AGENDA

PART I

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER HOLLY MITCHELL, CHAIR

THURSDAY, MAY 24, 2012
9:00 A.M. - STATE CAPITOL ROOM 4202

VOTE-ONLY ITEMS

VOTE-ONLY ITEMS

4170 DEPARTMENT OF AGING

ISSUE 1: STAFFING CHANGES RELATED TO ADULT DAY HEALTH CARE AND COMMUNITY BASED ADULT SERVICES PROGRAMS

MAY REVISION PROPOSAL

The 2011-12 budget included statutory and budgetary changes to eliminate the Medi-Cal ADHC program. After the subsequent settlement of a related lawsuit, Darling et al v. Douglas, this elimination occurred on February 29, 2012; but as part of the settlement, the ADHC program was then replaced with a new program called Community-Based Adult Services (CBAS) on March 1, 2012. The new program is intended to provide necessary medical and social services to individuals with intensive health care needs.

CDA proposes in the May Revision a net reduction of $787,000 ($473,000 GF) resulting from the elimination of the ADHC program and implementation of the new CBAS program. CDA, via an interagency agreement with the Department of Health Care Services, previously certified ADHCs for participation in the Medi-Cal program. Under the proposed structure of the new CBAS program, the Department would retain this role. These requests would remove base funding and authority for 23 positions associated with the ADHC program from the CDA budget and create 16 positions and corresponding funding associated with CBAS. Other issues related to the transition from the ADHC to CBAS program are being heard under the Department of Health Care Services' budget.

Staff Recommendation:

Staff recommends approval of the proposed staffing and resources.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

ISSUE 1: ESTIMATES CHANGES AND TECHNICAL ADJUSTMENTS

MAY REVISION PROPOSAL

The May Revise reflects the following for the Department of Alcohol and Drug Programs (ADP):

Caseload.

- As compared to the Drug Medi-Cal (DMC) caseload estimates included in the Fall Estimates, the DMC caseload for 2012-13 decreased by 22,234 from 337,025 to 314,791. This change reflects an overall decrease of 6.6% in caseload projections based on recent trends of decreasing caseload in Narcotic Treatment Program (NTP), Outpatient Drug Free (ODF), Day Care Rehabilitative (DCR), and Perinatal Residential services.

- For FY 2011-12, the projected DMC caseload decreased by 16, 149 as compared to the Fall Estimates of 304,312 to 288,163. This change reflects an overall decrease of 5.3% in caseload projections based on recent trends.

Expenditures.

- As compared to the Fall Estimates, total expenditures for FY 2012-13 are projected to decrease by $20 million, comprised of a decrease of $19.2 million in DMC Regular and a decrease of $770,000 in DMC Perinatal services. This overall change is due to decreases in projected caseload and unit of service (UOS) based on actual trend data, offset by an increase in rates.

- For FY 2011-12, the projected DMC caseload and UOS changes represent a total decrease of $13.8 million as compared to the Fall Estimates. The total decrease in DMC Regular services is $13.2 million and DMC Perinatal services decreased by $628,000.

Staff Recommendation:

Staff recommends approval of the estimate changes and adjustments for ADP as included in the May Revision.

The Subcommittee previously rejected the proposed elimination of ADP and the transfer of its functions to other departments, so the ADP estimate conforms to this larger action.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 1: ESTIMATES CHANGES AND TECHNICAL ADJUSTMENTS

Many of the issues under this item were discussed at the May 17, 2012 Sub. 1 hearing on the May Revision budget for the Department of Developmental Services (DDS). Please see that agenda for additional detail.

MAY REVISION PROPOSAL

DDS proposes, as is customary during the May Revision, to update its estimates based on more recent data than was available at the time of the Governor's January budget release.

Caseload Estimates. The Governor's January and May estimates of the developmental services caseload looking ahead to January 1, 2013 include:

Program	**January Estimate**	**May Revision**
Regional Centers/Community	256,059	255,972
Developmental Centers	1,533	1,544

Other Technical Changes: The May Revision also reflects the Administration's requests to make technical changes described below.

For Developmental Centers:

- Workload Adjustments (Issues 201, 202, 203, and 206)—It is requested that Schedule (1) of Item 4300-003-0001 be increased by $1,197,000, reimbursements be increased by $620,000, Item 4300-003-0890 be decreased by $20,000, and Schedule (1)(a) of Item 4300-004-0001 be decreased by $138,000, and Schedule (1)(b) be increased by $138,000 to reflect adjustments in Level-of-Care and Non-Level-of-Care Staffing, operating expenses and equipment, and a fund shift in the Foster Grandparent Program.

- Lanterman Developmental Center Closure Update (Issue 204)—It is requested that Schedule (1) of Item 4300-003-0001 be decreased by $1,091,000 and reimbursements be decreased by $494,000 to reflect changes in staff support costs associated with leave buyout, unemployment insurance, and resident transition activities.

- Federal Certification of Porterville Developmental Center (Issue 200)—It is requested that reimbursements be decreased by $13.0 million to reflect the federal Centers for Medicare and Medicaid Services' (CMS) denial of certification to expand Medi-Cal eligibility to a portion of the population in the Secure Treatment Program.

- $200.0 Million General Fund Trigger Reduction Adjustment (Issue 209)—It is requested that Schedule (1) of Item 4300-003-0001 be decreased by $9.1 million and reimbursements be increased by $1.3 million to reflect a reallocation of the

$200.0 million General Fund trigger reductions proposed in the Governor's Budget from regional center Purchase of Services to developmental centers.

For Regional Centers:

- Quality Assurance Fees (Issues 301 and 302)—It is requested that Schedule (1) of Item 4300-101-0001 be increased by $76,000, Schedule (2) be increased by $411,000, and reimbursements be increased by $139,000 to reflect updated day treatment and transportation costs for Intermediate Care Facility/Developmentally Disabled (ICF/DD) residents.

- Money Follows the Person Grant Fund Shift (Issue 316)—It is requested that reimbursements be decreased by $2,134,000 to reflect new federal restrictions on the amount that Money Follows the Person grant expenditures can be reimbursed for administrative costs.

- Targeted Case Management Administration Fund Shift (Issue 317)—It is requested that reimbursements be decreased by $328,000 to reflect a decrease in federal financial participation due to reduced eligible expenditures.

- $200.0 Million General Fund Trigger Reduction Adjustment (Issue 322)—It is requested that Schedule (1) of Item 4300-101-0001 be decreased by $7.0 million, Schedule (2) of Item 4300-101-0001 be decreased by $3.4 million and reimbursements be decreased by $20.8 million to reflect the reallocation of a portion of the $200.0 million General Fund trigger from regional center Purchase of Services budget to the developmental center budget.

- Race-to-the-Top Grant for the Early Intervention Program (Issue 321)—It is requested that Schedule (3) of Item 4300-101-0001 and reimbursements be increased by $286,000 to reflect the DDS share of federal Race-to-the-Top grant funds for the Early Intervention Program.

- Extend Liquidation Period for Prior Year Appropriations (Issue 001 and 002) —It is requested that Budget Bill language be approved for a one-year extension of the liquidation period for funds appropriated in the 2009 and 2010 Budget Acts in order to achieve approved General Fund savings targets (See Attachment 1). The DDS is in the process of retroactively rebilling the federal government for day treatment and transportation services provided to Medi-Cal beneficiaries residing in licensed ICF/DDs.

Staff Recommendation:

Staff recommends adoption of the above-described technical adjustments, with any changes to conform as appropriate to other actions that have been or will be taken in the DDS budget.

ISSUE 2: PROPOSED FUNDING CHANGE FOR EARLY STATE SERVICES

MAY REVISION PROPOSAL

In 2009-10, Governor Schwarzenegger vetoed $50 million GF from the budget for developmental services provided to children from birth to age five who have, or are at risk for, developmental delays or disabilities. The California Children and Families Commission (created by Proposition 10 in 1998 and commonly known as the First 5 Commission) then provided $50 million to prevent the loss of services that would otherwise have resulted. The Commission provided these funds again in the 2010-11 and 2011-12 budget years. The Governor's January budget did not assume continuation of these First 5 funds in 2012-13. The May Revision does, however, assume $40 million in First 5 funding for Early Start services in 2012-13.

Additional background on Early Start services and on Proposition 10 was included in the Subcommittee's agenda for March 28, 2012.

Staff Recommendation:

Staff recommends approval of the May Revision proposal to anticipate $40 million in First 5 funding for Early Start services.

ISSUE 3: PROPOSED REPEAL OF CONSERVATORSHIP MANDATE

RECAP OF PRIOR SUBCOMMITTEE REVIEW

The administration proposes trailer bill language to repeal requirements associated with conservatorship mandates, which it indicates have been suspended since 2009. The Subcommittee heard this issue at its May 9, 2012 hearing. Please see that agenda for background on this issue.

Staff Recommendation:

Staff recommends rejection of the proposed trailer bill proposal.

ISSUE 4: LANTERMAN DC REQUEST FOR ENHANCED STAFFING

RECAP OF PRIOR SUBCOMMITTEE REVIEW

The administration proposed, as part of the January budget, $2.9 million ($1.6 million GF) to allow for the retention of 28 authorized positions and 5 temporary help positions that would otherwise be eliminated under budgeting formulas which factor the facility's resident population into the number of authorized positions. The Subcommittee heard this issue at its March 28, 2012 hearing. Please see that agenda for additional background on this issue.

Staff Recommendation:

Staff recommends approval of the funding request for staffing to assist in the closure process for Lanterman Developmental Center.

ISSUE 5: TRAILER BILL LANGUAGE ON COLLECTION OF DEMOGRAPHIC DATA BY REGIONAL CENTER

BACKGROUND

Issues regarding access to regional center services have been raised most recently in Subcommittee hearings, as well as in the Select Committee on Autism's recent legislative hearing. From comments, questions, and discussion in these venues, Subcommittee staff have developed a trailer bill proposal for consideration.

The proposed placeholder trailer bill language is included in the Staff Recommendation below. The language is intended to facilitate development of a baseline of demographic data toward purposes of assessing disparities in services and access, as well as promoting dialogue between regional centers and local community stakeholders and advocates on these issues.

Staff Recommendation:

Staff recommends adoption of placeholder trailer bill to require the annual compilation of purchase of service utilization and expenditure data by regional center with respect to race and ethnicity, age of consumer, and disability. The age of consumer shall be broken down by birth to two, three to twenty-one, and twenty-two and older. Disability detail shall include the five categories defined in statute. The data reported shall also include the number and percentage of individuals broken down by race and ethnicity, age and disability for those who have been determined to be eligible for regional center services but are not receiving any services using purchase of service funds. The data shall be reported in a consistent manner and the first annual reporting of the data shall be posted publicly no later than December 31, 2012. Within three months of the data becoming available and annually thereafter, each Regional Center shall meet with stakeholders regarding the data.

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

ISSUE 1: LEAD HAZARD CONTROL PROGRAM

MAY REVISION PROPOSAL

The May Revision requests a one-time Federal Trust Fund augmentation in the amount of $1.9 million for the U.S. Department of Housing and Urban Development Lead Hazard Control Program. The augmentation will allow the department to evaluate and remediate lead-based paint hazards in pre-1978 low-income privately-owned homes.

Staff Recommendation:

Staff recommends approval of the proposed augmentation. The LAO concurs in this recommendation.

5175 DEPARTMENT OF CHILD SUPPORT PROGRAMS

ISSUE 1: TRAILER BILL LANGUAGE ON PERFORMANCE INCENTIVES AND HEALTH INSURANCE INCENTIVE PAYMENTS

RECAP OF PRIOR SUBCOMMITTEE REVIEW

The Subcommittee heard these issues previously at its April 18, 2012 hearing, where it took action to adopt trailer bill language to additionally suspend both the health insurance incentive requirement and the performance incentives for local child support agencies for the 2012-13 fiscal year. Please see that agenda for background.

Staff Recommendation:

Staff recommends revising the action on these two pieces of trailer bill, replacing the previously-approved one-year suspension of the incentives with instead a three-year suspension for each, through fiscal year 2014-15, as a three-year suspension has previously been adopted in statute for these provisions. This action conforms to the Senate.

5180 DEPARTMENT OF SOCIAL SERVICES
0530 OFFICE OF SYSTEMS INTEGRATION

ISSUE 1: ESTIMATES CHANGES AND TECHNICAL ADJUSTMENTS

MAY REVISION PROPOSAL

DSS proposes, as is customary during the May Revision, to update caseload and workload estimates based on more recent data than was available at the time of the Governor's January budget release.

Caseload Estimates. January and May estimates of the average monthly caseloads (rounded figures) associated with some DSS programs in 2012-13 include:

Program	January Budget (November forecast)	May Revision
CalFresh (food stamps)1	1,607,000 families	1,629,000 families
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	1,305,000 cases	1,296,000 cases
CalWORKs	597,000 cases	570,000 cases
In-Home Supportive Services (IHSS)	459,600 recipients	452,400 recipients

To reflect corresponding changes in the programs' caseload and workload budgets, DSS requests the following technical changes to budget bill items, totaling a net decrease of $131,246,000 (decreases of $181,322,000 General Fund, $807,000 Child Support Collections Recovery Fund, and $74,892,000 reimbursements, partially offset by an increase of $125,775,000 Federal Trust Fund):

Program	Item	Change from Governor's Budget
CalWORKs / Kin-GAP	5180-101-0001 5180-101-0890 5180-601-0995	-$320,934,000 $853,272,000 -$2,745,000
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	5180-111-0001	-$28,332,000
In-Home Supportive Services (IHSS)	5180-111-0001 5180-611-0995	$25,275,000 -$67,645,000
Other Assistance Payments	5180-101-0001 5180-101-0890	$106,719,000 -$802,289,000
County Administration and Automation Projects	5180-141-0001 5180-141-0890 5180-641-0995	$37,271,000 $67,253,000 $6,220,000
Community Care Licensing	5180-151-0001	$105,000

[1] This reflects the non-assistance caseload.

Program	Item	Change from Governor's Budget
	5180-151-0890	$46,000
Realigned Programs		
Adoption Assistance Program	5180-101-0890	-$6,204,000
Foster Care	5180-101-0001 5180-101-0890 5180-101-8004 5180-141-0001 5180-141-0890	$4,000 $9,325,000 -$807,000 -$6,000 $2,126,000
Child Welfare Services (CWS)	5180-151-0001 5180-151-0890 5180-651-0995	-$1,424,000 -$218,000 -$11,227,000
Title IV-E Waiver	5180-153-0890	$2,464,000
Adult Protective Services	5180-651-0995	$505,000

Revised Estimates Related to Previously Adopted Solutions. The May Revision also reflects the Administration's revised estimates of savings related to the following previously adopted policies:

Program	Policy	Change from January
IHSS	Sales Tax on Supportive Services (Issue 202)	Erosion of $95.4 million GF savings due to assumption of no federal approval (though the federal government has not officially approved or disapproved of the implementing state plan amendment)
IHSS	Requirement for Certification of Need by Health Care Provider (Issue 203)	Erosion of $117.3 million GF savings due to revised estimating methodology based on initial implementation period
IHSS	Proposed Domestic & Related Services Reduction (Issue 205)	Erosion of $38.5 million GF savings given revised implementation date (from July 1 to October 1, 2012)

Title IV-E Waiver Carryover (Issue 302): In addition, the May Revision reflects a technical adjustment to carry over $6.6 million GF in unexpended waiver county funds from prior fiscal years. The IV-E Waiver is a five-year federal demonstration project that allows counties to test a "capped allocation" or block grant funding structure for child welfare services. Alameda and Los Angeles counties are currently participants in the waiver project.

Staff Recommendation:

Staff recommends adoption of the above-described caseload and other estimate adjustments, with the exception of the assumption related to the sales tax on supportive services, which staff recommends holding open. This action is subject to any changes to conform as appropriate to other actions that have been or will be taken, including the Subcommittee actions previously taken to reject the Governor's proposals for CalWORKs, the proposal to reduced Domestic and Related Services hours in IHSS, and the transfer of functions related to the elimination of ADP.

ISSUE 2: COORDINATED CARE INITIATIVE – REQUESTED POSITIONS

MAY REVISION PROPOSAL

The DSS requests $460,000 ($230,000 GF) to permanently fund three staff positions across two departmental divisions and to fund annually for three years $100,000 ($50,000 GF) of contract costs. The requested resources are intended to support the Department's work related to the Governor's proposed Coordinated Care Initiative. More specifically, the Adult Programs Division of DSS would gain a research analyst and a staff services manager specialist, while the fiscal systems and accounting branch would gain an accounting administrator. The requested contract resources would support consulting regarding the development of a universal assessment tool for various long term supports and services, as proposed under the Initiative.

The Coordinate Care Initiative has been the subject of previous and current Subcommittee hearings, including the March 7, 2012 hearing.

Staff Recommendation:

Staff recommends holding this item open, as it is subject to larger decisions and actions regarding the Coordinated Care Initiative.

ISSUE 3: LEADER REPLACEMENT SYSTEM (LRS)

MAY REVISION PROPOSAL

LEADER is one of three existing consortia systems that comprise the Statewide Automated Welfare System (SAWS). SAWS automates the eligibility, benefit, case management, and reporting processes for a variety of health and human services programs operated by the counties, including the CalWORKs welfare-to-work program, Food Stamps, Foster Care, Medi-Cal, Refugee Assistance, and County Medical Services. The LEADER system serves Los Angeles (LA) County. The Governor's January budget for 2012-13 included $12.9 million GF (and corresponding federal funds) for LRS. Based on updated estimates of the budget year costs incurred to move forward with development of LRS, the May Revision increases this amount to $28.2 million GF.

In 2011, OSI estimated a total cost of $370.2 million over four years ($196.1 million GF/TANF, $147.3 million federal funds and $26.8 million county funds) for development and implementation of LRS. Other than costs added to the project resulting from the 2011-12 budget's direction for the Administration to migrate existing data from the C-IV consortia to the new LRS, these overall costs are not anticipated to have changed since that time. For additional information about LRS and the migration, as well as prior actions taken with respect to these issues, please see the Subcommittee agenda for March 21, 2012.

Staff Recommendation:

Staff recommends approval of the revised estimate for 2012-13 LRS development costs.

ISSUE 4: STATEWIDE AUTOMATED WELFARE SYSTEM (SAWS) COST-REASONABLENESS STUDY

BACKGROUND

In a February report entitled "Consolidating California's Statewide Automated Welfare Systems," the LAO notes that the 2012 trailer bill language establishing the requirement to migrate C-IV into the new LRS system does not require the Administration to develop a feasibility study report (FSR), cost-benefit analysis, or other plan, but rather directs the administration to oversee the migration "under the LRS contract." As a result, the administration has indicated its intent to include the migration work as a part of its contract with the chosen LRS vendor (Accenture LLP). The LAO recommends that the Legislature instead reconsider alternative procurement processes for the C-IV migration, including reopening the LRS procurement, planning the migration as a separate project, or breaking the migration into multiple contracts.

The LAO also recommends consideration of a "cost reasonableness assessment" or study conducted by contracted experts who collect data on the costs of other public and private sector efforts and extrapolate to determine whether the proposed costs for a project are within the realm of reasonableness. The Franchise Tax Board recently used a cost-reasonableness assessment to validate the costs of its Enterprise Data to Revenue project. That project has an estimated total cost of $520 million. A six-week cost reasonableness assessment (at a cost of $75,000) indicated that the vendor's proposed costs were within the range of reasonableness.

Finally, the LAO recommends that the Legislature improve its oversight of LRS development and the new migration project by requiring more frequent reporting from the administration on the project's progress, in addition to the existing requirement for an annual report on the implementation of SAWS more generally.

Staff Recommendation:

In response to the LAO recommendation, and conforming to action taken in the Senate, staff recommends adoption of placeholder trailer bill language requiring the cost-reasonableness language for SAWS.

Draft language is as follows:

> *The Department of Social Services (DSS) and the Office of Systems Integration (OSI) shall have a qualified third party conduct a cost-reasonableness assessment of the costs proposed by the vendor to migrate the Consortium-IV counties to the newly developed Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System (LRS). The purpose of the assessment is to determine whether the proposed overall costs are within range of reasonableness based on current market rates and prices for the products and services proposed under the vendor contract terms and conditions and given the proposed migration plans, project requirements and objectives, implementation approach, and project risks, among other factors.*
>
> *This assessment shall be conducted during the LRS development period and the results ready for DSS and OSI to determine how best to negotiate with the vendor in order to proceed with the Consortium-IV migration to LRS.*

ISSUE 5: CASE MANAGEMENT, INFORMATION & PAYROLLING SYSTEM (CMIPS II)

MAY REVISION REQUEST

The Subcommittee heard this issue previously at its March 21, 2012 hearing.

In a January budget change proposal, OSI requested $97,968 for one limited-term Senior Information Systems Analyst to replace an expiring position to support development of the Case Management Information Payrolling (CMIPS) II automation system. Additionally, DSS requested $929,000 ($464,000 GF) for a one-year extension of eight existing limited-term positions. OSI and the Department indicated that the requested positions are necessary to ensure continuity of knowledge and meet a heavy programmatic workload during the final phases of the system's development. The Administration also sought authority to delay some project costs from the 2011-12 to the 2012-13 fiscal year. The May Revision proposes an additional shift of vendor payment costs from 2011-12 to 2012-13 (Issue 113).

Background on CMIPS II & Rationale for Position Requests. CMIPS is the automated, statewide system that handles payroll functions for all IHSS providers. The current vendor (formerly Electronic Data Systems, now Hewlett Packard) has operated the system since its inception in 1979. The state has been in the process of procuring and developing a more modern CMIPS II system since 1997. According to the Department, the most recent delay in the project's completion was due in part to the vendor's technical difficulties in getting data to convert accurately from the old to the new system. The vendor has since submitted a new plan for compliance with data conversion requirements and a revised schedule.

Staff Recommendation:

Staff recommends approval of the staffing requests for DSS and OSI, as well as the shift of costs between fiscal years.

Staff also recommends adoption of Supplemental Reporting Language to do the following:

The Office of Systems Integration is required to report to the Budget Committees of the Legislature by February 1, 2013 of the following pertaining to CMIPS II:

- *A description of specific performance issues, programmatic challenges, and technical difficulties that led to a development delay in 2011-12, identifying the cause or causes of a delay.*
- *For each cause of a delay, a description of corrective measures, and their components, that were adopted as a result.*
- *When the issue is associated with the vendor, a description of efforts to resolve the issues, including decisions on recoupment of costs (e.g. those associated with damages), adjustment of timelines, and amendments to one or more contracts.*
- *An estimate of the costs caused by any and all delays, by fiscal year and over the course of the full contract.*

ISSUE 6: CHILD WELFARE SERVICES/CASE MANAGEMENT SYSTEM (CWS/CMS)

BACKGROUND

The Subcommittee heard this issue at its March 21, 2012 hearing. Please see that agenda for additional details.

The May Revision proposes $79.1 million ($38.9 million GF) for maintenance and operations of the Child Welfare Services/Case Management System (CWS/CMS), which is the statewide automation system that supports the state's child welfare services programs. The Administration has indicated that the May Revision also proposes to suspend development of a replacement system for an indefinite period of time, although $2.5 million ($1.2 million GF) is still proposed for efforts related to that new system project. The Administration indicates that those funds would be used to secure state and federal approvals with a state Feasibility Study Report and federal Advance Planning Document and conduct other evaluation and planning activities.

Background on CWS/CMS. CWS/CMS was fully implemented and transitioned to its operational phase in 1998. DSS has overall responsibility for the system, including providing project and program direction to the Office of Systems Integration (OSI). OSI provides information technology expertise and is responsible for implementation and day-to-day operations of the system. The current contract for CWS/CMS runs through November 2016, with potential extensions of up to 3 years.

Replacement of the System. The CWS/Web project to replace CWS/CMS was previously initiated to update outdated technology, improve efficiency, and comply with federal child welfare requirements. For the 2011-12 fiscal year, however, the budget included a delay of its development to achieve cost savings and allow time to reassess the best path forward. Along with this change, the budget included trailer bill language in Assembly Bill (AB) 106 (Chapter 32, Statutes 2011) requiring the administration to study and report on the degree to which the CWS/CMS system: 1) complies with current law, 2) supports current CWS practice, and 3) links to other needed information. The report was also required to include recommendations about the best approach(es) and next steps for addressing any critical missing functionalities in CWS/CMS, which could include building functionality into the current system, restarting the CWS/Web procurement, or developing a new procurement. The Administration developed a CWS Automation Study Team (CAST) in response to these requirements. The CAST included representatives from DSS, OSI, and the County Welfare Directors Association. The team also consulted with legislative staff.

The administration submitted the required report in April 2012. After comparing options, the report concluded that it was "neither feasible nor cost-effective to maintain and enhance the old technology of the existing system" and recommended its replacement. More specifically, it indicated that the current system is not compliant with federal and state laws, regulations, and policies and requires costly and time-consuming workarounds. After considering a number of alternatives, the report recommended that the state embark on a "buy/build" option whereby it would purchase an existing application (e.g., one in use in another state) and then customize it.

The estimated General Fund costs for: 1) continuing the existing system (without upgrades), 2) upgrading the existing system, and 3) using the recommended buy/build option, include approximately:

Existing CWS/CMS (Dollars in 000's)

	Year 1	Year 2	Year 3	Year 4	Year 5	**Total After Year 12**
Existing System M&O	$40	$41	$44	$45	$45	**$530**

Upgrading CWS/CMS

One-Time Costs	6	6	15	17	31	
Ongoing Costs	-	-	-	-	-	
Existing System M&O	41	41	42	42	42	
Total	47	47	56	59	73	**607**

Buy/Build of New System

One-Time Costs	7	7	47	15	10	
Ongoing Costs	-	-	-	22	22	
Existing System M&O	41	41	42	30	-	
Total	48	48	88	66	31	**449**

Staff Recommendation:

Given the CAST team's conclusion that proceeding to replace CWS/CMS via a buy/build project is the most feasible and cost-effective means of moving forward to support the state's child welfare services' automation needs, staff recommends that the Subcommittee approve the funding included in the budget for the existing system's replacement.

Further, staff recommends that the Subcommittee reject characterization of this action as attendant to an indefinite suspension of the development of a CWS/CMS replacement system. The purpose of the funding should instead be characterized as beginning procurement efforts for a buy/build replacement system. Therefore, staff recommends the adoption of placeholder trailer bill language to clarify the following:

> *Funding included in the 2012-13 Budget related to replacement of the Child Welfare Services/Case Management System shall be used for the next steps necessary to move forward with the recommendation of the Child Welfare Automation Study Team (CAST) to proceed toward procuring a new system through a buy/build strategy, as described in the CAST report submitted to the Legislature in April 2012. These next steps shall include, but not be limited to, completing, in consultation with stakeholders including the counties, a Feasibility Study Report and Federal Planning Advance Planning Document, as well as conducting other planning activities. OSI and the Department shall report the results of these activities, in addition to the key milestones and anticipated timelines for any resulting procurement process, to the Legislature by March 1, 2013 for review in budget hearings.*

ISSUE 7: UNALLOCATED REDUCTION TO SAWS

BACKGROUND

Three SAWS consortia systems statewide automate the eligibility, benefit, case management, and reporting processes for a variety of health and human services programs operated by the counties, including the CalWORKs welfare-to-work program, Food Stamps, Foster Care, Medi-Cal, Refugee Assistance, and County Medical Services. The 2011-12 budget included a one-time, unallocated reduction of $5 million GF (with corresponding reductions in federal and county funds) to the consortia systems. This reduction was achieved through mainly one-time savings, including: 1) a reduction in consultant services for statewide project management, 2) a reduction in close-out costs related to the ISAWS Migration, 3) a change in the hardware and software maintenance schedule for C-IV, 4) a reduction in costs for a vendor help desk and support staff based on changes in Welfare Client Data System-CalWIN business processes, and 5) a delay of the LEADER Replacement System's start date. These particular reductions were determined as a result of collaboration between DSS, OSI, the LAO, and the County Welfare Directors' Association.

The Governor's January and May budget proposals would continue this unallocated reduction and make it permanent. The administration indicates that a collaborative process for assigning the reduction across the SAWS system would continue.

Staff Recommendation:

Adopt the proposed unallocated reduction to the SAWS system for 2012-13, but reject the proposal to make the reduction permanent. This is a one-time reduction.

This action is taken with the understanding that the administration will work in a collaborative process with counties and the consortia to decide how the reduction will be realized.

ISSUE 8: IN-HOME SUPPORTIVE SERVICES (IHSS) - PUBLIC AUTHORITY FUNDING METHODOLOGY

BACKGROUND

The 2011-12 budget included trailer bill language directing the Department, in consultation with stakeholders, to develop a new rate-setting methodology for public authority (PA) administrative costs, beginning with the 2012-13 fiscal year. The effort to develop these changes has taken longer than anticipated, and the California Association of Public Authorities has proposed extending the timeframe specified in statute to instead begin with the 2013-14 fiscal year.

Under state law, a county board of supervisors may elect to establish a Public Authority (PA) to provide for specified functions related to the delivery of IHSS. The PAs are separate entities from the county in which they operate. PAs are the employers of IHSS providers for the purposes of collective bargaining over wages, hours, and other terms of employment. PAs also provide at least the following functions: 1) assistance to recipients in finding IHSS providers through the establishment of a registry; 2) investigation of the qualifications and background of potential providers; and 3) training for providers and recipients.

PA rates are county-specific and are computed by multiplying case-months by the average hours per case and the administrative hourly rates for each PA (established based on hourly wages, employer taxes, benefits, and administrative costs). Since 2009-10, the rates established by these formulas have, however, been reduced by 20 percent, as approved in the 2009-10 budget [in AB 1 X4 (Evans) Chapter 1, Statutes of 2009, Fourth Extraordinary Session)]. In addition, the rates have been reduced by $8.7 million GF and corresponding other funds, as a result of Governor Schwarzenegger's 2009-10 veto of that amount of PA funding.

Staff Recommendation:

Staff recommends adoption of trailer bill language extending the timeframe specified in statute for use of a newly developed rate-setting methodology for PA funding, to begin with the 2013-14 fiscal year, rather than 2012-13.

ISSUE 9: IHSS - SHARING OF CRIMINAL OFFENDER RECORD INFORMATION WITH THE DEPARTMENT BY THE PUBLIC AUTHORITIES

BACKGROUND

The Subcommittee heard this issue at its April 11, 2012. Please see that agenda for additional information.

The California Association of Public Authorities proposes technical clean-up language to allow public authorities to share Criminal Offender Record Information (CORIs) with the Department when a provider seeks an exception to criminal background exclusion policies adopted as part of the 2010-11 budget. The proposed language would amend WIC 12305.87 to change subsection (e) (2) and add public authorities to existing language requiring counties to submit CORIs to DSS for general exception applicants. CAPA states that per DSS, as of the end of December 2011, there were 41 general exception applications pending which could not be processed without the Department receiving the CORIs from the Public Authority.

Staff Recommendation:

Staff recommends adoption of the proposed revision to WIC 12305.87, which is a technical change to the policies adopted in the 2010-11 budget.

DISCUSSION ITEMS

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: IN-HOME SUPPORTIVE SERVICES – 7 PERCENT ACROSS THE BOARD REDUCTION IN HOURS

MAY REVISION PROPOSAL

With a 2011-12 budget of $5.0 billion ($1.4 billion GF), the IHSS program provides personal care services to approximately 440,000 qualified low-income individuals who are blind, aged (over 65), or who have disabilities. IHSS services include tasks like feeding, bathing, bowel and bladder care, meal preparation and clean-up, laundry, and paramedical care. These services frequently help program recipients to avoid or delay more expensive and less desirable institutional care settings.

The May Revision newly proposes $99.2 million GF savings (and an associated larger federal fund loss) from a seven percent across-the-board reduction in authorized IHSS hours, effective August 1, 2012. This proposal would continue and deepen an existing 3.6 percent reduction that would otherwise sunset July 1, 2012. The proposal does not include any exceptions. Similar to the policy underlying the existing 3.6 percent reduction, the affected recipients would be allowed to direct the manner in which the reduction applies to their previously approved services.

Interaction with 20 Percent Reduction. Existing law enacted as part of the 2011-12 budget triggered a 20 percent across-the-board reduction, with exceptions, to authorized IHSS hours. That reduction has thus far, however, been enjoined by the courts from taking effect. The exceptions allowed for under the 20 percent reduction include, but are not limited to, exceptions for individuals who apply for a partial or full restoration of hours on the basis that they would otherwise be at serious risk of out-of-home placement.

Anticipated Impacts. The Department estimates that 454,000 IHSS recipients would be impacted by the proposed reduction in authorized hours of services. The average loss of hours per recipient is anticipated to be approximately 6 hours per month.

PANEL

- Department, please present the May Revise proposal. Please discuss the anticipated impacts of consumers and providers of this proposal.
- Department of Finance
- Legislative Analyst's Office
- Public Comment

Staff Recommendation:

Staff recommends holding this item open.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 1: ENROLLMENT CASELOAD POPULATION ESTIMATE

BACKGROUND

As is customary, the May Revision for the Department of Child Support Services (DCSS) updates the local assistance budget for 2011-12 and 2012-13, providing estimates of the administrative costs for the local child support agencies (LCSAs) and a methodology for each estimate. The total administrative costs for local assistance are estimated to be $865.0 million ($269.1 million GF) for 2011-12 and $842.8 million ($261.7 million GF) for 2012-13.

The estimate for child support distributed collections and miscellaneous revenues for 2011-12 and 2012-13 is also updated. Total child support distributed collections and revenues are projected to be $2.3 billion ($244.8 million GF) for 2011-12 and $2.3 billion ($247.9 million GF) for 2012-13.

The May Revision for DCSS also includes a request to reduce the amount of Federal Funds received by $363,000 and offset the reduction with a $363,000 General Fund increase.

PANEL

- Department, please present the May Revise proposal. Please discuss the increases or decreases in administrative costs and collections since the January budget. Describe the federal funds change proposed as part of the Revise.

- Department of Finance

- Legislative Analyst's Office

- Public Comment

Staff Recommendation:

Staff recommends approval of the May Revision estimate changes and technical adjustments, which will conform to other actions already taken and those still forthcoming in the DCSS budget.

ISSUE 2: MAY REVISION PROPOSAL TO REDUCE FUNDS FOR THE CALIFORNIA CHILD SUPPORT AUTOMATION SYSTEM (CCSAS)

MAY REVISION PROPOSAL

The Governor's May Revise includes a request to decrease the General Fund contribution to the Child Support Automation System by $1 million dollars and reduce the Federal Trust Fund contribution by $1.94 million dollars. In total, this would amount to a $2.94 million reduction in the California Child Support Automation System project maintenance and operations budget.

Beginning in 2008, the California Child Support Automation System was fully implemented. Total cost of the application was approximately $1.5 billion dollars and took nearly eight years to implement. Shortly thereafter, the application received its federal certification as the statewide automation system. The Department of Child Support Services is responsible for maintaining the functionality of the automation system and also responsible of ensuring the LCSAs have access to the system.

The Department of Child Support Services has noted that the $1.0 million General Fund reduction for the California Child Support Automation System (CCSAS) Maintenance and Operation will be distributed to the CCSAS Maintenance and Operations budget by postponing software purchases and by utilizing savings related to the California Technology Agency's Office of Technology Services rate changes for DCSS's Child Support Enforcement System hosting services.

PANEL

- Department, please present the May Revise proposal.
- Department of Finance
- Legislative Analyst's Office
- Public Comment

Staff Recommendation:

Staff recommends approval of this May Revision request. The Subcommittee requests that review of the effect of this reduction and how it is absorbed within the CCSAS system be a subject of the annual CCSAS report to the Legislature, already required by statute.

ISSUE 3: MAY REVISION PROPOSAL TO REVERT FUNDS ASSOCIATED WITH THE CCSAS

MAY REVISION PROPOSAL

The May Revise includes a request to revert prior year appropriations in the amount of $5.49 million that were dedicated to the Child Support Automation System and have gone unencumbered.

The 2010 Budget Act included a reappropriation of $14.9 million ($5.5 million General Fund). The funds were intended to be utilized for the transition from vendor to in-house services for a component of the California Child Support Automation Service. The funds have remained unencumbered in the current fiscal year and are not expected to be needed due to the recent completion of the state disbursement unit. The reversion is proposed to address a portion of the budget shortfall.

PANEL

- Department, please present the May Revise proposal.
- Department of Finance
- Legislative Analyst's Office
- Public Comment

Staff Recommendation:

Staff recommends approval of this May Revision request. The Subcommittee requests that a review of CCSAS reversions, with a description regarding their occurrence and magnitude, be a subject of the annual CCSAS report to the Legislature, already required by statute.

ISSUE 4: REDUCED FUNDING FOR LOCAL CHILD SUPPORT AGENCIES

MAY REVISION PROPOSAL

The administration has requested that the 2012-13 support for Local Child Support Agencies be reduced by $14.7 million ($5.0 million General Fund). Additionally, the Administration has submitted trailer bill language that would reduce state hearing requirements for Local Child Support Agencies.

In addition to the decrease in funding support provided to the Department, the Administration has proposed, via trailer bill language, to no longer require that LCSA's prepare cases for state hearings and would instead continue their required complaint resolution process and to refer cases to the state administrative review.

Per Code of Federal Regulations Title 45, Section 303.5, the Department of Child Support Services (DCSS) is to provide an administrative process by which case participants may request a review of their child support case. Although a formal hearing process is not required by federal government, such a process is codified in California Family Code Sections 17800-17804. The administration contends that due to ongoing budget constraints and the proposed reduction to LCSA funding of $5 million General Fund that the statute be amended to remove the state requirement for a formal hearing process.

PANEL

- Department, please present the May Revise proposal.
- Department of Finance
- Legislative Analyst's Office
- Public Comment

Staff Recommendation:

Staff recommends rejecting the proposed trailer bill language and a one-time, unallocated reduction to Local Child Support Agencies by $14.7 million ($5.0 million General Fund).

Eliminating the hearing requirement process through trailer bill would represent a significant policy change that would need to be discussed with key stakeholders in the policy bill process.