AGENDA
PART I

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER HOLLY MITCHELL, CHAIR

MONDAY, MAY 20, 2013
9:00 A.M. - STATE CAPITOL ROOM 4202

ITEMS TO BE HEARD

ITEMS TO BE HEARD

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: CALWORKS

EARLY ENGAGEMENT

The Subcommittee heard a preface to this discussion item at its May 8, 2013 hearing. A May Revision proposal related to Early Engagement and system change in the CalWORKs program to fulfill the statutory changes made in the program as part of the 2012 Budget has been anticipated by the Legislature. Please see the May 8 and March 13, 2013 Subcommittee agendas for additional information and background on recent program changes and the requirement for Early Engagement changes to support and promote program effectiveness for CalWORKs families.

In the May Revision, the Governor proposes and funds changes to CalWORKs related to three concepts discussed by the early engagement workgroup: (1) creating a more comprehensive and robust appraisal process, (2) providing additional case management for families experiencing crisis situations, and (3) enhancing and expanding subsidized employment.

Robust Appraisal. The Governor proposes to make the up-front appraisal more comprehensive by introducing a new appraisal tool. This tool would be customized by the state to include components designed to more effectively identify barriers to employment. This in turn would allow case workers to connect participants with the existing barrier removal services and welfare-to-work activities that best align with their needs. The administration has indicated that it currently plans acquire the Online Work Readiness Assessment (OWRA) tool, which was developed by the federal government and is available to states free of charge. The OWRA tool is a web-based application that can be used for a variety of functions relevant to the proposal, including gathering recipient background information, identifying barriers to employment, and constructing appropriate plans based on this information. Additionally, OWRA is designed to track and report data on recipients' barriers and how these barriers are addressed. The tool is customizable and is intended to be modified to include whatever screening tools and processes a state wishes to use, as well as integrate with existing systems if needed. Under the Governor's proposal, DSS would acquire the tool in July and begin modifying it to fit state needs. Once modified, county workers would be trained on the use of the tool. Customization and training would be completed by January 1, 2014, at which point the tool would be rolled out in all 58 counties. The May Revision includes one-time automation costs of $600,000 (General Fund) and one-time training costs of $2.2 million (General Fund). Once the tool is rolled out, the May Revision assumes that counties will spend one hour with new participants using the tool, at a cost of $6.6 million in 2013-14. Funding for added caseworker time would be provided through the county employment services portion of the CalWORKs single allocation. The total cost in 2013-14 for the robust appraisal portion of the proposal would be $9.4 million.

Family Stabilization. To further adapt the up-front welfare-to-work experience to the needs of participants, the Governor proposes a new approach for assisting families that are experiencing acute crisis situations (such as homelessness or severe and immediate substance abuse, mental health challenges, or domestic violence). This approach would involve creating "stabilization plans" that would focus directly on stabilizing family needs by providing services that are already available under state law and that would be accompanied by more intensive case management. The May Revision assumes that initially the number of participants requiring a stabilization plan will roughly equal the number of cases estimated to use substance abuse, mental health, and domestic violence services, but that this number will increase somewhat over time as the new appraisal tool becomes more fully and effectively utilized. The May Revision would provide counties with an additional $10.8 million in the employment services component of the single allocation in 2013-14 to allow for additional caseworker contact and follow-up with these participants.

Enhanced Subsidized Employment. The Governor proposes to substantially increase the role of subsidized employment by building on the state's experience with federal ARRA funding. The proposal would establish a fixed number of subsidized employment positions that would be fully funded by the state, representing significantly greater state support than is currently available under AB 98. The amount of funding assumed per position was derived from past experience under ARRA funding, and includes participant wages, payroll taxes, employer non-wage costs, and additional county funding to manage relationships with employers and to support participants. The May Revision assumes that initially 250 enhanced subsidized employment positions would be available beginning in November 2013, eventually increasing to 8,250 positions in June 2014. After accounting for state savings resulting from a decrease in participants' grants (due to increased earned income), the proposal would result in General Fund costs in 2013-14 of $28.1 million.

The administration has also submitted trailer bill language to implement enhanced subsidized employment. This language anticipates that the enhanced subsidized employment positions would be distributed among counties through a process developed collaboratively with the County Welfare Directors Association. The proposal would also change state law to require that counties accepting additional funding for enhanced subsidized employment would be required to maintain their current level of expenditure on AB 98 subsidized employment. This is intended to ensure that the enhanced positions do not displace existing AB 98 positions.

The following fiscal breakout for the proposal has been provided by the Legislative Analyst's Office (LAO).

Figure 1

Budget Impact of CalWORKs Early Engagement Proposal

General Fund (In Millions)

	May Revise Proposed		
	2013-14	2014-15	Increase
Robust Appraisal			
One-time automation	$0.6	—	-$0.6
One-time training	2.2	—	-2.2
Caseworker time	6.6	$13.3	6.6
Subtotals	($9.4)	($13.3)	($3.8)
Family Stabilization and Barrier Removal			
Caseworker time	$10.8	$25.0	$14.2
Enhanced Subsidized Employment			
Cost to fund subsidized positions	$39.3	$134.1[a]	$94.9
Offsetting grant savings	-11.2	-38.4	-27.1
Subtotals	($28.1)	($95.8)	($67.7)
Totals	**$48.3**	**$134.0**	**$85.7**

[a] Assumes 8,250 average monthly subsidized positions.

REALIGNMENT RELATED TO ACA

The following information has been provided by the administration on this proposal. No trailer bill language has been proposed at the time of this writing to provide additional details on this.

"The May Revision proposes a state-based approach to the optional expansion of Medicaid to medically indigent adults authorized under the Affordable Care Act (ACA). Counties receive about $1.5 billion annually in 1991 realignment funds for health care, primarily for services for indigent adults—many of the same individuals who will receive Medi-Cal (California's Medicaid program) services under the ACA. The Administration proposes that over time, as the state assumes more responsibility for health care, counties take on more financial responsibility for certain human services programs—

consistent with the goal of strengthening local flexibility, clearly delineating the respective responsibilities of the state and counties, and allocating risk fairly. Counties would retain responsibility for providing and funding public health programs—such as immunizations and communicable disease control activities.

The Administration estimates that $300 million in 2013-14, $900 million in 2014-15, $1.3 billion in 2015-16 and in 2016-17 in 1991 realignment funding will shift from local health programs to local human services programs, including primarily CalWORKs and CalWORKs-related child care programs, and, if necessary, CalFresh administration costs. The actual amount shifted will be based on each county's experience with implementing the optional expansion.

The state currently spends $2.3 billion on CalWORKs and CalWORKs-related child care programs. In addition to assuming higher costs and risk through the Medi-Cal expansion, the state will take on an expanded financial role in In-Home Supportive Services (IHSS) and California Children's Services (CCS)—counties currently spend approximately $1 billion in 1991 realignment funds on these two programs.

Guiding Principles for Delineating State and County Responsibilities for Health and Human Services Programs:

- Better align financial responsibility for programs, so that both the state and the counties have incentives to deliver services effectively and efficiently while controlling costs.

- The state and counties are partners in the financing and administration of human services programs. Program rules will remain at the state level, while counties will retain responsibility for operating and implementing programs to meet local needs and priorities.

- Realignment revenues should be allocated in a manner that stabilizes funding for county programs and provides an opportunity for supporting program growth.

- In the event of an extended severe economic downturn, the state will assume increased responsibility for additional CalWORKs caseload costs.

Expand State Responsibility for Health Care. By creating a Statewide Authority to assume collective bargaining functions and a county maintenance of effort funding requirement, the Coordinated Care Initiative (CCI) began the process of increasing the state's responsibility for IHSS. The Administration proposes to complete the shift in financial responsibility for IHSS to the state over time, consistent with the shift of collective bargaining functions to the state under the CCI. The operational functions of the IHSS program would remain with the counties, including eligibility determination, assessment of hours, and program administration.

Consistent with the expanded state responsibility for health care and long-term care services and supports, the Administration proposes to transition responsibility for California Children's Services to the state. Consideration will be given to the appropriate role of counties in the Medical Therapy Program.

Expand Local Responsibility for Human Services. The Administration proposes that counties assume greater financial responsibility for CalWORKs and CalWORKs-related child care programs. In the budget year, counties would assume a portion of CalWORKs and related child care costs in the form of a required maintenance of effort. Over time, counties would have flexibility to reinvest savings and revenue growth in self-sufficiency services. Eligibility, grant levels, and rates would continue to be set by the state. In the budget year, the counties would reimburse the Department of Education (CDE) for costs associated with the CalWORKs child care programs administered by that department. In 2014-15, the state will begin to transition Stage 2 and 3 contracts with Alternative Payment Programs—which administer CalWORKs child care programs—from the CDE to the counties.

Account Structure. An account will be established within 1991 realignment for CalWORKs. CalWORKs child care funds will be accounted for separately in a subaccount of the new CalWORKs account.

Growth Funding. Consideration could be given to developing a statewide approach for allocating a portion of growth funds to support increases in the Earned Income Disregard and increases in the income eligibility exit point for cash aid, and a portion for reinvestment in such services as family stabilization, subsidized employment, and expanded child care.

County Flexibility. Counties could be provided flexibility to redirect savings resulting from caseload decline as well as revenue growth to the Single Allocation for program support or on an annual one-time basis to the CalWORKs Child Care subaccount. However, counties may not spend less on child care than in the base year or reduce the number of slots from the base year. Child care funds must be spent on child care services for current or former CalWORKs recipients who meet the income, age, and other eligibility requirements established by the state.

State Responsibility During Economic Downturn. Counties would be protected from significant changes in caseload or revenues, which have been caused by economic factors beyond county control. This concept could be operationalized by developing a formula that ties significant increases in unemployment to caseload growth above base-year levels.

State Responsibility for Policy Changes. In the event state policy changes, outside county control, increase the cost of operating a program component, the state would provide funding to meet those costs.

Grant Adjustments. The state will retain responsibility for determining grant levels."

TANF TRANSFER CHANGE

The May Revision requests a decrease of $18,696,000 General Fund, to reflect a projected decrease in the amount of eligible Temporary Assistance for Needy Families (TANF) block grant expenditures within the Cal Grant program. A corresponding increase of $18,696,000 General Fund is requested in the California Student Aid Commission budget.

CHANGES TO NON-MOE PROGRAMS

This May Revision premise change shifts funds for CalWORKs cases with an unaided but work-eligible adult (including Safety Net (SN) cases and cases in which the parent is a drug of fleeing felon) from GF counted toward the TANF MOE requirement to non-MOE GF. These CalWORKs cases will be removed from the TANF Work Participation Rate (WPR) calculation.

PANEL

- Department of Social Services – Please present on each of the major May Revision proposals in CalWORKs as outlined in the agenda.
- Legislative Analyst's Office
- Department of Finance
- Public Comment – on all subjects within this Issue.

Staff Recommendation:

Staff recommends holding these issues open.

ISSUE 2: CALFRESH

SEMI-ANNUAL REPORTING TBL

The May Revision proposed trailer bill language that would affect implementation of AB 6 (Fuentes, Chapter 501, Statutes of 2011). The administration states that this proposal would align CalWORKs and CalFresh reporting rules, as required in AB 6, and allow SAR to be implemented in a manner that is consistent with federal simplified reporting rules. Further, this proposal will ensure homeless recipients of CalFresh are not disadvantaged with the application of the SUA, rather than the homeless shelter deduction, in the determination of their benefits. Finally, this proposal would avoid disproportionate mailing and administrative costs without creating a significant negative impact to LIHEAP recipients.

Background. AB 6 replaces the current quarterly reporting (QR) system with a SAR system in both CalWORKs and CalFresh. Counties are required to implement SAR no later than October 1, 2013.

AB 6 mandates a maximum amount of compatibility between CalWORKs and CalFresh so as to reduce administrative inefficiencies and to create ease-of-use for clients. CalFresh requested waivers from Federal Nutrition Services (FNS) to implement SAR as prescribed in AB 6, but several of these waivers were denied. Therefore, in order to more closely align with federal requirements for periodic recipient reporting, annual recertifications, and prospective budgeting, the following changes to statute are needed:

CalWORKs currently asks clients to anticipate an exact amount of income for each month of the budget period and average these amounts when they differ. FNS has indicated that CalWORKs' current policy is not in line with the intent of federal prospective budgeting or income averaging rules under SAR, which mandate that current income and any reasonably anticipated changes must be used to prospectively determine benefit amounts for the upcoming period.

It was assumed, upon implementation of SAR, that the number of eligibility reports required in a 12-month period would decrease from four to two. However, FNS regulations only allow for one periodic report in a 12-month period, in addition to the annual recertification. The requirement that a second periodic report be submitted in addition to the annual recertification is not consistent with FNS' rules and would also result in duplicative reporting requirements.

In addition, a component of AB 6 resulted in the potential for a negative effect on recipients. AB 6 requires households that receive or expect to receive the Low-Income Home Energy Assistance Program (LIHEAP) benefit, to have the Standard Utility Allowance (SUA) used in the computation of their CalFresh benefit. However, FNS rules prohibit recipients from being eligible for both the SUA deduction and the homeless deduction. Applying the SUA, as required by AB 6, instead of the homeless shelter deduction, will result in a number of homeless recipients realizing less CalFresh benefits.

Further, for many CalFresh cases, the ten cent LIHEAP benefit will be the only cash benefit issued on their EBT card. Current EBT regulations require that when an EBT cash account becomes inactive (no debit transaction for 135 days) a notice must be sent to the recipient informing them that their cash benefits will become dormant (inaccessible) after 180 days of inactivity. Due to the small amount of the LIHEAP benefit, it is anticipated that a large portion of LIHEAP recipients will not access the ten-cent benefit prior to the account becoming inactive, but the county welfare department will still be required to mail a notice to the recipient.

Because of the small amount of money involved versus the high cost of processing and mailing the notice, CDSS is proposing to modify the notice requirement for LIHEAP. The proposed change would require the LIHEAP notice to be triggered when the EBT cash account is in an inactive status and the balance is one dollar ($1.00) or more.

Changes Sought in TBL. The administration seeks to achieve the following in their proposed Trailer Bill Language (TBL):

- Align CalWORKs with FNS policy on income averaging and prospective budgeting, ensuring that households receive the proper amount of aid relative to their current income.

- Clarify that CalWORKs and CalFresh recipients must submit only one SAR form, in addition to the annual redetermination or recertification form, as mandated by federal simplified reporting rules, thus removing a reporting redundancy.

- Under this proposal, all households would still receive the LIHEAP benefit as required by AB 6; however, it would allow a determination to be made regarding homeless households as to the potential disadvantage of applying the standard utility allowance to their CalFresh benefit calculation as part of the “Heat and Eat” program.

- With respect to the issuing of notices for those CalFresh-only cases approaching inactive status, and that receive LIHEAP in calendar year 2013, this proposal will save approximately $745,000 (State General Fund). This represents sending notices to more than 1.5 million households statewide.

- Correct technical errors, provide clarity, and ensure wording and intent is consistent with federal standards.

SCHOOL LUNCH DELAY

This premise allows school districts or county offices of education to partner with local county CalFresh offices to identify households that qualify for free or reduced-price school meals and may also qualify for CalFresh benefits. With applicants' authorization, information in School Lunch Program applications will be shared with local CalFresh county offices to use in determining eligibility.

Implementation was delayed to July 2013 from November 2012. The increase in 2013-14 is primarily due to an updated assumption in the May Revision that a greater share of eligible households will participate in the program. There will be 18,856 new cases coming onto CalFresh in July 2013 as a result of the School Lunch Program.

TRANSITIONAL CALFRESH FOR EMANCIPATED FOSTER YOUTH

The 2013-14 Governor's Budget assumed the Transitional CalFresh for Foster Youth (AB 719) demonstration project would implement in January 2013. Implementation is contingent on federal approval and DSS' demonstration of cost neutrality for this premise. Funding will be removed from this premise until DSS is able to resolve the cost neutrality issue and obtain approval from Food and Nutrition Services. It is estimated that 100 new cases that will not receive services through the foster care system under AB 12 would come on to CalFresh per month if this premise were implemented. If AB 719 were implemented, these cases would be a savings to AB 12.

PANEL

- Department of Social Services – Please present on each of the major May Revision proposals in CalFresh as outlined in the agenda.
- Legislative Analyst's Office
- Department of Finance
- Public Comment – on all subjects within this Issue.

Staff Recommendation:

Staff recommends the following holding these issues open.

ISSUE 3: IN-HOME SUPPORTIVE SERVICES

CCI – STATEWIDE AUTHORITY

The May Revision requests an increase of $518,000 ($259,000 General Fund and $259,000 reimbursements) to support the creation and implementation of the Statewide Authority, the entity required to assume In-Home Supportive Services (IHSS) provider collective bargaining responsibilities from counties that transition IHSS benefits to managed care plans under the Coordinated Care Initiative (CCI) demonstration project.

This request includes four positions to implement and support the CCI's Statewide Authority and Statewide Advisory Committee, two permanent and two limited-term. DSS states that these positions will perform the following duties (partial list):

- Work with the Statewide Authority and the California Department of Human Resources (CalHR) on developing policy for rate setting and wages for employees through the CCI counties.
- With the Statewide Authority and CalHR to develop a process for implementing negotiated wage and benefits in the CMIPS II system.
- Work with the Statewide Authority to develop, implement, and operate under Inter-Agency Agreements to draw down federal funding for activities performed on behalf of providers and recipient in the program.
- Create and operate under a process for maintaining communications with counties, labor unions, and IHSS program stakeholders.
- Review and prepare responses to proposed Memorandum of Understanding (MOU) with representative employee organizations.
- Maintain schedule of MOU expirations and develop calendars for Statewide Authority actions.

HEALTH CARE CERTIFICATION REQUIREMENT

The May Revision proposes an increase of $224,282,000 ($95,601,000 General Fund and $128,681,000 reimbursement) to reflect decreased savings from the IHSS health care certification requirement. Updated caseload data indicates more applicants are securing certification than previously assumed.

The LAO has provided the following information on the IHSS caseload and the interrelationship with this issue:

"The estimated monthly caseload for 2013-14 grew from 418,890 in the Governor's January budget proposal to 448,225 in the May Revision, an increase of 7 percent. This upward adjustment is explained in part by the requirement for new and current IHSS recipients to submit the required health care certificate (HCC) from a licensed health professional to verify their need for IHSS to avoid out-of-home care. The IHSS recipients who do not submit the HCC within the requisite 45 days are deemed ineligible for the program. This HCC requirement implemented on August 1, 2011 for new IHSS recipients and September 1, 2011 for current IHSS recipients. As such, the Governor's 2013-14 budget assumed in January—based on approximately 14 months of actual HCC data—that a higher number of IHSS recipients would fail to submit the required HCC in 2013-14. However, the Governor's May Revision of the 2013-14 budget is based on approximately 18 months of actual HCC data, indicating that the number of IHSS recipients ineligible for the program as a result of not submitting the HCC is less than anticipated in January. (Over the last 18 months, approximately 21,000 new and current IHSS recipients were ineligible for the program because they did not submit the required HCC.) The Governor's revised estimated monthly caseload for 2013-14 reflects modest growth of 1.2 percent over the estimated monthly caseload for 2012-13, which appears reasonable to us at this time."

SETTLEMENT AGREEMENT-RELATED CHANGES

8-Percent Across-the-Board Reduction to IHSS Hours. The May Revision proposes a decrease of $444,342,000 ($176,382,000 General Fund and $267,960,000 reimbursements) to reflect implementation of an 8-percent across-the-board reduction to IHSS recipient hours, pursuant to the settlement agreement on the Oster and Dominguez lawsuits. The 8-percent reduction will begin July 1, 2013, followed by a 1-percent restoration after 12 months.

20-Percent Across-the-Board Reduction. Relatedly, the May Revision also proposes an increase of $461,546,000 ($180,257,000 General Fund and $281,289,000 reimbursements) is requested to remove savings associated with the 20-percent trigger reduction pursuant to the Oster and Dominguez settlement agreement. The 20-percent reduction is instead replaced with the aforementioned 8-percent reduction.

CMIPS II CHANGES

The May Revision proposes a decrease of $23,894,000 ($12,101,000 General Fund and $11,793,000 reimbursements) to reflect the revised project schedule for the Case Management, Information Payrolling System II (CMIPS II). The decrease primarily reflects the project moving from the design, development, and implementation phase to the maintenance and operations phase.

There are related savings reflected in the California Health and Human Services—Office of Systems Integration budget, discussed earlier in this agenda.

COMMUNITY FIRST CHOICE OPTION

The May Revision proposes a net decrease of $15.7 million (a decrease of $43,193,000 General Fund offset by an increase of $27,493,000 reimbursements) to reflect increased General Fund savings from the Community First Choice Option program. The increased savings is primarily attributable to a revised methodology based on average monthly hours of higher need recipients.

PANEL

- Department of Social Services – Please present on each of the major May Revision proposals in the In-Home Supportive Services program as outlined in the agenda.

- Legislative Analyst's Office

- Department of Finance

- Public Comment – on all subjects within this Issue.

Staff Recommendation:

Staff recommends approval of the following IHSS May Revision proposals:

- Health Care Certification Requirement;
- Settlement Agreement-Related Changes;
- Case Management, Information, and Payrolling System II (CMIPS II) Changes; and
- Community First Choice Option.

Staff recommends holding open the proposal with regard to positions for the Coordinated Care Initiative-Statewide Authority.

ISSUE 4: CHILD WELFARE SERVICES

GROUP HOME MORATORIUM

The May Revision requests trailer bill language to extend the moratorium on group home applications for rate changes for rate classification levels 1 through 9 for one additional year. The moratorium was originally authorized by Chapter 47, Statutes of 2012 (SB 1041), and has been effective in increasing the types of group home programs that meet the high level needs of many foster youth. The current moratorium will sunset on June 30, 2013.

RESOURCE FAMILY APPROVAL PROJECT

The May Revision requests a decrease of $207,000 ($101,000 General Fund, $36,000 Federal Trust Fund, and $70,000 reimbursements) and 2 positions to withdraw the Governor's Budget request for Resource Family Approval Project resources. The proposal assumed a portion of the costs would be funded with 2011 Local Revenue Funds. However, it was subsequently determined that those funds would not be made available to support project efforts. The project would have implemented the consolidation of three separate approval processes into a single comprehensive approval process for foster parents, adoptive parents, and relative caregivers. Related trailer bill language is also proposed to suspend the project.

The LAO has released an analysis on this subject and their recommendation is included below:

"**Reject Proposal to Delay Project; Administration to Provide Revised Funding Plan to Implement Project in 2013-14.** Given that the authorizing legislation for the Resource Family Approval Project was adopted in 2007, this project has already been delayed for several years. The administration's plan to further delay the project conflicts with the Legislature's intent—expressed in 2012 legislation—that DSS continue to develop a streamlined foster care/adoptive family approval process. Accordingly, we recommend that the Legislature reject the Governor's trailer bill language to further delay implementation of the Resource Family Approval Project and direct the administration to provide, at upcoming budget hearings, a revised funding plan to implement the project in 2013-14. The administration should consider opportunities to replace the $70,000 budgeted in January from county reimbursements either by redirecting existing resources or proposing alternative funding sources."

KIN-GAP CASELOAD ADJUSTMENT

The May Revision requests an increase of $13,660,000 General Fund to reflect fewer cases transferring from the state-only Kinship Guardianship Assistance Payment

(Kin-GAP) program to the Federal Kinship Guardianship Assistance Payment program. The Governor's Budget included an estimated 45.5 percent (of total Kin-GAP caseload) would remain in state-only Kin-GAP. However, it is now estimated that 60.5 percent will remain in state-only Kin-GAP.

FOSTER FAMILY HOME AND SMALL FAMILY HOME INSURANCE FUND

The Administration proposes, in a spring finance letter, to reduce the previously proposed 2013-14 funding for the Foster Family Home and Small Family Home Insurance (FSH) appropriation 5180-001-0131 by $140,000 for a new appropriation level of $600.00.

The letter also proposes a one-time transfer of $2.3 million from the FSH Fund to the General Fund. After the transfer, there will be a reserve in the FSH Fund of approximately $1.5 million. The $2.3 million surplus funds have accumulated because recent expenditures have been lower than budgeted. CDSS estimates a sufficient reserve of approximately $1.5 million that could be utilized if claims exceeded the new, lower appropriation amount of $600,000.

Funding. Currently funded by a transfer from the General Fund 5180-011-0001 $740,000 and Federal Trust Fund 5180-011-0890 $996,000. Total funding transferred into the FSH Fund is $1,736,000. Current appropriation level from the FSH fund is $1,736,000 Item 5180-001-0131. Item 5180-001-0131 contains provisional language to allow DOF to increase appropriation authority if claims or the costs of operating and maintaining the FSH Fund are in excess of the appropriation. DOF is required to provide notification to the Legislature of any such adjustments that occur.

Below is a chart of the total FSH funding, claims paid, and reserves for recent years and as proposed:

Fiscal Year	Total Budgeted Federal Fund	Total Budgeted General Fund	Total Budgeted FSH	FSH Fund Adjustments	FSH Fund Reserve Year End	Claims Paid
2009-10	996,000	1,140,000	2,136,000		5,391,093	5
2010-11	996,000	1,140,000	2,136,000	-3,000,000 [1]	3,166,637	2
2011-12	996,000	1,140,000	1,636,000	-500,000 [2]	3,538,389	2
2012-13	996,000	740,000	1,736,000		3,538,389	-
2013-14	996,000	600,000	1,596,000	-2,300,000	1,238,389	-

The surplus balance of the FSH fund can be attributed to the following:

A decreasing number of placements into foster care over time

- The Fund only covers licensed foster family homes which account for the lowest number of foster care placements

- Very few claims are resolved at the maximum payment allowed of $300,000

- Investigations, attorney engagement in the resolution of some claims and litigation all have an impact on the determination of claim payment approval

- As a result, claim payment may not necessarily occur in the same fiscal year that the claim was submitted to the state thereby impacting timeliness of projections/expectations.

Background. The FSH fund was established in 1986 to pay, on behalf of foster family homes and small family homes, claims of foster children or their parents or guardians stemming from an accident that results in injury neither expected nor intended by the foster parent. Foster family homes and small family homes that are licensed by DSS, or by a county, are currently eligible for coverage. Foster family agency (FFA)-certified homes or relative guardians providing care and receiving assistance through the Kinship Guardianship Assistance Payment Program (Kin-GAP) are not covered by this fund. The FSH fund also does not cover any loss arising out of a dishonest, fraudulent, criminal, or intentional act.

In September 2011, the Bureau of State Audits (BSA) released a report regarding the FSH Fund. The audit concluded that 90 percent of surveyed foster families were unaware of the existence of the FSH Fund and recommended that DSS improve efforts to inform the families. The audit also identified concerns with administration of the Fund and recommended that DSS revise its methodology for budgeting the annual resources needed. Finally, in response to part of the underlying request from the Joint Legislative Audit Committee, the audit identified an estimated cost of $967,500 if the Legislature and Governor were to extend coverage under the Fund to FFA-certified homes and an unknown cost to extend coverage to families receiving Kin-GAP. According to the department, legislation in 2012 (Chapter 642, Statutes of 2012) addressed some of the recommendations made by the BSA audit.

PANEL

- Department of Social Services – Please present on each of the major May Revision proposals in CWS as outlined in the agenda.

- Legislative Analyst's Office

- Department of Finance

- Public Comment – on all subjects within this Issue.

Staff Recommendation:

Staff recommends approval of the following CWS May Revision proposals:

- Group Home Moratorium Trailer Bill Language.
- Kin-GAP Caseload Adjustment.

Staff recommends holding open the following proposals:

- Resource Family Approval Project.
- Foster Family Home and Small Family Home Insurance Fund.

ISSUE 5: ADDITIONAL MAJOR DSS CHANGES

CASELOAD ADJUSTMENTS

The May Revision proposes a net decrease of $324,841,000 (decreases of $123,617,000 General Fund, $497,000 Child Support Collections Recovery Fund, and $212,555,000 reimbursements, offset by an increase of $11,828,000 Federal Trust Fund), due to the impact of caseload and workload changes since the Governor's Budget, as displayed in the following table:

Program	Item	Change from Governor's Budget
California Work Opportunity and Responsibility to Kids (CalWORKs)	5180-101-0001 5180-101-0890 5180-601-0995	-$96,069,000 $60,074,000 -$83,000
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	5180-111-0001	-$30,404,000
In-Home Supportive Services (IHSS)	5180-111-0001 5180-611-0995	$24,374,000 -$237,259,000
Other Assistance Payments	5180-101-0001 5180-101-0890 5180-601-0995	-$8,065,000 $171,000 $14,000
County Administration and Automation Projects	5180-141-0001 5180-141-0890 5180-641-0995	-$13,270,000 -$26,495,000 $27,312,000
Community Care Licensing	5180-151-0001 5180-151-0890	-$1,102,000 -$45,000

Program	Item	Change from Governor's Budget
Realigned Programs		
Adoption Assistance Program	5180-101-0890	-$1,534,000
Foster Care	5180-101-0890 5180-101-8004 5180-141-0890	-$15,876,000 -$497,000 $437,000
Child Welfare Services (CWS)	5180-151-0001 5180-151-0890 5180-651-0995	$904,000 -$4,920,000 $76,000
Title IV-E Waiver	5180-153-0001 5180-153-0890	$15,000 $16,000
Adult Protective Services	5180-651-0995	-$2,615,000

REQUEST FOR POSITIONS RELATED TO HUMAN SERVICES PROGRAMS AND ACA IMPLEMENTATION

The May Revision requests an increase of $379,000 reimbursements to support 2 new limited-term positions (expiring June 30, 2015) and 1 existing position to analyze social services program impacts associated with federal health care reform.

One CEA II-level exempt position reporting to the Director's Office has been filled by an appointed individual responsible for coordinating efforts with other state departments, counties, CalHEERS, stakeholders, and the federal government. This position, the Assistant Director for Horizontal Integration, leads the analysis and planning effort, and will oversee and guide the work of the other two requested positions. This position is responsible for setting the roadmap for the analytical effort, in part by staying informed about developments and other states' efforts at the national level. DSS is utilizing an existing appointed position and therefore is requesting funding through this proposal.

The other two positions report to the appointed CEA position. They will be responsible for analyzing the policy rules of health and social services programs to identify opportunities for alignment, simplification, and coordination. They also will monitor development and implementation of the CalHEERS system and its integration with the SAWS consortia projects, to understand the information technology architecture, business, and client handling processes, and program rules established for health programs, as a baseline for the analysis.

Cumulatively, the work of these three positions will result in the identification, development, and presentation of issues related to the federal standard for integration with health and human services.

CCL TITLE XX REDUCTION

The May Revision requests that provisional language be added to Item 5180-001-0279 that authorizes up to $2,149,000 Child Health and Safety Fund (CHSF) for the Community Care Licensing (CCL) program to backfill a reduction in the Social Services Block Grant (Title XX) related to federal sequestration. Sufficient reserves are available in the CHSF to backfill the CCL Title XX reduction on a one-time basis.

GENERAL FUND AUTHORITY BBL

The May Revision requests that Provision 1 of Item 5180-141-0001 be amended to increase existing General Fund loan authority by $13 million to effectively manage cash flow issues related to increased reimbursement payments from counties in the event there are timing delays in the receipt of reimbursements.
The May Revision requests that Provision 2 of Item 5180-151-0001 be amended to include reimbursement payments as an allowable use of existing General Fund loan authority within this provision. Provision 2 currently authorizes a General Fund loan up to $50 million to cover the federal share of costs for programs when federal funds have not been received. This amendment would address cash flow problems for payments to private vendors and other departments by allowing the existing loan authority to cover delays in reimbursements from other state entities and counties (see Attachment 3).

PANEL

- Department of Social Services– Please present on each of the major May Revision proposals as outlined in the agenda.

- Legislative Analyst's Office

- Department of Finance

- Public Comment – on all subjects within this Issue.

Staff Recommendation:

Staff recommends approval of the following May Revision proposals:
- Caseload Adjustments (subject to other changes still to be made that may affect the ultimate estimates);
- CCL Title XX Reduction; and
- General Fund Authority Budget Bill Language.

Staff recommends holding open the following proposal:
- Request for Positions Related to Human Services Programs and ACA Implementation.

ISSUE 6: STATEWIDE AUTOMATED WELFARE SYSTEM (SAWS)

CALHEERS INTERFACE CHANGES

The May Revision requests an increase of $76,829,000 ($5,877,000 General Fund and $70,952,000 reimbursements) for enhanced call center functionality required to support California Healthcare Eligibility, Enrollment and Retention System (CalHEERS)/Affordable Care Act (ACA) implementation and interface development as well as implementation between the Statewide Automated Welfare System (SAWS) consortia and CalHEERS. The call center expansion will allow the current county infrastructure to interface with CalHEERS centralized customer service centers. Increased funding will also allow for modifications to the SAWS consortia system to allow for interfaces between CalHEERS and SAWS as required by ACA guidelines.

LEADER REPLACEMENT SYSTEM

The May Revision requests a net increase of $10,666,000 (a decrease of $20,128,000 General Fund and $23,051,000 Federal Trust Fund, offset by an increase of $53,845,000 reimbursements) to reflect a full year of design, development, and implementation activities for the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting Replacement System (LRS) project and enhanced federal financial participation and cost allocation relief.

PANEL

- Department of Social Services– Please present on each of the major May Revision proposals as outlined in the agenda.
- Legislative Analyst's Office
- Department of Finance
- Public Comment – on all subjects within this Issue.

Staff Recommendation:

Staff recommends approval of these May Revision proposals related to automation.

0530 OFFICE OF SYSTEMS INTEGRATION, HEALTH AND HUMAN SERVICES AGENCY

ISSUE 1: OSI AUTOMATION REQUESTS

CASE MANAGEMENT, INFORMATION, AND PAYROLLING SYSTEM II (CMIPS II)

The May Revision requests that Item 0530-001-9745 (California Health and Human Services Automation Fund) be decreased by $1,579,000 to align Office of Systems Integration spending authority with the revised Case Management, Information, and Payrolling System II (CMIPS II) project schedule as reflected in the most recent Special Project Report.

These adjustments are consistent with the anticipated transition of the project from the design, development, and implementation phase to the maintenance and operations phase. The requested adjustment consists of a decrease of $2,163,000 partially offset by an increase of $584,000 to support 4 positions (including a one-year extension of 1 limited-term position scheduled to expire June 30, 2013) and 0.5 existing position.

The requested budget adjustments reflect the extended pilot evaluation period the CMIPS II pilot evaluation was planned for four months from August through November 2012 and is extended an additional three months through February 2013.

There is a related adjustment to the Department of Social Services local assistance budget, discussed later in this agenda.

CALIFORNIA HEALTHCARE ELIGIBILITY, ENROLLMENT AND RETENTION SYSTEM (CALHEERS)

The May Revision requests that Item 0530-001-9745 be increased by $3,794,000 to provide project management services for the design, development, implementation, and operation and maintenance for the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) project. The increase reflects changes in state/program partner personnel costs, negotiated service center costs, and expanded system costs for CalHEERS.

These costs will be reimbursed by the California Health Benefit Exchange (also known as Covered California), the Department of Health Care Services (DHCS), and the Managed Risk Medical Insurance Board (MRMIB). The increase is consistent with the CalHEERS March 2013 As-Needed Advance Planning Document Update (APDU), which has been submitted to the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services.

PANEL

- Office of Systems Integration – Please present on each of the major May Revision proposals as outlined in the agenda.
- Legislative Analyst's Office
- Department of Finance
- Public Comment – on all subjects within this Issue.

Staff Recommendation:

Staff recommends approval of these May Revision proposals related to automation.