

## AGENDA (PART I)

### ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER HOLLY MITCHELL, CHAIR

WEDNESDAY, APRIL 3, 2013  
1:30 P.M. - STATE CAPITOL ROOM 444

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## ITEMS TO BE HEARD

### CHILD WELFARE SERVICES (CWS) PROGRAM

5180 DEPARTMENT OF SOCIAL SERVICES

0580 OFFICE OF SYSTEMS INTEGRATION, HEALTH AND HUMAN SERVICES AGENCY

#### ISSUE 1: CWS BUDGET AND PROGRAM OVERVIEW, UPDATE, AND ISSUES FOR CONSIDERATION

##### PROGRAM OVERVIEW

The Children and Family Services Division (CFSD) provides leadership and oversight of local county and community agencies in the implementation of an array of services designed to protect children from abuse and neglect, and to strengthen and preserve families. Toward this end, the CFSD meets federal and state requirements and attempts to promote the best practices in child welfare services (CWS) through promulgation of regulations, and the delivery of training, technical assistance, fiscal resources, incentives, and program evaluations.

**Realignment of 2011.** The 2011 Budget included a major realignment of public safety programs from the state to local governments. The 2011 realignment moved program and fiscal responsibility to counties, providing a dedicated source of funding while eliminating duplication of effort, generating savings, and increasing flexibility. Realigned programs include local public safety programs, mental health, substance abuse, foster care, child welfare services, and adult protective services. The funding sources for realignment the dedication of 1.0625 cents of a state special fund sales tax and the dedication of a portion of vehicle license fee revenues.

##### **Overview of CWS's Major Areas**

- **Emergency Response** – 24/7 assessment and/or investigation of reports of abuse, neglect, or exploitation of children.
- **Foster Care** – 24-hour board and care provided to minors under the jurisdiction of the county court and under the supervision of a local or tribal child welfare agency. Minors are typically removed from their family homes and placed into some form of out-of-home care as a result of known or suspected abuse or neglect (child welfare), or known or suspected commission of a crime (probation). Monthly maintenance payments are distributed to caretakers for board and care of eligible children.

- **Family Maintenance** – Time-limited protective services provided to families in crisis to prevent or remedy abuse or neglect, with the intent of preserving families and keeping children safely in their own homes, when possible.
- **Family Reunification** – Time-limited services to children in foster care and their families, with the goal of safely reuniting children with their families.
- **Permanent Placement (PP)/Adoption** – Alternative family structures and supports for children who cannot remain safely at home and/or who are unlikely to ever to return home. PP includes adoption, legal guardianship and independent living.

SUMMARY OF RECENT BUDGET REDUCTIONS
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The 2011-12 Budget realigned \$1.6 billion in state funding for the CWS, foster care, and adoptions programs, to the counties. Among other provisions, the 2012-13 budget included the following related programmatic changes, which largely impact uses of 2011 realignment funding (as well as federal and county funds), and not the state General Fund:

- **Flexibility for Counties.** Revised or created more flexibility within the requirements of specified programs that had already offered some degree of county option.
- **Accountability and Oversight Provisions.** Required reporting related to the 2011 realignment of CWS programs, including an annual report that summarizes outcome and expenditure data to allow for tracking of program changes and performance on defined outcome measures over time. Further, required the Department and counties to develop agreed upon performance targets for improvements and clarified that the existing California Child & Family Services Review workgroup can reconvene as needed. Additionally, required a transparent, local, public process before a county can significantly change expenditures for specified optional programs.
- **Continuum of Care and Needs Assessment-Related Reforms.** Required DSS to establish workgroups, as specified, to develop and submit recommended revisions to the foster care rate-setting system, as well as performance standards and outcome measures for providers of out-of home care. Additionally, revised selection criteria for foster care placements and increased, on an interim basis, the monthly rates paid for Intensive Treatment Foster Care (ITFC), which is intended to offer lower-cost, family based care to children and youth who would otherwise be served in more expensive and restrictive settings.
- **Other Changes.** Improved transitional services for 18 through 20-year olds exiting the foster care system by allowing specified non-minor dependents to

receive assistance during a window of time in which they might otherwise have a gap in eligibility and by ensuring continued support of non-minor dependents who are 20-years-old, effective January 1, 2014.

- Further, revised licensing or certification standards for transitional housing and increased basic care and supervision rates paid to foster families certified by foster family agencies.

Additionally, the CWS programmatic realignment accomplished the following:

- **Moratorium on Group Home Rate-Setting.** Permanently extended a moratorium on licensure of new group homes or approvals of specified changes to existing providers' licenses, with some exceptions. New provisions further limit, for one year, exceptions for any programs with rate classification levels below 10 to those associated with a program change.
- **Cost-of-Living Adjustment for Dual Agency Rates.** Required annual adjustment of rates payable for care and supervision of children who are dually eligible for the Child Welfare Services and Developmental Services systems. This change is consistent with changes made last year to foster family home and related rates in response to litigation.
- **DSS Staffing.** Reduced authorized staffing in the Child and Family Services Division of DSS by 42 positions in light of the transition from state to county-based administration of the Agency Adoptions program in a number of counties. Retained and repurposed an additional 11.5 positions to conduct specified oversight and monitoring, including oversight related to realignment, as well as policy and program development, including changes to the continuum of care and assessment of children's needs.

UPDATES	AND	ISSUES	FOR
CONSIDERATION			

In addition to the background in the above section, the following are brief, high-level descriptions of issues in the CWS dynamic of programs. The panel that has been organized for this section may speak to some of these issues, as its members have been asked to identify and prioritize areas of import for the Legislature's awareness and review.

**Role of the State in Realignment.** As noted in the Program Overview section, CWS programs devolved to the counties as part of 2011 Public Safety Realignment. In response to the question of what is the state's formal and proper role in ensuring California compliance with federal measures and to play a leadership role in the health and safety of at-risk youth, the DSS has provided the following narrative:

“The California Department of Social Services (CDSS) continues to serve as the single state agency responsible for the administration and supervision of the Child Welfare Services (CWS) system, a system that is authorized through the federal Social Security Act, Subparts IV-E and IV-B and throughout various chapters of California’s Welfare and Institutions Code. Fundamental to this responsibility is the formation of programmatic and fiscal policy, provision of training and technical assistance, and oversight and monitoring of the child welfare services system. As the single state agency, CDSS will continue to conduct programmatic and fiscal reviews and audits of county child welfare agencies.

Realignment of CWS is fiscal and covers some areas of program. Counties have operated these programs for years under state oversight and the framework for these programs is heavily regulated by the federal government. However in areas of program that are unique to California, counties have been provided flexibility to modify or in some cases discontinue activities; where it is provided, there are public process protections for changes at the county level. Reporting of fiscal and program data to the federal government will not change under realignment and will continue to be publically available. Therefore, the Department’s role in the future is much the same as it is today.

CDSS continues to be responsible for policy formation specific to the prevention, emergency response, family maintenance, family reunification and permanency programs. This includes the development of policy letters and notices; promulgation of regulations and implementation of new federal and state policies or laws. Given the complex array of CWS programs and services that are all aimed at providing a safety net to protect neglected and abused children, the CDSS will continue to provide training and technical assistance to county child welfare and probation agencies. Through the provision of technical assistance, CDSS will encourage and support statewide replication of best practices and continuous improvements to achieve optimal outcomes for children and families. CDSS, in partnership with the Department of Health Care Services, recently issued the Core Practices Manual and the Documentation and Claiming Manual for use of EPSDT funding. These manuals encourage multi-agency team services and will allow counties to maximize available funding for mental health services for children served through the CWS. Similarly, through the Continuum of Care Reform process and workgroups to strengthen practice with particular populations, CDSS guides best-practices development and supports replication across counties.

The CDSS will continue to oversee and monitor the state’s child welfare system. The programmatic oversight will be data informed to ensure child well-being as well as compliance with state plan requirements necessary to guarantee maximization of federal financial participation. Additionally, CDSS will continue to utilize its oversight system to identify and support replication of county promising practices that lead to the improvement of family functioning, child safety and well-being.”

**Update on Program Improvement Plan (PIP).** On March 15, 2013, DSS received a formal notification from the U.S. Department of Health and Human Services, Administration for Children, Youth and Families congratulating the state on the completion of all required Program Improvement Plan (PIP) action steps and achievement of all its PIP targeted goals for the most recent federal Child and Family Services Review. As a result, ACF is rescinding all remaining associated CFRS penalties. The following chart displays the targets and the years that they were achieved.

CFSR Measure	Target	Performance	Year Achieved
Safety Outcome 1: Absence of Maltreatment Recurrence	93.20%	93.20%	2009
Safety Outcome 1: Absence of Maltreatment of Children in Foster Care			2008
Safety Outcome 1: Timeliness of initiating investigations of reports of child maltreatment	94.70%	95.20%	2009
Safety Outcome 2 : Services to family to protect child(ren) in home and prevent removal	62.30%	63.80%	2008
Safety Outcome 2: 4 Risk of harm to child	23.20%	24.00%	2010
Permanency Composite 1: Timeliness and Permanency of Reunification	110.2	110.8	2009
Permanency Composite 2: Timeliness of Adoptions	99.2	99.8	2009
Permanency Composite 3: Permanency for Children in Foster Care for Extended Time Periods	110	113.1	2009
<b>Permanency Composite 4: Placement Stability</b>	<b>95.3</b>	<b>95.4</b>	<b>2012</b>
Permanency Outcome 1: Permanency goal established in timely manner	75.30%	75.6	2009
Permanency Outcome 1: Permanency goal of other planned permanent living arrangement	14.4%	14.70%	2008
Permanency Outcome 2: Measurement of Action Step 2.1- Family Finding	31.91%	31.91%	2010
Well-Being Outcome 1: Child and family involvement in case planning	57.0%	57.63%	2010
Well-Being Outcome 1: Needs and services of child, parent and foster parent.	5.60%	5.90%	2009
Well-Being Outcome 1: Caseworker Visits with Child	85.00%	85.20%	2010
Well-Being Outcome 1: Caseworker Visits with Parents	65.5%	70.34%	2010

**Katie A. Settlement Agreement Implementation.** The plaintiffs filed a class action suit on July 18, 2002, alleging violations of federal Medicaid laws, the American with Disabilities Act, Section 504 of the Rehabilitation Act and California Government Code Section 11135. The suit sought to improve the provision of mental health and supportive services for children and youth in, or at imminent risk of placement in, foster care in California.

On December 2, 2011, Federal District Court Judge A. Howard Matz issued an order approving a proposed settlement of the case. The settlement agreement seeks to accomplish systemic change for mental health services to children and youth within the class by promoting, adopting, and endorsing three new service array approaches for existing Medicaid covered services. DSS and the Department of Health Care Services (DHCS) will work together with the federal court appointed Special Master, the plaintiffs' counsel, and other stakeholders to develop and implement a plan to accomplish the terms of the settlement agreement.

**Congregate Care Reform (CCR).** The Continuum of Care Reform (CCR) Program, Fiscal, and Performance Measurement and Outcomes workgroups composed of DSS, county welfare departments, and other stakeholders including providers, advocates, youth and families, have been meeting regularly since September 2012 to develop the necessary recommendations to ensure quality of care for children placed in the continuum of AFDC-FC eligible placements with priority attention to group home and foster family agency (FFA) placements. Steering and Executive Committees provide guidance and clarification to the workgroups as necessary.

The CCR has developed a set of preliminary recommendations and/or concepts in the following areas:

- Core services in group homes and foster family agencies
- Accreditation
- Standardized assessment
- Provider performance
- Fiscal framework principles

A mid-project convening is planned for May 2013 to provide stakeholders with an update on the work thus far. DSS states that upon completion of the above work in progress, it will prepare and submit the final recommendations for the current rate-setting system, services, and programs serving children and families in the continuum of AFDC-FC eligible placement settings, including, at a minimum, all programs provided by FFA and Group Homes. The formal completion date for the CCR work is set for October 1, 2014.

<b>PANEL</b>
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- Will Lightbourne, Director, and Greg Rose, Deputy Director, Children and Family Services Division, California Department of Social Services
  - History and Impact of Program and Budget Changes and Presentation on Current Issues in CWS

- Barbara Needell, MSW, PhD, Researcher, Center for Social Services Research, University of California at Berkeley
  - Discussion of Recent and Historical Data Trends on Children Served in the CWS System
- Frank Mecca, Executive Director, County Welfare Directors Association of California
  - Discussion of Priority Issues
- Susanna Kniffen, Legislative Advocate, Children Now
  - Discussion of Priority Issues
- Crystal O'Grady, Policy Coordinator, California Youth Connection
  - Discussion of Priority Issues
- Jackie Rutheiser, Senior Policy Advocate, California Alliance of Child and Family Services
  - Discussion of Priority Issues
- Legislative Analyst's Office
- Department of Finance
- Public Comment

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**Staff Recommendation:**

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While there is no action recommended on this item, staff recommends that the Subcommittee encourage the administration to continue to work with legislative staff on regular, formalized state reporting of both (1) programmatic information as part of the annual budget process that is akin to the premise information that was previously provided for CWS programs before they were realigned and, relatedly, (2) timely outcome and expenditure data, as required by statute, on CWS programs that have been realigned to the counties to assist with oversight, tracking, and public transparency in how programs are operating and being governed.

In addition, the Subcommittee is interested in concepts on limiting the use of group homes as is being contemplated in part by the Continuum of Care Reform (CCR) stakeholder workgroup and looks forward to receiving proposals that can be considered as part of this 2013-14 budget review process.



**ISSUE 2: CWS BUDGET CHANGE PROPOSALS**

The Governor's Budget proposes the following for 2013-14 in the CWS area. These proposals should be considered against the backdrop of the review and panel presentations as laid out under the previous Issue.

**CWS BCPs**

- **Congregate Care Reform.** Requests resources (\$249,000 total funds, \$166,000 General Fund) to make permanent one Research Project Specialist (RPS) II limited term position to implement Congregate Care Reform as required by Senate Bill 1013 (Chapter 35, Statutes of 2012) and requests funding to contract with an outside consultant to assist in this reform effort.

DSS states that the RPS II position would be responsible for the increased workload demands associated with implementing and administering the provisions of SB 1013, for example, convening a workgroup to include foster family agencies (FFAs) and group homes (GHs) that will identify and develop recommended revisions to the current rate setting system, services, and programs serving children and families in the continuum of foster care eligible placements. This work includes analysis and development of appropriate audit functions and methodologies that support fiscal monitoring and oversight of any reformed rate and program structure.

DSS states that the outside consultant will assist the RPS II in the workload associated with convening the workgroups. Specifically, the consultant will complete administrative tasks to schedule workgroup meetings, facilitate workgroup discussions, assist in the research of funding and rate methodologies, provide workgroup progress reports, and assist in the preparation and presentation of technical reports. The workgroup consultant services will cost \$125,000 annually for two years.

- **Capped Allocation Project.** Requests funding (\$596,000 total funds, \$298,000 General Fund) and the extension of two limited-term positions for the 2013-14 bridge extension for the Title IV-E Child Welfare Waiver Demonstration Capped Allocation Project (CAP) and continued contract funding, \$358,000, for the federally-required CAP evaluation. DSS states that these positions are necessary to support and complete the negotiations with the Administration for Children and Families (ACF) in obtaining federal approval and new federal waiver terms and conditions for DSS's requested five-year extension of the CAP. These DSS resources will address operating the CAP and ensure continued compliance with federal waiver requirements during the bridge extension period and for implementation development and planning, with the current and additional interested counties for the five-year waiver extension.

- **Resource Family Approval Project.** Requests funding (\$207,000 total funds, \$101,000 General Fund) and the establishment of two permanent positions to implement the Resource Family Approval (RFA) Project. DSS states that the RFA Project will result in the development and implementation of a single comprehensive resource family (i.e. foster, adoptive, kinship family) approval process. This single process is a systemic change intended to replace the existing process for licensing foster family homes, approving relative and non-related extended family members, and approving adoptive families. The RFA Project will begin with five counties. After the third full fiscal year from which the five participating counties commence implementation, the RFA Project will be authorized in all counties.

#### CWS AUTOMATION REQUESTS

##### **Child Welfare Services – New System Project.**

- DSS requests funding (\$1.03 million total funds, \$482,000 General Fund) to support nine positions to develop and implement a new child welfare case management system, called the Child Welfare Services – New System (CWS-NS) Project, to replace the current system.
- OSI requests resources to initiate the CWS-NS Project as detailed in the submitted Feasibility Study Report (FSR). The proposal requests \$2.7 million in DSS Local Assistance and OSI expenditure authority for eight positions (all two-year limited term), associated Operating Expense and Equipment (OE&E), and contract services to initiate the planning and procurement phase for replacing the existing Child Welfare System/Case Management System (CWS/CMS).

In January 2013, the California Technology Agency (CTA) approved a Feasibility Study Report (FSR) for the Child Welfare Services-New System (CWS-NS) Project. The FSR authorized the California Department of Social Services (CDSS) to move forward with procurement of a solution vendor to replace the existing Child Welfare Services/Case Management System (CWS/CMS). The approval of the FSR and corresponding BCPs only cover the two-year planning and procurement phase starting July 2013. Prior to contract award of a solution vendor, a Special Project Report (SPR) must be submitted to CTA for additional cost considerations, which will include continued staffing resources for the remaining project phases.

The CWS-NS Project staffing approach was based on the Office of Systems Integration's (OSI) best practices, other comparable information technology projects, and the current staffing levels of the CWS/CMS. *Table 1 – CWS-NS Project Staffing – Planning and Procurement through Maintenance and Operations*, depicts the staffing level requirements during each phase of the project and all associated dollars, for both OSI and CDSS staff.

Table 1 - CWS-NS Project Staffing - Planning and Procurement through Maintenance and Operations

	PLANNING & PROCUREMENT PHASE				DDI PHASE 1		DDI PHASE 2		MAINTENANCE & OPERATIONS*		Total
	FY 2013/14		FY 2014/15		FY 2015/16 - Partial FY 2016/17		FY 2016/17 - Partial FY 2017/18		FY 2018/19		
	Pos	Amts	Pos	Amts	Pos	Amts	Pos	Amts	Pos	Amts	Amts
<b>OSI Staffing Costs</b>											
Existing Staff	10.0	1,254,197	10.0	1,254,197	10.0	1,567,747	10.0	1,254,197	10.0	1,254,197	6,584,535
Limited Term	8.0	791,526	8.0	791,526	8.0	989,407	8.0	791,526	0.0	-	3,363,985
CWS/CMS Redirected	0.0	-	2.0	213,326	11.0	1,475,827	25.0	2,742,637	30.0	3,263,763	7,695,553
<b>OSI Staffing Costs Total</b>	<b>18.0</b>	<b>2,045,723</b>	<b>20.0</b>	<b>2,259,049</b>	<b>29.0</b>	<b>4,032,981</b>	<b>43.0</b>	<b>4,788,360</b>	<b>40.0</b>	<b>4,517,960</b>	<b>17,644,073</b>
<b>CDSS Staffing Costs</b>											
Existing Staff	4.0	429,738	4.0	429,738	4.0	537,171	4.0	429,738	4.0	429,738	2,256,123
Limited Term	9.0	813,857	9.0	813,857	9.0	1,017,321	9.0	813,857	0.0	-	3,458,892
CFSD Redirected	0.0	-	0.0	-	0.0	-	0.0	-	12.0	1,071,504	1,071,504
<b>CDSS Staffing Costs Total</b>	<b>13.0</b>	<b>1,243,595</b>	<b>13.0</b>	<b>1,243,595</b>	<b>13.0</b>	<b>1,554,492</b>	<b>13.0</b>	<b>1,243,595</b>	<b>16.0</b>	<b>1,501,242</b>	<b>6,786,519</b>
<b>Total Project Staffing Costs</b>	<b>31.0</b>	<b>3,289,318</b>	<b>33.0</b>	<b>3,502,644</b>	<b>42.0</b>	<b>5,587,473</b>	<b>56.0</b>	<b>6,031,955</b>	<b>56.0</b>	<b>6,019,202</b>	<b>24,430,592</b>

\* Represents first full year in Maintenance and Operations

The Planning and Procurement Phase will occur from July 2013 through June 2015. The initial Fiscal Year (FY) of this phase will consist of 31 state staff. Of this amount, 14 will be existing state staff and 17 are proposed limited term positions. Starting in FY 2014-15 the CWS-NS Project will begin transitioning CWS/CMS Maintenance and Operations (M&O) staff to the CWS-NS to assist in project activities. Staff will be redirected to the CWS-NS Project on an as-needed basis and will be placed into positions with relatively equivalent skill sets and knowledge requirements.

The Design, Development, and Implementation (DD&I) – Phase 1 will occur from July 2015 through September 2016. During this phase total project staffing is estimated to consist of 42 state staff. Of this amount, 14 will be existing state staff, 17 will be limited term, and 11 will be redirected from CWS/CMS M&O. The proposed 17-limited term positions will expire June 30, 2015 and would need to be authorized for continuation through subsequent budget proposals for estimated project plans to be realized. The CWS-NS Project expects CWS/CMS M&O to begin to curtail during this transitioning period; thus allowing any redirection to occur without impacting current operations. If the workload does not decrease, CWS/CMS M&O will hire limited term positions, as needed, to maintain system continuity.

The DD&I – Phase 2 will occur from September 2016 through August 2017. During this phase total project staffing is estimated to consist of 56 state staff. Of this amount, 14 will be existing state staff, 17 will be limited term, and 25 will be redirected from CWS/CMS M&O. As with the previous phase, if any redirected positions impact current operations for CWS/CMS M&O other options will be considered.

The M&O Phase will start September 2017. During this phase total project staffing is estimated to consist of 56 state staff to maintain the system. Of this amount, 40 will be OSI staff and the remaining 16 will be CDSS staff. The 56 positions were estimated using similar projects of size, complexity, and scope as examples. This estimate is

subject to change as the project progresses and more is learned about the vendor solution. Any changes in staffing levels or costs will be reflected in a subsequent SPR and budget proposals.

<b>PANEL</b>
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DSS and OSI (where appropriate) are being asked to present briefly on each BCP proposed in the Governor's Budget, with LAO and DOF adding comments where desired.

- Department of Social Services
- Office of Systems Integration
- Legislative Analyst's Office
- Department of Finance
- Public Comment (taken at the end of the panel on all items)

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**Staff Recommendation:**

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Staff recommendation on the BCPs is pending at the time of this writing.

**ISSUE 3: MANDATE REGARDING CHILD ABUSE AND NEGLECT REPORTING ACT**

The following analysis on this subject has been provided by the Legislative Analyst's Office.

**BACKGROUND**

The Child Abuse and Neglect Reporting Act (CANRA) requires individuals in certain professional occupations (who are referred to as “mandated reporters”) to report child abuse and neglect to specified law enforcement agencies or county welfare and probation departments. The CANRA further requires local law enforcement, county welfare, and probation agencies (hereafter referred to collectively as “child protective agencies”) to forward certain reports of child abuse and neglect to the Department of Justice (DOJ) for entry into the state’s central child abuse and neglect reporting system, the Child Abuse Central Index (CACI). Since the 1980 enactment of CANRA, the law has been amended several times to include additional mandated reporters and specify additional reporting and investigative requirements of child protective agencies. As discussed below, the Commission on State Mandates (CSM) has determined that several provisions of CANRA impose a state mandate on local governments.

***State Law Prescribes a Process to Identify Reimbursable Mandates.*** State law establishes the mandate determination process, which has three phases. In the first phase, a local government files a test claim with the CSM alleging that a new state law or regulation creates a reimbursable mandate and the CSM holds hearings to determine whether or not a reimbursable state mandate exists. If the CSM determines that a reimbursable state mandate exists, the process moves into the second phase, in which the CSM—with input from the local government claimant, Department of Finance, and other interested parties—adopts a methodology (“parameters and guidelines”) for local governments to follow in claiming state reimbursement. In the final phase, which occurs at least six months after completion of the second, local governments submit initial claims for reimbursement. These claims, which typically include costs for multiple years, beginning with the fiscal year *preceding* the filing date of the initial test claim, serve as the basis for the statewide cost estimate that the CSM reports to the Legislature. Pursuant to state law, the presentation of the CSM’s statewide cost estimate to the Legislature triggers the Legislature’s constitutional obligation to fund, repeal, or suspend the mandate. If the Legislature decides to fund the mandate, it must appropriate funds in the budget bill to pay the full amount reflected in the statewide cost estimate, which consists of costs incurred by local governments in all prior years. Conversely, if the Legislature repeals or suspends the mandate, the state, while still liable for local government costs in years prior to the repeal or suspension, may defer reimbursement for prior-year local government costs to a later date. Under state law, local governments are not required to comply with mandates that are suspended in that year’s budget act.

**CSM Finds That Several Provisions of CANRA Are State Mandates.** In December 2007, the CSM found that the reenactment of previous child abuse reporting requirements in CANRA, and several subsequent amendments to CANRA (see Figure 1 for full list of chaptered legislation), created a reimbursable state mandate primarily for child protective agencies. The CSM determined that the following activities required by CANRA—collectively known as the Interagency Child Abuse and Neglect Investigation Reports (ICAN) mandate—create a reimbursable state mandate for child protective agencies:

- Distributing the mandated report form to mandated reporters.
- Accepting reports from mandated reporters when the agency lacks jurisdiction, and forwarding the report to the agency with jurisdiction.
- Referring, or “cross-reporting,” to other child protective agencies all reports of known instances of: (1) child abuse and neglect and (2) child deaths that are suspected to be related to child maltreatment.
- Investigating child abuse and neglect reports to determine if they are substantiated, inconclusive, or unfounded, and submitting a report to DOJ for cases that are not unfounded for entry in CACI.
- Notifying suspected child abusers of CACI reports related to them that are made to DOJ and informing mandated reporters of case disposition upon completing a child abuse or neglect investigation.
- Making “relevant information” available to a child custodian, guardian ad litem, appointed dependency court counsel, or licensing agency when a child protective agency is investigating child maltreatment and receives information from CACI.
- Keeping investigation records for reports made in CACI for as long as the child maltreatment record remains in CACI.

Additionally, the CSM found that the following activities required by CANRA create a reimbursable state mandate for child protective and other agencies that use CACI:

- Obtaining the original investigative report used to make the CACI report, and making an independent evaluation of the quality and sufficiency of the report as it relates to the agency’s investigation, prosecution, employment, licensing, or child placement decisions.
- Notifying relative caretakers that they are in CACI if this information becomes available when an agency evaluates the placement of children with relatives.

***Subsequent Legislation Reduced Scope of Mandated Activities.*** Following the 2007 CSM decision, Chapter 468, Statutes of 2011 (AB 717, Ammiano), specified that as of January 1, 2012, local law enforcement agencies no longer are required to report child abuse and neglect cases to CACI. As many of the ICAN mandated activities related to CACI reporting (including investigations and preparation of the CACI report), Chapter 468 significantly limited the scope of the ICAN mandate for local law enforcement agencies. By no longer requiring local law enforcement agencies to report to CACI, Chapter 468 reduced the requirements of this mandate related to notifying individuals when CACI reports are made about them, administering due process hearings for CACI reports, and retaining files for reports occurring after January 1, 2012. Additionally, Chapter 468 limited the number of reports that county welfare agencies are required to make to CACI to only those cases that are substantiated (prior law also required forwarding inconclusive reports).

***Draft Parameters and Guidelines.*** The CSM released draft parameters and guidelines for reimbursement of the ICAN mandate on March 12, 2013 and is scheduled to consider them at its hearing on April 19, 2013. With one exception, the draft parameters and guidelines generally provide for a scope of reimbursable activities that is significantly less broad than some parties assumed based on the commission's 2007 statement of decision. For example, the proposed parameters and guidelines provide reimbursement for only those investigations required to substantiate a report of child maltreatment pursuant to CANRA. Further, the proposed parameters and guidelines do not provide reimbursement for investigative activities carried out by employees of child protective agencies acting in their capacity as mandated reporters. The draft further specifies that pursuant to Chapter 468, after January 1, 2012, law enforcement agencies are not eligible for reimbursement for activities related to child maltreatment investigations, file retention, and notifying individuals reported to CACI. In one respect, however, the parameters and guidelines are broader than parties would have assumed based on the commission's 2007 decision. Specifically, consistent with Chapter 468's amendments to CANRA (effective January 1, 2012), the draft parameters and guidelines allow local governments to claim reimbursements for their costs to provide due process hearings for individuals reported to CACI.

### ***Governor's Proposal***

The Governor's budget proposes to suspend the ICAN mandate in 2013-14. Suspending this mandate would make local compliance with the provisions of the statutes (see Figure 1 below) related to the ICAN mandate optional in 2013-14. As discussed below, because there is no statewide cost estimate for this mandate at this time, the Governor's proposal would not result in any budgetary savings in 2013-14.

### **LAO Analysis**

**Suspension of ICAN Mandate Presents Several Concerns for Child Welfare System.** The child abuse and neglect reporting required under the ICAN mandate represents, in most cases, a critical component of the state's child welfare system in that it affects how child abuse and neglect reports are received, how local governments share information about such reports, and the core functionality of CACI as a tool to identify suspected child abusers. For this reason, we believe that suspension of the ICAN mandate could:

**Weaken System of Child Abuse and Neglect Reporting.** The ICAN mandate requires local governments to share information between agencies, assist mandated reporters in reporting child abuse and neglect, and submit reports to CACI. While local governments could voluntarily continue these activities if the mandate were suspended in 2013-14, it is unknown how many agencies would continue these activities. Cross-reporting child abuse and neglect between local law enforcement and child welfare agencies is a critical component of the state's child welfare system. Suspending the ICAN mandate could reduce the number of child abuse and neglect reports received, and could lead to undetected child abuse and neglect. Additionally, the provisions of the ICAN mandate that relate to assisting mandated reporters in making child maltreatment reports (through providing the mandated reporter form and accepting mandated reports even when a department lacks jurisdiction, and forwarding the report to the responsible agency), makes it easier for mandated reporters to report child abuse and neglect. In absence of this assistance from child protective agencies, it is possible that some reports of child abuse may not be filed.

**Reduce the Effectiveness of CACI.** In suspending the requirement that child protective agencies (except law enforcement agencies, for which the requirement was eliminated in 2012) report substantiated cases of child abuse and neglect to CACI, the effectiveness of CACI as a tool to identify individuals previously suspected of child maltreatment is potentially weakened. It is conceivable that at least some portion of child welfare and probation agencies would no longer report child abuse and neglect to CACI if the mandate were suspended, although the extent to which this would occur is unknown.

**Undermine Due Process Rights of Individuals Reported to CACI.** Suspending the ICAN mandate could also potentially undermine the due process rights of individuals reported to CACI. The ICAN mandate requires that agencies that make reports to CACI retain their investigative files, inform individuals when they are reported to CACI, and hold due process hearings for individuals contesting their CACI status. Suspending the ICAN mandate could reduce the ability of individuals who are inappropriately reported to CACI to dispute their reports and have their names removed from CACI.



**No Near-Term State Savings from Suspending Mandate.** As of March 2013, the ICAN mandate is in the second phase of the mandate determination process: development of parameters and guidelines. At this stage, the Constitution does not require the Legislature to provide funding for a mandate in the annual budget, and in fact, no estimate of this mandate's cost is available. Based on the usual timeline for commission mandate determinations, we expect that the constitutional funding requirement for this mandate will become applicable in the 2014-15 fiscal year. Thus, the Governor's proposal to suspend the ICAN mandate in 2013-14 would not affect the state's 2013-14 budget. Suspending the mandate, however, would reduce the total bill for this mandate that will ultimately be presented to the Legislature (likely not until 2014-15) because local governments would not be eligible for reimbursement for activities carried out in 2013-14.

**Lack of Cost Information Complicates Decision...**Based on a review of prior, somewhat similar state mandates, we think that the annual costs for the ICAN mandate in 2013-14 could be in the range of a few million dollars to the low tens of millions of dollars. However, we caution that any estimate of annual costs for the ICAN mandate is subject to significant uncertainty at this time. The lack of reliable information on the costs of the ICAN mandate will make it very difficult for the Legislature to weigh the benefits of the mandated activities against their costs.

**...Nonetheless, Drawbacks of Suspension Appear to Outweigh Costs.** While costs for the ICAN mandate in 2013-14 are subject to significant uncertainty, the drawbacks of suspending the entire ICAN mandate without carefully considering actions to mitigate the potential adverse effects on the child welfare system are clear. In our view, based on information available and in light of the concerns arising from a suspension as discussed above, the drawbacks of suspension outweigh the reasonably anticipated increase in state costs payable in future years associated with keeping the mandate operative in 2013-14.

### **LAO Recommendations**

**Reject the Governor's Proposal.** Because the drawbacks of suspending the ICAN mandate appear to outweigh the costs of keeping the mandate operative in 2013-14, we recommend the Legislature reject the Governor's proposal to suspend the ICAN mandate in 2013-14. As discussed above, rejecting the Governor's proposal would have no fiscal effect in 2013-14, but would add an unknown amount—associated with local government costs of carrying out the ICAN mandate in 2013-14—to the total reimbursement for prior year costs that the state must provide in the future.

**Establish a Workgroup to Evaluate the ICAN Mandate.** In 2014-15, the Legislature likely will be faced with a decision as to whether to pay this mandate's full statewide cost estimate (the total cost of operating this mandate since 1999-00) or suspend the mandate. For this reason, we recommend that the Legislature establish a workgroup

consisting of representatives from the Department of Finance, Department of Social Services, Department of Justice, county representatives, legislative staff, child welfare advocates, and other individuals with technical expertise in mandates to evaluate the ICAN mandate, develop options to limit its costs, and consider alternative reimbursement methods for funding its activities. We would suggest that the workgroup present recommended alternatives to the Legislature by the summer of 2013. Under this timeframe, the Legislature would have time to evaluate these options and potentially take actions to modify the ICAN mandate and its associated future year costs before the end of this year's legislative session. At a minimum, we suggest the workgroup consider these questions:

- Would it be more appropriate and cost-effective for state agencies, instead of local governments, to carry out some of the mandated activities—such as file retention or administration of due process hearings?
- Could any of the mandated activities be made optional for local governments without causing undue harm to the child welfare system?
- Could the state provide local governments incentives to continue performing currently mandated activities instead of maintaining the statutes that require the activities?
- Could any current state funding streams to counties and cities—such as 2011 realignment funds or Proposition 172 sales tax revenues—be used to help offset the costs of the ICAN mandate?

**Figure 1****List of Statutes Related to ICAN Mandate**

Chapter 958, Statutes 1977 (AB 1058, Lockyer)  
 Chapter 1071, Statutes 1980 (SB 781, Rains)  
 Chapter 435, Statutes 1981 (AB 518, Kapiloff)  
 Chapter 162, Statutes 1982 (AB 2303, Cramer)  
 Chapter 905, Statutes 1982 (SB 1848, Watson)  
 Chapter 1423, Statutes 1984 (SB 1899, Watson)  
 Chapter 1613, Statutes 1984 (AB 2709, Vicencia)  
 Chapter 1598, Statutes 1985 (AB 505, Leonard)  
 Chapter 1289, Statutes 1986 (AB 1981, N. Waters)  
 Chapter 1496, Statutes 1986 (AB 3608, Agnos)  
 Chapter 82, Statutes 1987 (AB 80, Agnos)  
 Chapter 531, Statutes 1987 (AB 1632, Leonard)  
 Chapter 1459, Statutes 1987 (SB 1219, Presley)  
 Chapter 269, Statutes 1988 (AB 3022, N. Waters)  
 Chapter 1497, Statutes 1988 (SB 2457, Russell)  
 Chapter 1580, Statutes 1988 (AB 4585, Polanco)  
 Chapter 153, Statutes 1989 (AB 627, Bentley)  
 Chapter 650, Statutes 1990 (SB 2423, Royce)  
 Chapter 1330, Statutes 1990 (SB 2788, Russell)  
 Chapter 1363, Statutes 1990 (AB 3532, Woodruff)  
 Chapter 1603, Statutes 1990 (SB 2669, Presley)  
 Chapter 163, Statutes 1992 (AB 2641, Speier)  
 Chapter 459, Statutes 1992 (SB 1695, Royce)  
 Chapter 1338, Statutes 1992 (SB 1184, Presley)  
 Chapter 219, Statutes 1993 (AB 1500, Speier)  
 Chapter 510, Statutes 1993 (SB 665, Russell)  
 Chapter 1080, Statutes 1996 (AB 295, Baldwin)  
 Chapter 1081, Statutes 1996 (AB 3354, Brown)  
 Chapter 842, Statutes 1997 (SB 644, Polanco)  
 Chapter 843, Statutes 1997 (AB 753, Escutia)  
 Chapter 844, Statutes 1997 (AB 1605, Goldsmith)  
 Chapter 475, Statutes 1999 (SB 654, Schiff)  
 Chapter 1012, Statutes 1999 (SB 525, Polanco)  
 Chapter 916, Statutes 2000 (AB 1241, Rod Pacheco)  
 Chapter 468, Statutes 2011 (AB 717, Ammiano)<sup>a</sup>

<sup>a</sup> This statute was not originally part of the test claim, although it was considered by Commission on State Mandate staff in the March 12, 2013 draft proposed parameters and guidelines.

ICAN = Interagency Child Abuse and Neglect Investigation Reports.

**PANEL**

- Department of Finance and Administration
- Department of Social Services
- Legislative Analyst's Office
- Public Comment

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**Staff Recommendation:**

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Staff recommends adoption of the LAO recommendations as outlined in the agenda.

## CALFRESH PROGRAM

5180 DEPARTMENT OF SOCIAL SERVICES

0530 OFFICE OF SYSTEMS INTEGRATION, HEALTH AND HUMAN SERVICES AGENCY

### ISSUE 1: CALFRESH BUDGET AND PROGRAM OVERVIEW, UPDATE, AND ISSUES FOR CONSIDERATION

#### BACKGROUND

CalFresh is California's name for the national Supplemental Nutrition Assistance Program (SNAP, formerly known as "food stamps"). As the largest food assistance program in the nation, SNAP aims to prevent hunger and to improve nutrition and health by helping low-income households buy the food they need for a nutritionally adequate diet. Californians are expected to receive a total of \$7.8 billion (all federal funds) in CalFresh benefits in 2012-13, rising to \$8.8 billion in 2013-14. According to the U.S. Department of Agriculture's Economic Research Service, every \$5 in new SNAP/CalFresh benefits generates as much as \$9 of economic activity (gross domestic product), which represents a multiplier effect of 1.79.

The Governor's 2013-14 budget includes \$1.6 billion (\$635.5 million GF) for CalFresh administration costs, which are shared 50/50 federal/non-federal funds (with non-federal funds shared 35/15 by the state/counties). This includes \$62.8 million (\$23 million GF) that was vetoed in 2012-13, but has been built back in for 2013-14.

Since 1997, the state has also funded the California Food Assistance Program (CFAP), a corresponding program for legal immigrants who are not eligible for federal nutrition assistance. The proposed CFAP budget includes \$65.6 million GF for food benefits, with an expected average monthly caseload of around 19,000 households (with about 47,000 recipients).

**Background on CalFresh Eligibility and Benefits.** Most CalFresh recipients must have gross incomes at or below 130 percent of the federal poverty level (which translates to approximately \$2,008 per month for a family of three) and net incomes of no more than 100 percent of the federal poverty level (\$1,545 per month for a family of three) after specified adjustments. CalFresh benefits are provided on electronic benefit transfer cards and participants may use them to purchase food at most grocery stores and at convenience stores or farmers' markets that accept them. The average monthly benefit per household is around \$339 (\$151 per person).

Approximately 1.6 million households (with an average of 2.4 persons per household) receive CalFresh benefits. This is estimated to represent only around half the eligible population. More than half of recipients are children.

**Caseload Trends.** The CalFresh caseload grew every year from 1988-89 through 1994-95 and then declined each year until 1999-2000. The caseload has risen each year since that time, including recent growth of around 30 percent in 2009-10, 20 percent in 2010-11, and 17 percent in 2011-12. Growth and caseload figures represent the “non-assistance” CalFresh caseload. Another 320,000 households are estimated to receive CalFresh benefits along with CalWORKs in 2012-13. The Governor’s budget assumes the following annual caseloads in recent years and up through 2013-14:

<b>State Fiscal Year</b>	<b># of Households</b>
2007-08	625,511
2008-09	776,079
2009-10	1,009,292
2010-11	1,207,837
2011-12	1,411,806
2012-13*	1,603,911
2013-14*	1,829,310

\*Estimated

**Performance Measures.** The federal government assesses states’ performances in the administration of SNAP programs via measures that include participation rates and administrative error rates. Participation rates rely on samples to estimate how many people who are eligible for SNAP or CalFresh benefits are receiving those benefits. They are measured for the population as a whole and specifically for the working poor. Nationally, 75 percent of eligible people received SNAP benefits in federal fiscal year 2010 (the last year for which data is available). In the western region of the country, the overall participation rate was lower at 66 percent. The participation rate for the working poor population was 65 percent nationally. California’s overall participation rate was the lowest in the nation at an estimated 55 percent.

DSS has noted that the federal government does not count the state’s “cash-out” policy for SSI/SSP recipients (whereby those individuals receive a small food assistance benefit through SSP and are not eligible for additional CalFresh benefits) in its participation rate. DSS estimates that the state’s participation rate could be a few percentage points higher if many those individuals who would otherwise be eligible for CalFresh were counted as participating. The state would still have the lowest participation rate in the nation.

California’s participation rate for the working poor population was also the lowest in the nation at an estimated 42 percent. While California’s caseload has doubled in recent years, this does not necessarily alter the state’s participation rate in a significant way because the number of eligible households and individuals has also risen so steeply. With that said, from 2009 to 2010, California’s rate did increase marginally (up two percent for all people and six percent for the working poor).

Reasons sometimes offered for California’s poor performance with respect to CalFresh participation have included, among others, a lack of knowledge regarding eligibility

among individuals who are eligible, frustration with application processes, concerns about stigma associated with receiving assistance, and misconceptions in immigrant communities about the impacts of accessing benefits.

Accuracy or error rates are measured through state and federal review of a sample of cases to determine how frequently benefits were over- or under-issued. States are subject to federal sanctions when their error rates exceed six percent for two consecutive years. As of September 2011, California's error rate was 4.1 percent. California was sanctioned \$11.8 million, \$114.3 million, and \$60.8 million in 2000, 2001, and 2002, respectively.

**Efforts to Improve Participation.** DSS indicates that California continues to make significant program changes to increase access to the CalFresh program. Several of these changes were included in recently enacted legislation or administrative decisions to streamline application and other administrative policies. In addition to other recent forums for county/state dialogue about CalFresh efficiency and increased participation, and partly in response to a request from this Subcommittee last year, the Director of DSS has also asked each county to undertake a goal-setting process with respect to increased participation.

<b>COUNTY MATCH WAIVER FOR CALFRESH ADMINISTRATION</b>
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The Governor's budget proposes to extend for one year, in 2013-14, authorization for counties to access CalFresh administration funding without requiring a county match above and beyond an existing Maintenance of Effort (MOE) requirement. Based on preliminary claims for 2011-12, however, the department indicates that 27 counties have utilized the waiver flexibility, accessing approximately \$26.5 million from their General Fund allocation beyond the MOE. The maximum overall loss of CalFresh administration funding, if all counties were to access the entire match-waiver would be \$220.2 million (half federal and half county funds).

As a result of dramatic caseload increases and difficult fiscal situations for counties, the state has temporarily allowed counties to access the General Fund portion of their CalFresh Allocation without having to match the 15 percent county share-of-costs beyond the MOE. The waiver was enacted in 2010-11 trailer bill for two years, and then extended last year for one more. The Administration indicates that it is proposing an additional one-year extension, in part to assist with the impacts to counties of the 2012-13 veto of \$62.8 million (\$23 million GF) in CalFresh administration base funding. As discussed previously, the CalFresh caseload is projected to continue to increase at significant rates in 2012-13 and 2013-14. To the degree that the 2012-13 veto negatively impacted counties' resources for handling the increased caseloads, the Administration believes that additional waiver flexibility is necessary.

**BCP ON CALFRESH OUTREACH**

The Governor's Budget additionally proposes a BCP on CalFresh Outreach, to transfer program management to DSS from the California Department of Public Health (DPH) effective January 1, 2013. This would involve transferring 3.8 existing positions from DPH and establishing two positions at DSS for a total of 5.8 positions. All 5.8 positions have been approved by the United States Department of Agriculture's Food and Nutrition Service (USDA-FNS) and are 100 percent fully federally funded. The increase of two positions is to account for growth in the CalFresh Outreach Plan budget and activities as well as proper oversight of staff administering the program. DSS will retain federal funding that is currently provided to DPH via an Inter-Agency Agreement (IAA) for positions and administrative costs associated with the CalFresh Outreach Plan and the administration of the program. These positions and associated costs will not include any State General Fund, but will be funded by the federal reimbursement for approved CalFresh Outreach expenditures claimed by Outreach contractors. DSS states that the proposed new staffing structure will better align federal outreach funding with DSS CalFresh priorities.

**REQUEST FROM ADVOCATES**

The California Association of Food Banks will testify under the Public Comment portion of this item to request that the Subcommittee and Legislature consider possible additional funding for the State Emergency Food Assistance Program (SEFAP). The advocates state that in addition to providing food to struggling families who need it most, funding the SEFAP would help stimulate local economies and California agriculture. Due to changes adopted recently in statute, funds appropriated to SEFAP are required to be spent on purchasing and distributing food grown or produced in California, to the benefit of agricultural and food sectors in the state.

**PANEL**

- Will Lightbourne, Director, and Todd Bland, Deputy Director, Welfare-to-Work Division, California Department of Social Services
  - History and Impact of Program and Budget Changes and Presentation on Current Issues in CalFresh
  - Please briefly summarize the proposals in the Governor's Budget related to CalFresh and the rationale for each.
- Frank Mecca, Executive Director, County Welfare Directors Association of California
  - Discussion of Priority Issues
- Jessica Bartholow, Legislative Advocate, Western Center on Law and Poverty
  - Discussion of Priority Issues



- Michael Flood, President and CEO, Los Angeles Regional Food Bank
  - Discussion of Priority Issues
- Kerry Birnbach, Nutrition Policy Advocate, California Food Policy Advocates
  - Discussion of Priority Issues
- Legislative Analyst's Office
- Department of Finance
- Public Comment

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**Staff Recommendation:**

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Staff recommends the following:

1. Approval of the trailer bill proposal for extension of the county match waiver for one additional year, with the understanding that the counties and the state will work together as the Governor's 2014-15 budget is developed to consider a phased-in reinstatement of the county match.
2. Approval of the BCP regarding the transfer program management to DSS from DPH.

**ISSUE 2: ELECTRONIC BENEFITS TRANSFER (EBT) AUTOMATION UPDATE**

The following update has been provided by the Office of Systems Integration on the EBT system. The Subcommittee remains interested in performance issues that may disrupt services for families attempting to utilize their EBT cards to pay for groceries and has asked for an update from the administration on any system issues and remedial measures to assure that system and vendor failures are kept to a minimum.

**BACKGROUND**

**Purpose & Objectives:** To automate the issuance, redemption, settlement, and reconciliation of food and cash aid benefits in California.

**Project Goals:** To oversee the California EBT system and associated contracted services, to provide EBT-related assistance to the 58 counties and the three welfare eligibility consortia systems, and to ensure EBT cardholders can redeem benefits 24 hours a day, seven days a week, 365 days a year.

**EBT Contract Services**

Prime Contractor	Term of Contract	Extensions
Xerox	March 28, 2008 – March 27, 2015 (7 Core Years) Contract Amount: \$137,086,160.	Contract includes extension for up to three additional years.

**Relevant Statistics:** From state fiscal year 2007/08 to current year, the EBT caseload has grown each year. The total average food and cash caseload for calendar year 2012 was over 1.9 million cases.

## Benefits Issued (2012)

- CalFresh – \$7.24 billion (approx.)
- Cash - \$3.49 billion (approx.)

## Cardholders (as of December 2012)

- Active CalFresh only cases – 1,896,527
- Active Cash only cases – 69,788
- Active combined CalFresh and Cash cases – 609,756

**Benefit Transactions (2012)**

- In excess of 330 million

**Client Website and Automated Response Unit Call Center Inquiries (2012)**

- In excess of 85 million Inquiries

**System Performance – Background**

The operation of the California's EBT System fully transitioned to a new prime contractor in September, 2009, this is when the system became operational. The California EBT system has billions of records, numerous complex interfaces involving many stakeholders and operates across the commercial financial transaction processing and telecommunications network infrastructures across the nation. With such a large and complex automated system some system disruptions can and did occur in the last quarter of 2012. This is after a full year of excellent performance as measured by stringent Service Level Agreements with the prime contractor. The two occurrences where EBT cardholders were impacted by system degradations (versus a full outage) caused benefits to be erroneously debited for a limited number of cardholders' accounts.

Both Incidents were the result of hardware and network issues respectively, which then resulted in a system slowdown that caused erroneous debit conditions. The first occurred in October and the second in November, 2012. In both instances, most cardholder's accounts (approx. 6,000) were restored within a 24 hour period. This is the result of improvements made by the prime contractor in its strengthened relationship with Independent Processor partners in identifying, reporting and reconciling the cardholder accounts. Cardholders were notified of restoration of their benefits using a "Robo-call" function developed to better communicate with cardholders. In addition, cardholders were provided information via the California EBT Client Website, Automated Call Center or Customer Service Representatives. Performance during the highest volume period of the year, Thanksgiving through the New Year period was error free.

**Corrective Action Plan**

In both instances, Xerox was required to submit formal incident reports and provide a Corrective Action Plan addressing the issues. In addition, the Xerox Management group met (per the States request) with members of the CDSS and OSI Executive team in California to explain plans to ultimately resolve the infrequent but serious Erroneous Debit issue.

Two significant improvements have been or are shortly due to be implemented. They are specific to interfaces related to the Independent Processor transaction messaging with Xerox.

- Improve Transaction Reversal Logic – enhance the flow and format of denial reversals to allow for accurate matching and timely reversals to cardholders accounts.
- Automated Reconciliation Process - daily auto reverse “credit/debit” adjustment process

The result of these changes minimizes the possibility of cardholders experiencing an Erroneous Debit condition (deduction of benefits without receiving goods) when system slow-downs occur. Although the percentage of affected cardholders was low, the impact on those individuals and families was significant and every means possible to correct the issue was implemented and the corrective measures continue to be monitored. The state continues to work with Xerox to improve the California EBT system and remains diligent in the oversight of EBT system performance. This ensures EBT benefits are delivered accurately, timely and available to clients 24 hours a day, 7 days a week, and 365 days a year.

<b>PANEL</b>
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- Department of Social Services
- Office of Systems Integration
- Legislative Analyst’s Office
- Department of Finance
- Public Comment

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**Staff Recommendation:**

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This is an oversight issue for the Subcommittee and does not require action.