

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

ASSEMBLY MEMBER GILBERT CEDILLO, CHAIR

WEDNESDAY, MARCH 13, 2002
STATE CAPITOL, ROOM 444
1:30 P.M.

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CONSENT CALENDAR

4130 HEALTH AND HUMAN SERVICES AGENCY DATA CENTER 5180 DEPARTMENT OF SOCIAL SERVICES

CONSENT 1: HHSDC BUDGET CHANGE PROPOSALS

The Governor's budget contains budget change proposals for the Health and Human Service Agency Data Center.

BACKGROUND:

The Governor's Budget includes the following Budget Change Proposal:

Proposal	Description	Total Cost (Thousands)
CWS/CMS Maintenance and Operations (BCP #4)	Adjusts project budget to reflect the removal of one time costs from the prior year	\$ -14,522
CWS/CMS Server replacement (BCP #13)	Reflects the depreciation of CWS/CMS system servers purchased in the current year	\$ -7,338

COMMENTS:

There were no issues or concerns expressed regarding these proposals.

CONSENT ACTION:

Adopt the proposed budget change proposals.

CONSENT 2: RATE STRUCTURE

The Legislative Analyst's Office recommends HHSDC provide an updated rate structure report.

BACKGROUND:

The HHSDC provides computing services to its client departments, and is reimbursed for these services through rates it charges to these departments. The rates charged by the state's data centers are based on rate studies, which historically have been conducted every two years. Rate studies are important because they provide information that allows the state to determine if its rates are consistent with state administrative policies, are equally applied to all client departments, recover full data center operation costs, and are competitive with other data centers.

The last HHSDC rate study was completed in 2000 and examined rates during the 1998-99 fiscal year. While this study provided some useful information on recommended changes to HHSDC's internal billing and accounting processes, it did not examine data center operations and practices to identify opportunities for increased efficiencies and cost reductions which could result in reduced rates.

In 2001, Teale Data Center (TDC) conducted a financial assessment that evaluated TDC's current operation, compared TDC rates with private and other governmental entity rates, and recommended changes for improving TDC costs, rates, and services. This assessment was more comprehensive than traditional data center rate studies and provided a number of recommendations that TDC will be implementing which are aimed at improving its internal operations, thereby reducing TDC funding needs and decreasing rates to its client departments.

COMMENTS:

Given the Data Center's historical practice of conducting biennial rate studies, it is anticipated that HHSDC will conduct a rate study within the next year. In view of this, The Legislative Analyst's Office recommends that the Legislature direct HHSDC to conduct a rate study similar to the TDC study of its operations for the purpose of improving data center operations, thereby modifying rates and services to client departments. The LAO provided the following supplemental report language:

The Health and Human Services Agency Data Center (HHSDC), in consultation with the Department of Finance, shall conduct a rate study that evaluates HHSDC current operations and processes and identifies operations and processes that should be improved thereby resulting in reduced HHSDC costs and rates and improved services to client departments by February 1, 2003.

CONSENT ACTION:

- Adopt the proposed supplemental report language.

CONSENT 3: HHSDC INCREASED EXPENDITURE AUTHORITY

The Legislative Analyst's Office recommends that HHSDC prove a revised budget proposal for \$2.2 million increase expenditure authority for new data equipment.

BACKGROUND:

The budget proposes to increase HHSDC's expenditure authority by \$2.2 million for additional computer equipment to meet increased workload needs of its client departments. This equipment is data storage equipment needed for additional data storage needs.

COMMENTS:

The Legislative Analyst's Office recommends that the Legislature direct HHSDC to submit a revised budget proposal which adjusts HHSDC's expenditure authority based on actual costs of previously purchased equipment

Each year, in submitting their budgets to the Legislature, HHSDC and the Stephen P. Teale Data Center (TDC) submit technical adjustments which modify the data center's budgets based upon actual expenditures in prior years. Over the past three years, such adjustments have decreased the overall expenditure authority of HHSDC and TDC by \$34.6 million.

The *2001-02 Budget Act* provided HHSDC with \$7.5 million for new computer purchases based upon the estimated purchase price of the technology. This year, however, the Governor's budget does not propose to adjust the HHSDC's budget to reflect the actual price.

It is important that the data center's expenditure authority be adjusted on an annual basis to reflect the actual cost of prior purchases in order to ensure that the data center does not overcharge client departments. At the time this analysis was prepared, HHSDC had not submitted the annual adjustment to reflect the actual price of technology purchased in the current year. In the absence of prior-year actual expenditure information, we are unable to determine the need for additional expenditure authority to purchase the proposed computer equipment.

The Department of Finance has commented that will address this issue in a forthcoming Spring Finance Letter.

CONSENT ACTION:

- Hold Open pending receipt of Spring Finance Letter.

CONSENT 4: HHSDC RATE INCONSISTENCY

The LAO recommends that HHSDC correct their overhead rates to reflect a change in policy.

BACKGROUND:

In the *2000-01 Budget Act*, the Legislature approved HHSDC to charge each of the Department of Social Services' (DSS) county-based automation projects a 20 percent overhead rate to reimburse HHSDC for providing overall support to the projects. The HHSDC now proposes to decrease the overhead rate to 15 percent. However, our review indicates that the proposed decrease has not been applied to all DSS projects

COMMENTS:

The Legislative Analyst's Office notes that the Data Center has charged inconsistent overhead rates to its projects. In the budget year, HHSDC reduced its overhead charge from 20 percent to 15 percent of total project costs. However, only two projects (EBT and ISAWS) were charged at the 15 percent rate. The LAO recommends that HHSDC submit a new budget request that reflects the new rates for these projects.

The Data Center has commented that this issue will be addressed in a Spring Finance Letter.

CONSENT ACTION:

- Hold Open pending receipt of Spring Finance Letter.

CONSENT 5: CASE MANAGEMENT INFORMATION AND PAYROLLING SYSTEM (CMIPS)

The Legislative Analyst's Office recommends denying a proposed \$376,000 increase in the CMIPS system project.

BACKGROUND:

The Case Management Information and Payrolling System (CMIPS) is the automated system that records eligibility, manages program information, and performs the payrolling function for the In Home Supportive Services Program.

The existing CMIPS system is nearing obsolescence. A new system is need to handle the increased complexity and scope of the IHSS program. The Department intends to replace the existing CMIPS system once the current contract for maintenance and operations expires. The Department intends to utilize an option to extend the system an additional year to continue the existing system.

The new CMIPS system will be called CMIPS II. In order to meet the needs of the diverse needs of the CMIPS II, the Department of Social Services has convened focus groups. These groups included representatives from county welfare departments, labor unions, public authority agencies, county controllers, and district attorneys.

COMMENTS:

The Legislative Analyst's Office recommends denying a proposed increase of \$376,000 for the CMIPS project and approving the extension of three limited-term positions for the CMIPS project. According to the LAO, HHSDC requested an additional \$376,000 to continue three limited-tenure positions that currently work on the CMIPS project. The LAO reports that the Department made a technical error in its budget request, which resulted in a double budgeting of the funding needed to continue these positions. LAO believes that the project can continue within baseline project funding by continuing the limited term positions.

Finance concurs with the LAO recommendation.

The DSS and Data Center report that the State is currently negotiating the scope and timeline of the replacement of the CMIPS system. As a result, specifics regarding the implementation of an improved CMIPS system will not be available at the time of the hearing.

CONSENT ACTION:

- Deny Budget Change Proposal and Reduce CMIPS project (4130-001-0632) by \$376,000
- Approve continuation of three limited tenure positions for the CMIPS project.

CONSENT 6: ELECTRONIC BENEFITS TRANSFER (EBT) PROJECT PROPOSAL

The budget proposes a \$36.3 million increase to HHSDC's expenditure authority to reflect implementation of the Electronic Benefit Transfer (EBT) Project.

BACKGROUND:

Federal welfare reform legislation required all states to implement EBT systems for food stamps by October 1, 2002. The system uses debit card technology and retailer terminals to automate benefit authorizations, delivery, redemption and financial settlement. AB 2779 (Aroner), Chapter 329, Statutes of 1998 required that the state contract with a single vendor for the implementation of California's EBT system and that the HHSDC provide the project management for the EBT project.

COMMENTS:

The State requested and was approved to receive a waiver for the EBT system requirement. Currently, the Data Center anticipates completing the project by 2004.

CONSENT ACTION:

- Approve proposed budget request.

▪ ITEMS TO BE HEARD

4130 HEALTH AND HUMAN SERVICES AGENCY DATA CENTER 5180 DEPARTMENT OF SOCIAL SERVICES

BACKGROUND:

The Health and Human Services Agency Data Center (HHSDC) provides departments and agencies with the Health and Human Services Agency support to use electronic data processing resources effectively, efficiently, and economically. HHSDC is supported entirely by reimbursement from departments that contract with the data center for services.

The HHSDC has two general components. The operations component provides computer services, telecommunications support, information systems, and training support for department in the Health and Human Services Agency. The Systems Management Component manages five major projects for the Department of Social Services. These include:

1. The Statewide Automated Welfare System (SAWS), automating eligibility and administrative functions for CalWORKs, Food Stamps, Medi-Cal, Foster Care, Refugee and County medical services programs;
2. the Child Welfare Services, Case Management System for the Child Welfare Services, Foster Care, and Adoptions programs;
3. the Statewide Fingerprint Imaging System (SFIS) to identify duplicate applicants for CalWORKs benefits;
4. the Electronic Benefits Transfer (EBT) program to deliver assistance benefits to eligible recipients through electronic funds transfer;
5. the Case Management, Information, and Payrolling System (CMIPS) for the In-Home Supportive Services (IHSS) program.

ISSUE 1: STATEWIDE AUTOMATED WELFARE SYSTEM (SAWS) BACKGROUND AND OVERSIGHT

This section explains the various automation projects that compose the SAWS system and address one of the Legislative Analyst's Office concern regarding SAWS oversight.

BACKGROUND:

All of the computerized case records for the CalWORKs, Food Stamps, Medi-Cal, Foster Care, Refugee and County medical services programs are to be managed by the Statewide Automated Welfare System (SAWS). SAWS is a series of four major projects that will provide the automation infrastructure that county caseworkers must use to issue benefits, record client eligibility, and track client's completion of ongoing programmatic requirements, such as verifying immunization of children in a CalWORKs family. These systems will also be the primary data reporting tools used by the State and counties for all facets of policymaking and planning.

Prior to SAWS, counties relied on a loose patchwork of eligibility determination systems. Since these systems were first designed in the 1970's, advances in information technology have allowed for an expansion to the functionality of these systems and vast improvements to the user interface. As a result, the four consortia are in the process of undergoing an overhaul of their original computer systems to comply with the current standards for Information Technology equipment. These changes include major investments in computer hardware and infrastructure that has been underway for over a decade. Many of these systems are originally based upon a 1970's mainframe computer architecture, in which one central process does all of the computing for the system. The newly designed systems are based upon a more modern design of network personnel computers, similar to the systems used in most modern offices. The transition of each system from the older architecture to the new standard requires years of planning and implementation to realize.

Since the SAWS system is the central tool county workers use to perform their jobs, improvements to these computer systems have the potential to improve the effectiveness and efficiency of these programs.

Automate eligibility. New computer system designs allow the computer system to calculate program eligibility. Using the more modern technology, a county employee can enter various data elements into the computer and the computer will calculate eligibility in less than three minutes. Using the older computer system design, eligibility is determined by the county worker manually (i.e. using pen and paper or calculator) and the results of these calculations are entered into the computer system for record keeping. Shifting to automated eligibility reduces the time it takes for a client to receive the determination of eligibility, reduces the amount of specific training county workers must receive, and reduces the program error rates. Currently, the ISAWS system and

LEADER allow automated eligibility determination. Automation eligibility is a central feature of the new C-IV and WCDS systems.

Better data reporting. The new computer systems allow counties more flexibility in data gathered and reporting. New technology allows the capturing and manipulation of data to provide better policy planning, fraud detection, quality control, and process automation.

Mobility. The current computer infrastructure does not allow workers to leave their offices to perform their job functions. The existing computer design also limits the ability of counties to station workers outside of a central office to perform their job functions. While many programs have moved towards greater partnership with the community, the current systems can not be expanded to allow county workers to operate in new sites without extensive infrastructure investments. The new systems are designed to allow workers to leave the welfare office and operate more in the community.

Responsiveness to program changes. Welfare programs are constantly evolving, requiring constant updating of automation systems to meet programmatic changes. Older systems were designed to administer static eligibility programs containing the same core information for each client. Before welfare reform, most welfare programs collected standard pieces of information using the same forms over several years

Improved maintenance. Many of the older systems were programmed using 1970's era computer programming languages. These computer languages are no longer widely used in information technology. As a result, modifications to the older systems require retaining expensive specialists. In addition, some of the older systems are based upon computer vendor propriety programs that force county welfare departments to continue relationships with the computer vendor to accomplish modifications. As the newer systems are developed, they are using technological standards that are more widely available. Using more widely used information technology standards, the newer systems improve the county's ability to recruit staff and make modifications to the system.

The purpose of SAWS is to provide improved and uniform IT capability to county welfare operations. The system is being delivered through a state partnership with the counties, each of which has chosen to be in one of four consortia. The following matrix shows the four consortia and the current status of each. The HHSDC provides oversight for the four SAWS consortia by preparing project documents, procuring Independent Verification and Validation services, reviewing consortia deliverables, and approving and tracking expenditures. Private contractors provide the actual implementation of the systems.

The table below summarizes the status of the four SAWS systems:

SAWS Project	Current Status	Proposed Budget	Comments
LEADER	Leader was implemented in all of Los Angeles County in April 2001	The proposed budget contains funding to continue maintenance and operation of the system	Los Angeles County believes that its proposed LEADER allocation is not sufficient to allow the county to program the system to accommodate recent program changes
ISAWS	ISAWS was implemented in 1998 and is currently in maintenance and operations	The proposed budget contains funding to continue Maintenance and Operations of the system	ISAWS is supposed to end operations in the next five years and its 35 counties are supposed to join other consortia
CDS (CalWIN)	CalWIN is scheduled to be implemented over the next two fiscal year	The proposed budget provides funding equal to that of the current year—but less than required to implement the system on the existing project timeline	Members of the CDS Consortium state that the reduced allocation for CalWIN will delay full implementation of the new system by 4 months
C-IV	C-IV is scheduled to be implemented over the next two fiscal year	Funded using Lease Revenue Bond, C-IV will begin implementation this year close to the original schedule	C-IV is scheduled for implementation in FY 2003-2004

Four other computer projects linked to SAWS are underway. The table below details these projects:

Project	What it does	Why it is needed	Status
WDTIP	Measures time on aid for all SAWS systems	WDTIP tracks the 60 month benefit time clock for CalWORKs/TANF	Should be implemented this year (Except in LA)
CalSERV Middleware	Link records between the four SAWS systems	The federal government requires California to link the SAWS system	Still in the planning stages, no implementation timeline projected at this point, Project is not funded in current or budget year
EBT (Electronic Benefit Transfer)	Replaces paper checks with electronic transfer of benefits to accounts held on cards	Required by the Federal Government for Food Stamps	Implementation underway should be implemented by April 2004
SFIS (Statewide Fingerprint Imaging System)	Photographs and fingerprints applicants for cash aid	Initiated by the State	Currently being maintained

COMMENTS:

The Data Center provides oversight for the four SAWS consortia by preparing project documents and budget proposals, reviewing consortia deliverables, managing project risk on the four SAWS consortia, and approving and tracking expenditures. Both state staff and contractors perform these oversight activities.

The Legislative Analyst's Office notes that the budget includes a total of \$7 million for SAWS-related oversight activities, including \$2.3 million for consulting services. However, HHSDC is unable to provide details on the consulting services that are to be provided by the contractors. Specifically, the budget request does not indicate what specific activities and tasks will be performed during the budget year. In the absence of this information, the Legislature does not have sufficient justification for providing the \$2.3 million in expenditure authority in the budget year. Therefore, the LAO recommend that the Legislature reduce HHSDC's expenditure authority by \$2.3 million.

The Data Center has provided the Subcommittee with an accounting of the additional oversight contracts. According to the Data Center, the oversight provided through these contracts allows the Data Center to retain specialists to provide analysis and

recommendation regarding the implementation of its projects. The Data Center reports that there have been several projects that have experienced substantial savings due to these oversight contracts.

ISSUE 2: LEADER

Los Angeles County is concerned that the current level of funding for the LEADER system will not allow the County to effectively administer some state-mandated programs.

BACKGROUND:

As previously mentioned, LEADER is the SAWS system for Los Angeles County. The scope of LEADER is massive, it is one of the world's largest computer systems. Every working day, the system processes nearly five million transactions, making it equal in scope to the automation system that is used to run the European Common Market.

LEADER was difficult to implement. A problem with the system memory resulted in a several year delay. The final computer system was also \$66 million over budget.

LEADER was also implemented in a time of dynamic change in welfare programs. Between the time in which the LEADER system was developed and implemented, significant policy changes were enacted that were not included in the scope of the original LEADER project. To ensure that the system was implemented without further delay, Los Angeles decided to first implement the LEADER system, then update the system to reflect the recent policy changes.

However, in the current year DSS has not provided sufficient funding to allow the LEADER system to make the needed modifications to accommodate these new programs. Currently, the LEADER system is not designed to support the following programs:

- 250% Working Disabled Medi-Cal
- Health Families Program Interface
- Continuous Medi-Cal Eligibility for Children
- Express Lane Medi-Cal
- Food Stamp Employment and Training
- Welfare Fraud Linkage Analysis Database System (WFLADS) Interface
- MediCal 1931B
- WDTip Interface
- Direct Deposit
- MediCal Mail-in Application
- EBT Interface
- Participant Notices in Six Threshold Languages (Preliminary Work)
- Two-Parent Family Aid code identification numbers

County workers still have cumbersome computer tricks called "workarounds" that they can use to allow clients to participate in these programs. However, these workarounds are technical in nature and often confuse caseworkers. As a result, the advocates and the media have focused upon the LEADER systems failure to administer these programs.

COMMENTS:

Los Angeles County is currently working with the Department of Social Services and the Data Center to address the remaining problems with the LEADER system. Funding has been identified in the current year to provide the funding to this proposal. Finance comments that there are two principle problems with the current system 1) UNISYS vendor for LEADER has not provided the a sufficient details for the procurement of the new system and 2) the proposed changes are estimated to cost between two to three times more than what one would expect.

While the Los Angeles and the Data Center are optimistic that they will agree upon a plan to fix the problems with LEADER, the Subcommittee could consider adopting placeholder Trailer Bill Language to allow the Los Angeles to roll over current year funding to address the problems with the LEADER system.

ISSUE 3: FUTURE PLANNING INTERIM STATEWIDE AUTOMATED WELFARE SYSTEM (ISAWS)

The CWDA has proposed language to begin the planning process of the transition of the ISAWS system to other consortia.

BACKGROUND:

The budget proposes a \$5.2 million expenditure increase for the ongoing support and maintenance of the Interim Statewide Automated Welfare System (ISAWS). The ISAWS system consortium was completed in 1998 and continues to operate in its 35 counties. The system itself consists of mainframes and midrange servers housed at HHSDC, and personal computers located throughout the 35 counties. The current contract for the software maintenance vendor is set to expire in December 2003.

In addition, the ISAWS consortium also is planning to replace its current ISAWS system with either the Welfare Case DataSystem (WCDS), LEADER, or the Consortium IV (C-IV) system; however the new replacement system will be unavailable to the ISAWS consortium until 2004 or 2005 when the WCDS and C-IV implementations are complete.

COMMENTS:

CWDA has requested that Trailer Bill Language be adopted to begin planning for the transition of ISAWS counties to other consortia. The CWDA believes that this language will facilitate a seamless transition from ISAWS to other consortia. The proposed language is as follows:

The Health and Human Services Agency Data Center and the California Department of Social Services shall work with the ISAWS Consortium to develop a plan for expeditiously migrating the 35 SAWS counties to another SAWS Consortium. This plan will be submitted to the Legislature by September 1, 2002.

The Data Center has commented that it intends to begin planning for the ISAWS transition as the language indicated.

ISSUE 4: DISCONTINUING C-IV PROJECT

The Legislative Analyst's Office proposes discontinuing the C-IV project as one of the options for dealing with the State's fiscal crisis.

BACKGROUND:

The SAWS C-IV provides automation capabilities for the welfare and employment services programs in San Bernardino, Riverside, Stanislaus, and Merced Counties. The ten-year total project cost is estimated to be \$581 million (\$267 million onetime and \$314 million ongoing). Planning for the project started in 1996 and expenditures to date from all fund sources are \$109 million.

The C-IV automation capabilities are also available through the CalWIN system operated by the Welfare Case Data System consortium. It might also be possible that LEADER will have the same automation capabilities as CalWIN.

COMMENTS:

According to the Legislative Analyst's Office, since the CalWIN system provides the same automation capabilities as the C-IV system and the CalWIN schedule provides for additional counties to be implemented after June 2004, the C-IV system can be terminated without affecting either county automation capabilities or implementation schedules. Discontinuing the system will result in project development savings of approximately \$470 million. With regard to 2002-03, there would be General Fund savings of \$16.3 million and TANF savings of \$52.4 million.

Accenture Consulting, the vendor for the C-IV system comments that it believes that the LAO project numbers do not accurately reflect the savings resulting from the elimination of the C-IV system. The Department of Finance has been unable to determine the amount of savings that would result from adopting the LAO option, but is attempting to provide an estimate in time for the hearing.

Accenture Consulting provided a packet of letters from several ISAWS Counties expressing their desire to join the C-IV system. The Data Center has commented that if the C-IV system is eliminated, it is likely that all of the Counties would elect to join the CalWIN system. All of the ISAWS counties have collectively expressed an unwillingness to join the LEADER system for technical, programmatic, and political reasons.

ISSUE 5: INTERNET PASSPORT PILOT

The Subcommittee should consider adopting placeholder trailer bill language for the cleanup of the Internet Passport Pilot project implementation language.

BACKGROUND:

Last year, a budget trailer bill (AB 427 Hertzberg) created a Foster Care internet passport pilot computer system. The system is intended to store school and medical records of foster youth moving through the foster care system. The Data Center is currently in the initial stages of implementation of this project.

COMMENTS:

The DSS, Data Center, and Finance are committed to implementing the Internet Passport. However, there is a concern that the current law will not allow for successful implementation of the passport system without some technical cleanups. The Subcommittee could enact clean-up trailer bill language to make these technical changes to allow the system to be implemented as intended.

ISSUE 6: SFIS STATEWIDE FINGERPRINT IMAGING SYSTEM

The Legislative Analyst's Office has recommended reducing additional funds requested for the SFIS system.

BACKGROUND:

The 1996 Budget Social Services Trailer Bill required applicants and recipients of CalWORKs or Food Stamps benefits to be fingerprinted as a condition of eligibility. As a result, the Department of Social Services adopted regulations that require the following groups to be both fingerprinted and photographed in order to receive benefits:

1. Parents and caretaker relatives of the child that live in the home of the child
2. Parents and caretaker relatives applying for aid on the basis of an excluded child.
3. Aided adults.
4. Aided applicant pregnant women.

In addition, in some California counties undocumented adults are required to be photographed and fingerprinted as a condition for an eligible family member to receive CalWORKs or Food Stamp benefits. Undocumented adult family members are not eligible for Food Stamps, CalWORKs or the California Food Assistance Program. According to advocates, if an undocumented adult refuses to be photographed and fingerprinted, the entire family can face sanctions or be denied eligibility.

The original justification for the SFIS program is based upon a pilot program in Los Angeles County called AFFIRM. A 1997 evaluation of the AFFIRM program showed that the fingerprinting all welfare clients would save an estimated \$53-\$65 million per year in Los Angeles County alone by preventing between \$59-82 million in welfare fraud.

SFIS is designed to prevent "Multiple Case Fraud" when an individual receives multiple aid payments by applying for benefits using different identities or residency in multiple counties.

The Governor's budget proposes total funding of \$11.4 million for the ongoing maintenance and operations for the SFIS Project. This amount includes a proposed augmentation of \$561,000 in 2002-03. The proposed increase has three components:

1. **Software Independent Verification and Validation (IV&V) Services.** Software IV&V is the review of software development processes and practices to ensure compliance with project standards and policies. The budget requests \$293,000 to continue IV&V services on the SFIS project.

2. **Legal Services.** The budget proposes to increase HHSDC's expenditure authority by \$78,000 for additional legal services resulting in a total of \$171,000 for SFIS legal services. (There is currently \$93,000 in the baseline.) The HHSDC indicates these additional legal services are needed to support SFIS lawsuits and legislative issues.
3. **Fingerprint Expert Consulting.** The budget proposes to increase HHSDC's expenditure authority by \$190,000 for additional consulting services to review proposed equipment replacements scheduled for 2003-04.

COMMENTS:

The Legislative Analyst's Offices expressed several concerns with the proposed \$561,000 augmentation to SFIS. First, the Legislature approved additional state staff in 2000-01 to review proposed SFIS changes. The LAO concludes that these positions can also conduct reviews to ensure compliance with project standards. Accordingly, the LAO recommends that the Legislature deny the request for additional IV&V services because it is duplicative of activities that should be performed by existing state staff. Second, HHSDC is unable to identify any specific pending lawsuits or legislative activities that legal staff would work on in either the current or budget year. In view of this, the LAO recommends the Legislature deny the proposed \$78,000 increase and further reduce Item 4130-001-0632 by \$93,000 for the unspecified legal services for the project. Finally, the LAO withhold recommendations on the proposed expenditure authority increase of \$190,000 for fingerprint consulting services pending receipt of additional information demonstrating (1) the need to pursue these activities during the budget year, and (2) the impact to the SFIS system should these activities be deferred one year.

In addition, the Data Center reports that the SFIS vendor EDS has notified the State that it will not be renewing its contract September 2003 to continue supporting the SFIS system at its current contract rate. As a result, the State may need to substantially increase the amount of funding for SFIS maintenance and operations in order to find a vendor to continue to support the system.

The Department has commented that all costs relating to the SFIS system are paid with General Funds. According to the Department, this is due to the federal government not approving the use of the SFIS system for the Food Stamps programs.