant women and nursing home patients, were eliminated as an “optional” Medi-Cal benefit in 2009, due to the state’s fiscal crisis. Generally, FRADS primarily involves the removal of teeth and treating the affected area.

Assembly  
\$0

Difference  
\$131,000 GF  
+ TBL

**Governor** (no proposal)

**Senate** restored Medi-Cal Adult Dental Benefits for \$262 million (\$131 million GF).

**Assembly** (no proposal)

Issue	Description	Difference (dollars in thousands)	Conference Action
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**4260-101-0001 Medi-Cal Local Assistance**

203	<b>Applied Behavioral Analysis (ABA) Services</b>	Senate \$50,000 GF + TBL	
	<b>Governor</b> (no proposal)		
	<b>Senate</b> added ABA services to Medi-Cal managed care for children ineligible for regional center services and to assist transitioning Healthy Families children for \$100 million (\$50 million GF) for the budget year. Special Session bills SBX1 1 (Hernandez and Steinberg) and ABX1 1 (Perez) would include ABA services as a benefit in Medi-Cal beginning January 1, 2014.	Assembly \$0  Difference \$50,000 GF + TBL	
	<b>Assembly</b> (no proposal)		

Issue	Description	Difference (dollars in thousands)	Conference Action
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**4260-101-0001 Medi-Cal Local Assistance**

297	<b>Distinct Part Nursing Facilities Rates</b>	Senate	
	<b>Governor</b> (no proposal)	\$32,000 GF	
		+ TBL	
	<b>Senate</b> restored \$64 million (\$32 million GF) on a prospective-basis to undo the rate freeze required by AB 97 (Statutes of 2011). These facilities' rates were disproportionately impacted by AB 97 provider rate reductions in that their rates were frozen at 2008-09 levels and a 10 percent reduction was applied to the 2008-09 rates. This restoration would undo the rate freeze on a prospective basis.	Assembly	
		\$0	
		Difference	
		\$32,000 GF	
		+ TBL	
	<b>Assembly</b> (no proposal)		

Issue	Description	Difference (dollars in thousands)	Conference Action
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**4260-101-0001 Medi-Cal Local Assistance**

398 **Medi-Cal Enteral Nutrition Benefits**

Senate  
\$0

**Background.** The 2011 health budget trailer bill (AB 97) limited the enteral nutrition "optional" Medi-Cal benefit for adults to only that which is either administered through a feeding tube or for patients with diagnoses of malabsorption or inborn errors of metabolism.

Assembly  
\$13,600 GF  
+ TBL

**Governor** (no proposal)

Difference  
\$13,600 GF  
+ TBL

**Senate** (no proposal)

**Assembly** restored the Medi-Cal Enteral Nutrition Benefit to its pre-2011 form that did not include the restrictions described above.



**4260-101-0001 Medi-Cal Local Assistance**

240 **Pharmacy Survey Contract** Senate  
-\$500 GF

**Governor** proposed \$1 million (\$500,000 GF) to hire a contractor to survey drug price information from Medi-Cal pharmacy providers and update maximum allowable ingredient costs and average acquisition costs. Assembly  
\$0

**Senate** removed contract funding since DHCS recently notified stakeholders that it was putting the survey procurement on hold while it awaits and considers further federal CMS guidance regarding national pricing benchmarks for pharmaceuticals. Difference  
-\$500 GF

**Assembly** approved Governor’s proposal.

Issue	Description	Difference (dollars in thousands)	Conference Action
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**4260-101-0001 Medi-Cal Local Assistance**

221 **Eliminate Seven Physician Visit Cap Limit**

Senate  
\$9,600 GF

**Background.** AB 97 (Statutes of 2011) imposed a seven physician visit cap allowed per Medi-Cal enrollee per year.

Assembly  
\$0

**Governor** proposed \$19.2 million (\$9.6 million GF) savings as a result of this cap. Subsequent to the May Revision, the state was notified that this proposal would not receive federal CMS approval.

Difference  
\$9,600 GF

**Senate** repealed the seven physician cap limit in statute as this proposal did not receive federal CMS approval. Approved an increase of \$19.2 million (\$9.6 million GF) as a result of this change.

**Assembly** repealed the seven physician cap limit in statute as this proposal did not receive federal CMS approval.

Issue	Description	Difference (dollars in thousands)	Conference Action
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**4260-101-0001 Medi-Cal Local Assistance**

214, 215	<p><b>Managed Care Organization (MCO) Tax</b></p> <p><b>Governor</b> proposed to reauthorize the MCO tax and that for (1) 2012-13 the MCO tax rate would be equal to the gross premiums tax rate (2.35 percent) to generate \$128.1 million GF savings--the current year revenues would be directed to the Healthy Families Program and (2) 2013-14, and on a permanent-basis, the MCO tax rate would be equal to the state sales and use tax rate (3.9375 percent) and would offset about \$342.9 million GF expenditures for Medi-Cal managed care rates for children, seniors and persons with disabilities, and dual eligibles.</p>	<p>Senate TBL to extend to June 30, 2015</p> <p>Assembly TBL to extend to June 30, 2016</p> <p>Difference TBL</p>	
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**Senate** approved 2012-13 MCO tax rate and proposed extension of MCO at the sales tax rate until June 30, 2015.

**Assembly** approved 2012-13 MCO tax rate and proposed extension of MCO at the sales tax rate until June 30, 2016.

Issue	Description	Difference (dollars in thousands)	Conference Action
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4260-101-0001 Medi-Cal Local Assistance

399 **Hearing Aids Reimbursement Methodology** Senate

**Background.** DHCS administratively adopted and implemented a change to the reimbursement policy for hearing aids in Medi-Cal on January 15<sup>th</sup>, 2013. Subsequently, DHCS restored the prior policy and has been working with hearing aid providers to develop an alternative policy. DHCS states that the Administration's goal is to create a more transparent and accountable policy in which the state is not reimbursing providers for the costs of manufacturer rebates and discounts, and that remains budget neutral.

Assembly  
\$163 GF +  
TBL

Difference  
\$163 GF +  
TBL

**Governor** (no proposal)

**Senate** (no proposal)

**Assembly** adopted trailer bill language to prohibit the reimbursement of rebates and discounts and implement a minimum dispensing fee.

**4260-101-0001 Medi-Cal Local Assistance**

**Medi-Cal County Medical Parole**

Senate  
TBL

**Background.** SB 1462 (Leno, 2012) authorizes under certain conditions the release of prisoners from a county correctional facility on medical probation and the granting of compassionate release. SB 1462 requires a county that chooses to implement these provisions to pay the non-federal share of a prisoner’s Medi-Cal costs.

Assembly  
-  
Difference  
TBL

**Governor** (no proposal)

**Senate** adopted TBL to make the provisions of SB 1462 cost neutral.

**Assembly** (no proposal)

**4260****Department of Health Care Services (DHCS)**

Issue	Description	Difference (dollars in thousands)	Conference Action
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**4260-101-0001 Medi-Cal Local Assistance**

201, **Dense Breast Tissue Notification** Senate  
211 -\$7,000 GF

**Governor** proposed \$7.3 million (\$3.7 million GF) for Medi-Cal and \$8.3 million GF for the Every Woman Counts program to implement dense breast tissue notification (SB 1538, Statutes of 2012). Assembly \$0

**Senate** revised assumptions to reflect lower expected utilization of screening and case management services. Difference -\$7,000 GF

**Assembly** approved Governor's proposal.

**Conforms to 4260-114-0001.**

**4260-101-0001 Medi-Cal Local Assistance**

222 **ACA – Former Foster Care Youth Gap Coverage** Senate

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**Background.** The federal Affordable Care Act (ACA) ensures access to insurance coverage for young adults, up to age 26, primarily through a parent's employer-based coverage. This provision became effective September, 2010. The ACA also requires state Medicaid programs to provide categorical eligibility to former foster youth up to age 26, beginning January 1, 2014.

Assembly  
\$3,000 GF +  
TBL

Difference  
\$3,000 GF +  
TBL

**Governor** (no proposal)

**Senate** (no proposal)

**Assembly** approved \$3 million GF and adopted placeholder trailer bill language to provide Medi-Cal coverage to former Foster Care youth up to age 26 until January 1, 2014.

Issue	Description	Difference (dollars in thousands)	Conference Action
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**4260-101-0001 Medi-Cal Local Assistance**

293 **ACA – MAGI Conversion Standard**

**Background.** The state is currently developing its modified adjusted gross (MAGI) income conversion standard. This standard will define what Medi-Cal population would be eligible for claiming enhanced federal funding (100 percent starting in 2014 for three years and decreasing to 90 percent in 2020).

**Governor** (no proposal)

**Senate** adopted placeholder TBL to develop state “true-up” mechanism to identify GF savings as a result of the state receiving 100% federal funds for currently enrolled Medi-Cal individuals (50% GF/50% federal) that exceed the MAGI conversion standard. This language would direct the General Fund savings to be used to invest in health, mental health, and substance use disorder services.

**Assembly** (no proposal)

Senate  
TBL It is anticipated that certain currently eligible individuals could be eligible for claiming of enhanced federal funding depending on where the income conversion standard is set, and; consequently, the state could achieve GF savings as federal funds cover a higher percentage of these costs.

Assembly  
-

Difference  
TBL



Issue	Description	Difference (dollars in thousands)	Conference Action
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**4260-101-0001 Medi-Cal Local Assistance**

220	<b>ACA – Enhanced Federal Funds for Preventive Services and Adult Vaccines</b>	Senate -\$10,000 GF	
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<b>Background.</b> The ACA established a one percentage point increase in the federal matching rate for Medi-Cal for preventative services and adult vaccines.	Assembly \$0
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<b>Governor</b> proposed \$2.5 million GF savings for Medi-Cal fee-for-service and no savings for Medi-Cal managed care as a result of this provision of the ACA.	Difference -\$10,000 GF
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**Senate** approved \$2.5 million GF savings for Medi-Cal fee-for-service and approved \$10 million GF savings for Medi-Cal managed care.

**Assembly** approved Governor’s proposal.

Issue	Description	Difference (dollars in thousands)	Conference Action
204, 225	<b>Non-Designated Public Hospitals (NDPH) Reimbursement Methodology</b>	Senate -	
	<b>Background.</b> The 2012 budget provided for a new reimbursement methodology for NDPHs and provided NDPHs access to new federal funding (Safety Net Uncompensated Care Pool funding and Delivery System Reform Incentive Program funding) for \$94.7 million GF savings.	Assembly 6 positions + TBL  Difference 6 positions + TBL	
	<b>Governor</b> proposed in January budget to make six positions permanent to implement the new reimbursement methodology for NDPHs. In the May Revise, Governor indicated that the changes for NDPHs were not feasible given federal CMS concerns and recognized \$94.7 million GF costs.		
	<b>Senate</b> denied positions and approved increase of \$94.7 GF million.		
	<b>Assembly</b> approved positions, approved increase of \$94.7 million GF, and adopted TBL to remove restrictions on access to federal safety net care pool funds for uncompensated care provided by California hospitals.		

Issue	Description	Difference (dollars in thousands)	Conference Action
<b>LIHP Capitation Rate and Public Hospitals</b>	<p><b>Background.</b> The 2012 budget health trailer bill authorized capitated payments for Low Income Health Programs (LIHPs), provided federal CMS approval is received by June 30, 2013. CMS approval is not expected to be received by June 30, 2013, and therefore state law will require reverting to fee-for-service rates, representing a substantial reduction in federal funding for LIHPs.</p> <p><b>Governor</b> (no proposal)</p> <p><b>Senate</b> (no proposal)</p> <p><b>Assembly</b> adopted placeholder trailer bill language to eliminate the CMS approval deadline and allow the updated capitation rates to apply until the end of the LIHP program (December 30, 2013).</p>	<p>Senate -</p> <p>Assembly +TBL</p> <p>Difference +TBL</p>	

Issue	Description	Difference (dollars in thousands)	Conference Action
<b>AIDS Drug Assistance (ADAP) Program</b>			
506	<b>Transition of ADAP Clients to Medi-Cal and Covered California</b>	Senate \$17,000 SF	
	<b>Governor</b> assumed that 85 percent of eligible ADAP clients projected to transition to Medi-Cal and Covered California would transition to these programs.	Assembly \$0	
	<b>Senate</b> assumed a slower transition (70 percent) of eligible ADAP clients to Medi-Cal and Covered California given state's experience with enrollment into health coverage programs and provided an additional \$17 million special fund for this slower transition. (These funds are continuously appropriated.)	Difference \$17,000 SF	
	<b>Assembly</b> approved Governor's proposal.		

Issue	Description	Difference (dollars in thousands)	Conference Action
<b>AIDS Drug Assistance (ADAP) Program</b>			
<b>Notification to Legislature if Risk of Inability to Provide Services</b>	Governor no proposal.	Senate TBL	
Senate adopted placeholder trailer bill language to require DPH to notify the Legislature if there is any risk of an inability of ADAP to provide services to eligible ADAP clients. This language was adopted given the uncertainty of the rate in which ADAP clients might transition to Medi-Cal and Covered California and the implications of changes to the Pre-Existing Conditions Insurance Plan.	Assembly no proposal.	Assembly - Difference TBL	

Issue	Description	Difference (dollars in thousands)	Conference Action
<b>Infant Botulism / BabyBIG Program</b>	<b>Governor</b> no proposal.	Senate TBL	
	<b>Senate</b> adopted placeholder trailer bill language to require DPH to provide the Legislature with a plan for how it proposes to address the findings and implement the recommendations from its Zero-Based Budgeting Review of the Infant Botulism program to ensure that there is an adequate supply of the BabyBIG serum to address demand.	Assembly - Difference TBL	
	<b>Assembly</b> no proposal.		

Issue	Description	Difference (dollars in thousands)	Conference Action
<b>Safe Cosmetics Act</b>	<p><b>Background.</b> The Safe Cosmetics Act became law in 2005 and requires cosmetics manufacturers to report to DPH on carcinogenic ingredients included in their products. A long-standing goal of the Safe Cosmetics Program at DPH has been to make this information available to the public via a website. To date, the website has not been made operational and available to the public.</p> <p><b>Governor</b> no proposal.</p> <p><b>Senate</b> no proposal.</p> <p><b>Assembly</b> adopted placeholder trailer bill language to clarify, and more clearly define, the purpose and structure of the Safe Cosmetics Program website, and to require the website to be operational by December 31, 2013.</p>	<p>Senate -</p> <p>Assembly TBL</p> <p>Difference TBL</p>	

Issue	Description	Difference (dollars in thousands)	Conference Action
<b>Early Start</b>	<b>Governor</b> assumes continuation of eligibility and service reductions made to Early Start in 2009-10, which resulted in savings of roughly \$80 million GF.	Senate \$0  Assembly \$12,000	Early Start provides early intervention and support services to families with around 30,000 infants or toddlers who have a developmental delay or disability, or an established risk condition, with a high probability of resulting in a delay.
	<b>Senate</b> made no changes to the Governor’s proposal.	Difference -\$12,000	
	<b>Assembly</b> restored eligibility for services to two-year-olds who have a 33 percent delay in one domain (rather than continuing to require greater delays of 50 percent in one domain, or 33 percent in two or more domains, consistent with the changes made in 2009). This change would be effective October 1, 2013. The full-year savings associated with this particular eligibility change in 2009-10 were \$15.5 million GF.		



Issue	Description	Difference (dollars in thousands)	Conference Action
<b>CalWORKs Grants</b>	<p><b>Senate</b> did not make any changes to Governor's proposal.</p> <p><b>Governor</b> proposed no change in the maximum grants available to families receiving CalWORKs assistance.</p> <p><b>Assembly</b> adopted a "Child Poverty Adjustment" to monthly grants, so that after a five-year period, maximum CalWORKs grants (available to those with no other income) would be equivalent to 50 percent of the Federal Poverty Level (FPL). This would begin with a 12 percent increase in the maximum grant, starting January 1, 2014, and continue with approximately 4.5 percent increases for each of the following four years. The grants would then be adjusted annually to maintain a minimal base of 50 percent of FPL. These changes would require trailer bill language.</p>	<p>Senate \$0</p> <p>Assembly \$212,370</p> <p>Difference -\$212,370</p>	<p>CalWORKs provides cash aid and welfare-to-work services to low-income families. Three-quarters of recipients are children. In the last several years, CalWORKs has sustained very significant reductions, as well as restructuring. Grants were cut by four percent in 2009-10 and another eight percent in 2011-12. Annual cost-of-living adjustments (COLAs) were intermittently provided before 2009, when statute was changed to eliminate the annual COLA.</p> <p>The average grant is \$467 monthly (up to a maximum of \$638, or 39 percent of FPL, for a family of three in a high-cost county). Maximum grants are the same today in actual dollars as they were 26 years ago in 1987 (when they were 80 percent of FPL). If COLAs had been consistently provided, the grant would be \$907 per month, or 42 percent higher than today's level.</p>

Issue	Description	Difference (dollars in thousands)	Conference Action
<p><b>CalWORKs Early Engagement &amp; Barrier Removal</b></p>	<p><b>Governor</b> proposed, in May Revision: 1) use of a tool for more robust appraisal of welfare-to-work participants' needs and circumstances (\$9.4 million), 2) additional caseworker time for family stabilization (FS) and the removal of barriers to employment (\$10.8 million), and 3) trailer bill language and policies to enhance the subsidized employment (SE) program (\$28.1 million).</p>	<p>Senate \$0</p>	<p>The 2012-13 budget created a new 24-month time limit, after which some adults will lose aid. Before the expiration of the time limit, there are new flexibilities regarding WTW requirements, while afterward (up to a 48-month lifetime limit), WTW requirements became stricter. Part of the agreement included an expectation that the WTW program would be improved to assure more effective barrier removal and engagement strategies, particularly when families first enter into the program (also called "early engagement").</p>
		<p>Assembly \$10,000</p>	
		<p>Difference -\$10,000</p>	
<p><b>Senate</b> approved the Governor's overall funding level and SE language. Additionally adopted placeholder language to require statewide use of the robust appraisal tool, provided a framework and specificity regarding FS services, and made related changes to the existing flow of welfare-to-work (WTW) services.</p>	<p>SE is an existing program with 5,330 job slots that provide training and experience to recipients. Under the Governor's proposal, it would grow to 8,000 slots in 2013-14.</p>		
<p><b>Assembly</b> concurred with Senate on the statutory framework for statewide, uniform service improvements across the three areas, with additional specification that: 1) FS services are prior to the 24-month time limit beginning, and 2) SE funding is a ramp-up to a universal offer of SE after four years. Also included an additional \$10 million for enhanced FS services in 2013-14. Additionally, specified that placeholder trailer bill require data collection and client experience monitoring.</p>			

Issue	Description	Difference (dollars in thousands)	Conference Action
<b>CalWORKs - Other Anti-Poverty Strategies</b>	<b>Governor</b> did not make specific proposals related to this segment of the CalWORKs issues.	Senate \$0	The MFG rule currently prohibits the increase of a family’s grant when additional children are born into an aided family, with specified exceptions. The change would apply the rule only to the first two years during which a family receives aid.
<b>Senate</b> did not take action on this segment of the CalWORKs issues.	<b>Assembly</b> approved anti-poverty changes to benefit CalWORKs families, including: 1) limiting the Maximum Family Grant (MFG) Rule to a two-year period, 2) eliminating the Vehicle Asset Limit, in order to allow families to retain a functional vehicle to support their employment and self-sufficiency goals, and 3) lifting a “once-in-a-lifetime” limit on the provision of Homeless Assistance. Included an increase of \$15 million in 2013-14 for ramp-up for these policies to be implemented toward the last quarter of the budget year, with the implementation date occurring for these policies no later than July 1, 2014.	Assembly \$15,000  Difference -\$15,000	The Vehicle Asset Limit currently limits the value of a car for an aided family to under \$4,650. Consistent with the policy in many other states, the change would exempt the value of a vehicle from asset-related eligibility rules. According to Assembly Appropriations, the change could result in net General Fund savings, due to administrative efficiencies.  Homeless Assistance currently provides an emergency benefit of \$65/day for a family for 16 consecutive days, limited to once in a lifetime.

Issue	Description	Difference (dollars in thousands)	Conference Action
<b>Supplemental Security Income/State Supplementary Payment (SSI/SSP)</b>	<b>Governor</b> proposed to pass an annual federal cost-of-living adjustment (COLA) for the SSI portion of grants on to SSI/SSP recipients. Proposed no change to existing law, which was amended in 2009 to eliminate an annual state-based COLA that previously applied, as well.	Senate \$0	SSI/SSP provides monthly cash aid to assist 1.3 million individuals or couples who are aged, or who have disabilities, in meeting their most basic needs (i.e., food, clothing, and shelter). Prior to the elimination of state COLAs from statute, COLAs were suspended for several years in a row. Grants were also reduced by two percent for couples, and three percent for individuals, in 2009.
	<b>Senate</b> made no changes to the Governor's proposal.	Assembly \$0	
	<b>Assembly</b> reinstated the state-based COLA for grants, beginning July 1, 2014. The administration's preliminary estimate of the 2014-15 cost, if a state-based COLA is provided, is approximately \$58 million GF.	Difference \$0	After a federal COLA of 1.7 percent in January 2013, maximum individual grants of \$866 monthly (for those with no other income) provide income equivalent to 93 percent of the federal poverty level, while maximum grants for couples of \$1,462 monthly are equivalent to 116 percent.