

**AGENDA**  
**ASSEMBLY BUDGET SUBCOMMITTEE NO. 1**  
**ON HEALTH AND HUMAN SERVICES**

**ASSEMBLYMEMBER GILBERT CEDILLO, CHAIR**

**WEDNESDAY, APRIL 7, 1999**  
**STATE CAPITOL, ROOM 444**  
**1:30 P.M.**

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**4440 DEPARTMENT OF MENTAL HEALTH****ISSUE 1: PATTON STATE HOSPITAL PHARMACY POSITIONS**

The budget proposes an increase of \$377,000 from the General Fund and eight new pharmacy positions at Patton State Hospital to support the automated medication dispensing system that is being implemented to replace the current "floor stock" system.

**ISSUE 2: FIRE AND LIFE SAFETY UPGRADES AT PATTON STATE HOSPITAL**

The budget proposes a one-time General Fund augmentation of \$350,000 to purchase two trailers for use as swing space during renovation of the Ed Bernath (EB) Building at Patton State Hospital for fire and life safety upgrades.

**ISSUE 3: MENTALLY DISORDERED OFFENDER EVALUATIONS**

The budget proposes a General Fund increase of \$362,000 and one psychologist position for workload associated with Mentally Disordered Offender evaluations.

**ISSUE 4: MASTER BILLING PROJECT/ PHARMACY INFORMATION ENHANCEMENTS**

The budget proposes a General Fund augmentation of \$323,000 and four new, three-year limited term positions to modify the Hospital Automation System to allow for additional third party billing and to add enhanced pharmaceutical information.

**ISSUE 5: METROPOLITAN STATE HOSPITAL R&T AND ADMINISTRATION BUILDINGS— CAPITAL OUTLAY**

The budget proposes an increase of \$16.9 million (\$8.9 million General Fund, \$4.8 million Earthquake Safety Public Building Rehabilitation Fund, and \$3.1 million in federal reimbursements) to replace the R&T and Administration Buildings at MSH.

The department also requests, through a Finance Letter, an increase of \$534,000 to augment the construction phase of this project.

**ISSUE 6: METROPOLITAN STATE HOSPITAL ELECTRICAL SERVICE— CAPITAL OUTLAY**

The budget proposes an increase of \$156,000 to upgrade the electrical service at Metropolitan State Hospital.

**ISSUE 7: ATASCADERO STATE HOSPITAL DISPATCH SYSTEM— CAPITAL OUTLAY**

The budget proposes an increase of \$55,304 to improve the dispatch system at Atascadero State Hospital.

**ISSUE 8: ATASCADERO STATE HOSPITAL SECLUSION ROOM DOORS— CAPITAL OUTLAY**

The budget proposes an increase of \$168,000 to widen two seclusion room doors at Atascadero State Hospital.

**ISSUE 9: NAPA STATE HOSPITAL – CAPITAL OUTLAY**

The budget proposes an increase of \$157,000 to upgrade the electrical systems at Napa State Hospital.

**ISSUE 10: PATTON STATE HOSPITAL – CAPITAL OUTLAY**

The budget proposes an increase of \$6.7 million to correct for various Fire, Life, Safety Code deficiencies at the Ed Bernath Building at Patton State Hospital.

The department also requests, through a Finance Letter, an increase of \$1,122,000 to augment the construction phase of this project.

**5100 EMPLOYMENT DEVELOPMENT DEPARTMENT****ISSUE 11: TEAM (FINANCE LETTER)**

The department requests an increase of \$1,380,000 (\$829,000 Unemployment Administration Fund, \$324,000 disability Insurance Fund, \$190,000 General Fund, and \$37,000 Employment Training Fund) and the addition of 43 positions over the amount proposed for the budget year to process tax receipts. The budget proposal had proposed to eliminate 359.9 positions to reflect the efficiencies from implementation of the automated tax collection project, known as the Tax Engineering and Modernization Project (TEAM). Due to implementation delays, the department requests to modify the budget year proposal to reflect the elimination of 316.9, rather than 359.9 positions.

**ISSUE 12: LABOR MARKET INFORMATION (FINANCE LETTER)**

The department requests an increase of \$2,912,000 in federal funds and 32.3 personnel years to the budget proposal to reflect additional funding for employment-related data collection activities for the Bureau of Labor Statistics programs and One-Stop Career Centers.

**ISSUE 13: REAPPROPRIATION LANGUAGE (FINANCE LETTER)**

The department requests additional budget bill language for reappropriation authority of carryover funds for the One-Stop Career Centers.

**ISSUE 14: SCHOOL-TO-CAREER**

The budget proposes an increase of \$21.9 million in federal funds and 14.2 one-year limited-term positions to administer the School-to-Career program.

**ISSUE 15: AB 3086 PARTNERSHIP PROJECT**

The budget proposes an increase of \$982,000 from the Contingent Fund and 34 permanent positions to continue the consolidation of the taxable wage and personal income tax (PIT) information and to improve PIT reporting and payment controls.

**ISSUE 16: EMPLOYER GROWTH**

The budget proposes an increase of \$3,081,000 (\$2,650,000 Contingent Fund and \$431,000 Employment Training Fund) and 56.5 positions on a permanent basis for the collection of payroll taxes.

**ISSUE 17: NAFTA**

The budget proposes an increase of \$1,841,000 in federal funds and 6 one-year limited term positions to administer the North American Free Trade Agreement (NAFTA) program which provides assistance to workers impacted by NAFTA.

**ISSUE 18: TAA**

The budget proposes an increase of \$7,493,000 in federal funds and 19.5 one-year limited term positions to administer the Trade Adjustment Act program which provides assistance to workers who have lost or will lose their jobs as a direct result of foreign competition.

**ISSUE 19: STOCKTON FACILITY – CAPITAL OUTLAY**

The budget proposes an increase of \$247,000 to reconfigure the facility in Stockton to include hearing rooms, a public restroom, and a public lobby area.

## 4440 DEPARTMENT OF MENTAL HEALTH

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### ISSUE 20: SVP EVALUATIONS

The Legislative Analyst's Office (LAO) recommends a reduction in the General Fund amount proposed for evaluation of potential Sexually Violent Predators (SVPs) by \$1.2 million because the budget exceeds the amount needed on a workload basis.

#### BACKGROUND:

Current statute enables courts to civilly commit offenders determined to be SVPs to state mental hospitals. The commitments are sought for state prison inmates as they approach their scheduled parole dates. When the California Department of Corrections (CDC) identifies an inmate as a potential SVP, it refers the case to the Department of Mental Health (DMH) for a more in-depth review. The SVP evaluation unit at the DMH determines whether referred inmates meet the basic criteria for commitment and schedules psychological evaluations for those who do. The evaluations are conducted by department staff or one of 35 private clinicians who contract with the DMH.

The budget includes \$3.4 million for SVP evaluations and related costs, such as the time evaluators spend testifying in court, giving depositions, and updating their evaluations when court hearings are delayed. This amount is based on what has historically been budgeted for SVP evaluations. However, the LAO estimates that expenditures will be lower due to the following: (1) trend in actual expenditures is lower, and (2) rate of referrals from the CDC is declining. Specifically, the LAO estimates that expenditures for evaluations will be \$2.2 million in the budget year, or \$1.2 million less than the budget proposes.

#### COMMENTS:

According to the department, the amount recommended by the LAO for reduction is based on adjusting the budget year amount to reflect the current year level of expenditures. The department indicates that if there is an increase in workload in the budget year, a \$1.2 million reduction from the amount proposed in the budget may not leave sufficient funding to cover the workload.

**ISSUE 21: DRUG ALLOCATION FOR STATE HOSPITALS**

The budget proposes an increase of \$6.4 million (\$4,360,000 General Fund, \$1,480,000 realignment reimbursements, \$385,000 reimbursements from the California Department of Corrections and \$175,000 reimbursements from the Department of Developmental Services) to provide medications to DMH patients at the state hospitals.

**BACKGROUND:**

According to DMH, medication costs and expenditures associated with the care and treatment of patients housed within the DMH facilities have risen significantly over the last four years. In 1997-98, approximately \$8.8 million was allocated for pharmaceutical expenditures. However, actual expenditures for 1997-98 are much higher than the allocation amount. The department estimates that pharmaceutical expenditures will be \$15.2 million in 1999-00, which would require an increase of \$6.4 million over the current allocation amount.

Some of the reasons for the increase in pharmaceutical costs include an increase in the number of patients, increased costs associated with treatment of the SVP population, and an increase in the percentage of mentally ill patients receiving atypical agents. California uses a Prime Vendor that supplies all medication to the state. The Prime Vendor contract runs for two years with options to renew the contract for two one-year periods. Medication prices are based on state bid procedures and prices are stable for twelve months at a time during the Prime Vendor contract period. The department indicates that it is initiating a two-year systemwide Drug Use Evaluation Study involving all hospitals to evaluate the clinical and cost effectiveness of the newer atypical antipsychotic agents.

If the patients do not receive adequate medications that are essential for their care and treatment, the department indicates that the following problems could arise: (1) further deterioration of the patient's condition resulting in increased ancillary medical costs and an increase in the average length of stay, (2) increased risk of side effects with the use of older psychiatric medications, (3) increased use of restraint and seclusion, and (4) increased risk of violence and employee and patient injury.

**COMMENTS:**

No issues have been raised regarding this proposal.

**ISSUE 22: METROPOLITAN STATE HOSPITAL – YOUTH PROGRAM**

The budget proposes an increase of \$875,000 from local reimbursements and the establishment of 23 positions on a permanent basis to increase the level-of-care staffing for the Youth Program at Metropolitan State Hospital (MSH).

**BACKGROUND:**

Currently, MSH is the only state hospital which serves children. All children receive intensive psychiatric treatment, which includes individual psychotherapy by a therapist, group therapy, therapeutic activities, and medication. Other types of treatment, such as family therapy and behavioral treatment, are offered as needed.

According to the department, the typical youth patient has experienced multiple failed placements and numerous acute hospitalizations due to behavior that is dangerous to themselves or others. The treatment units at MSH were not designed to address the supervision and treatment needs of the children. A high level of observation and close supervision in the hospital is required to prevent the youth patients from being victimized or from being a danger to other children.

The department projects there will be 120 patients during 1999-00 in this program. Approximately 80 percent are admitted from Los Angeles County. Since the realignment of mental health programs and funding, the counties are responsible for the cost of care for patients they refer to state hospitals. The 120 projected beds would be purchased by county mental health programs.

**COMMENTS:**

Last year, the Legislature provided an augmentation to support 23 limited term positions and outdoor space modifications for the Youth Program at MSH. The budget proposal represents a continuation of the staffing level.



**ISSUE 23: METROPOLITAN STATE HOSPITAL – RELOCATION OF MAIN ENTRANCE**

Metropolitan State Hospital has developed a proposal to relocate its main entrance to address various problems. The projected cost of the proposal is \$633,000.

**BACKGROUND:**

Over the past several years, the main entrance to MSH has been the focus of ongoing discussion between hospital management and City of Norwalk officials. Some of the problems include frequent traffic incidents, disruptions to the surrounding residential neighborhood, difficulty in securing and restricting the flow of traffic into the facility, and occasional walk-aways by patients.

MSH proposes to close its 4<sup>th</sup> Street main entrance to all vehicular traffic. The existing pedestrian gate that is located adjacent to the vehicle entrance would remain open to the public needing access to the hospital from Norwalk Boulevard. This would necessitate a continued security presence at 4<sup>th</sup> Street. All vehicular traffic would be re-directed to one of two gated entrances to be established on the east-side of the grounds along Bloomfield Avenue. The main entrance would be through a 24-hour gate located at the intersection of Bloomfield Avenue and North Circle Drive. A second gated entrance to the grounds would then be opened at the intersection of 9<sup>th</sup> Street and Bloomfield Avenue.

**COMMENTS:**

According to the MSH proposal, the costs of this project would be approximately \$633,000. These costs are not currently included in the Governor's budget. The cost estimate includes about \$201,000 for 5.2 additional hospital police officers and \$432,000 for one-time repairs and improvements.

The Department of Finance indicates that it has not verified the cost estimates for this proposal.

**ISSUE 24: SUPPORTIVE HOUSING**

The budget proposes an increase of \$1 million from the General Fund to implement the California Statewide Supportive Housing Initiative Act to provide supportive housing for CalWORKs recipients with special needs.

The department also requests, through a Finance Letter, the following:

- (1) An increase of \$634,000 in federal funds under the Projects for Assistance in Transition from Homelessness (PATH) federal grant to expand supportive housing programs for homeless persons with mental illness.
- (2) An increase of \$641,000 in federal funds under the Substance Abuse and Mental Health Services Administration (SAMHSA) federal grant and the adoption of trailer bill language to allow the grant increase to be used to further expand supportive housing for persons with mental illness.

**BACKGROUND:**

The California Statewide Supportive Housing Initiative Act was established last year to help provide supportive housing for low-income individuals with special needs. The population that may be served includes individuals with mental illness, HIV/AIDS, and substance abuse histories. The Act specifies the DMH as the lead agency for administering the program and authorizes grant awards to local government or private nonprofit agencies for up to a three-year period. In addition, the grants must be matched. Supportive services may include health care services, mental health services, substance abuse prevention and treatment services, family support and parenting education, employment and educational services, counseling, case management services, and payments for housing costs. The grants would be awarded through a competitive process developed by the Supportive Housing Program Council.

Last year, the Legislature provided a \$5 million augmentation for the program. However, Governor Wilson vetoed the funds. This year, the budget proposes an augmentation of \$1 million to fund projects consistent with the California Statewide Supportive Housing Initiative Act. However, the funds would be targeted for services to CalWORKs recipients with special needs.

The budget assumes that the \$1 million augmentation will be used to meet the state's maintenance of effort requirement in the CalWORKs program.

Currently, about \$700,000 in federal Projects for Assistance in Transition from Homelessness (PATH) funds are also used for services for various supportive housing programs. However, these funds do not specifically target the population of CalWORKs recipients with special needs.

**COMMENTS:**

Due to a continuing demand for these services, several groups have requested the Legislature consider providing another augmentation for the supportive housing program this year. The subcommittee may wish to consider an augmentation for other non-

CaWORKs populations with special needs.

**ISSUE 25: CHILDREN'S SYSTEM OF CARE**

The budget proposes a total of \$27.3 million (\$23.3 million General Fund, \$4 million federal funds) for counties to operate the Children's System of Care program in 1999-00, which essentially represents the current year funding level.

**BACKGROUND:**

The Children's System of Care program provides a variety of intensive services including mental health treatment, counseling, education, health care and social services to seriously emotionally disturbed children and their families through an interdisciplinary team of service professionals. The program is designed to prevent the placement of these children into higher cost placements such as foster care group homes, state hospitals, or juvenile correctional facilities. An independent evaluation has shown positive outcomes from this program.

There are currently 42 counties which operate a Children's System of Care program. The following counties do not have Children's System of Care programs: Alpine, Amador, Colusa, El Dorado, Fresno, Glenn, Imperial, Inyo, Lake, Modoc, Mono, Orange, Plumas, San Benito, Sierra, Tulare

Last year, the Legislature approved an augmentation of \$20 million to expand the Children's System of Care program. However, Governor Wilson vetoed \$16 million of the legislative augmentation.

**COMMENTS:**

Several groups have requested that the Legislature consider another augmentation this year. According to the department's estimates, approximately \$10 million would be required to provide funding for the 16 counties that do not currently have the Children's System of Care program. However, not all 16 counties may be able to establish their programs in the budget year due to planning considerations. In addition, \$7.4 million would be required to "fully" fund the current program in Los Angeles County, according to the department's measure for what it costs to fully fund the program.

**ISSUE 26: ANCILLARY SERVICES PROVIDED IN IMDs**

The budget includes \$44 million from the General Fund to repay the federal government for an audit exception resulting from billing for ineligible ancillary Medi-Cal services provided to individuals in Institutes for Mental Disease (IMDs). The budget also assumes that funding for these services will shift to the counties, beginning in 1999-00.

**BACKGROUND:**

IMDs include licensed skilled nursing facilities that are certified to provide a Special Treatment Program of services for clients who need therapeutic services to treat a mental disorder. During the realignment of the mental health program in 1992-93, the state transferred funds to counties associated with the basic bed rate and Special Treatment Program services.

Since 1987, clients residing in IMDs have also had access to Medi-Cal services that are not included in the Special Treatment Program. These services have been funded by the federal and state governments. However, the federal government has recently indicated that certain ancillary services are not eligible for federal funding. These ancillary services include physical health care, medications, and laboratory costs. According to the department, the state has no authority or mandate to continue funding these ancillary services. The department indicates that the annual cost to the counties to continue funding these services will be at least \$12.5 million.

**COMMENTS:**

According to various county representatives, funding for these ancillary services were not transferred to the counties during realignment. These ancillary services are necessary for the treatment and care of IMD patients and without federal or state funding, counties would have to provide these services through their indigent health care programs. Therefore, the issue is whether the state should have the responsibility to provide funding for these services. If the state were to fund these services in the budget year, the Department of Health Services indicates that the amount needed would be approximately \$9.4 million, rather than \$12.5 million. This is because \$3 million was inadvertently included in DHS's budget for these ancillary services.

## 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT

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### ISSUE 27: WELFARE-TO-WORK

Current statute requires the department to submit an annual report to the Legislature on the effectiveness of the Welfare-to-Work program and the status of the federal welfare-to-work grant program funds allocated to the state. The first report is due on April 1, 1999 and on April 1 of each year thereafter. The report has not yet been released. The department has been asked to provide an update on the implementation of the Welfare-to-Work program.

The department has also submitted a Finance Letter requesting an increase of \$4,228,000 in federal funds above the amount proposed for the budget year to reflect an increased grant award for the Welfare-to-Work Program.

#### BACKGROUND:

Recent federal legislation provides additional funds to states to augment their welfare-to-work efforts to move the "hardest to employ" welfare recipients into jobs. The funds must be spent on welfare recipients who have been on aid 30 or more months and who meet certain conditions such as lack of education, substance abuse problems, and poor work history. The funds may be used for: community service or work experience programs; job creation through public or private sector employment wage subsidies; contracts with public or private providers of readiness, placement, and post-employment services; job vouchers for placement, readiness, and post-employment services; and job retention or support services.

The federal law requires that 85 percent of the federal welfare-to-work funds be allocated to the PICs in the 52 local Service Delivery Areas (SDAs) in the state to train and place welfare recipients in jobs. The remaining 15 percent may be used at the state's discretion.

California expects to receive approximately \$363 million in federal welfare-to-work funds over two years. Approximately \$162 million was appropriated in 1997-98. The Budget Act of 1998-99 included the following:

- \$147 million for allocation to the local Private Industry Councils (PICs);
- \$50.5 million, which represents the state's share of discretionary funds, to be allocated on a competitive basis to local entities to facilitate local collaboration of government entities and private businesses;
- \$1 million for 16 two-year limited term state staff positions; and
- \$3 million in reserve for administration in subsequent fiscal years.

States must spend \$1 in matching funds for every \$2 in federal funds. In 1997-98, the state provided \$10 million as a match. As proposed in the Governor's budget, California would provide a state match of another \$25 million from the General Fund in 1999-00. Under this scenario, the state would need to provide another \$60 million before June 29, 2001 and another \$86.5 million by June 30, 2002. If the May Revision Finance Letter is approved, the state would need to provide an additional \$2.1 million as a state match for the increase in federal funds. There is no Finance Letter at this point to provide the additional \$2.1 million state match in the budget year. The budget proposes to allocate the \$25 million state match through the Department of Social Services to counties for their CalWORKs programs.

**COMMENTS:**

According to the department, the \$162 million that was appropriated in 1997-98 was not allocated to the local SDAs until September 1998. At this point, data from only the September to December 1998 quarter is available. This data shows that \$3.2 million of the \$162 million had been expended as of December 31, 1998. The state is currently waiting for federal approval on the state's plan for the second-year funds.

President Clinton proposes to reauthorize the Welfare-to-Work program in federal fiscal year 2000, with several program modifications. These include a stronger focus on increasing the employment of low income fathers, increasing resources to Indians and Native Americans, and extending the Work Opportunity and Welfare to Work Tax Credit to encourage more employers to hire welfare recipients and other low-income individuals. The President's budget includes \$1 billion for the Welfare-to-Work initiative in federal fiscal year 2000.

**ISSUE 28: WORKFORCE INVESTMENT ACT**

As part of the 1999-00 budget, the Governor proposes the Workforce Investment Initiative by using the new federal Workforce Investment Act (WIA) of 1998 as an opportunity to consolidate and improve the state's education, employment and training programs.

**BACKGROUND:**

The WIA replaces the federal Job Training Partnership Act (JTPA). The JTPA authorizes job training programs to prepare youth and unskilled adults for entry into the labor force. The federal law requires states to implement the provisions of the WIA by July 2000. Currently, the JTPA funds are administered through the state's Employment Development Department.

Some of the major features of the WIA include:

**Funding Structure:** Under the JTPA, states receive separate funding allocations for disadvantaged adults, dislocated workers, disadvantaged youth, and summer youth programs. Under the WIA, the state will receive separate funding allocations for adults, dislocated workers, and youth programs. The department expects California will receive approximately the same level of funding under the WIA as it does under the JTPA, or about \$542 million. In addition, the distribution of federal funds among the programs remains essentially the same.

**State and Local Funding Allocations:** The following table shows the JTPA funding allocations for 1998-99 and the required funding allocations between the state and local levels under the JTPA and the WIA. Under the WIA, statewide activities must include incentive grants, technical assistance, management information systems, evaluation, and "one-stop" system building. Allowable statewide activities include incumbent worker projects, authorized youth and adult activities, and additional system building. No more than five percent may be used for state administration.



<b>Comparison of JTPA and WIA State vs. Local Level Funding Allocations</b>		
<b>JTPA allocation (1998-99)</b>	<b>JTPA</b>	<b>WIA</b>
Adults  \$152 million	<ul style="list-style-type: none"> <li>➤ 77 percent to local areas</li> <li>➤ 23 percent for state level (five percent for state administration, five percent for state incentives, eight percent for education and coordination grants, five percent for older workers programs)</li> </ul>	<ul style="list-style-type: none"> <li>➤ 85 percent to local areas</li> <li>➤ 15 percent for statewide activities</li> </ul>
Dislocated Workers  \$228 million	<ul style="list-style-type: none"> <li>➤ 60 percent to local areas</li> <li>➤ 40 percent for state level (includes administration, rapid response, and special projects)</li> </ul>	<ul style="list-style-type: none"> <li>➤ 60 percent to local areas</li> <li>➤ 40 percent for state level (15 percent for statewide activities and 25 percent for rapid response activities)</li> </ul>
Youth  \$162 million	Summer Youth <ul style="list-style-type: none"> <li>➤ 100 percent to local areas</li> </ul> Youth Training <ul style="list-style-type: none"> <li>➤ 82 percent to local areas</li> <li>➤ 18 percent for state level</li> </ul>	<ul style="list-style-type: none"> <li>➤ 85 percent to local areas</li> <li>➤ 15 percent for statewide activities</li> </ul>

***Target Population Groups:***

**Adults.** The JTPA serves primarily economically disadvantaged adults ages 22 and older. Under the WIA, all adults ages 18 and older are eligible for services. Priority for intensive services must be given to recipients of public assistance and other low-income individuals in areas where funds are limited.

**Dislocated Workers.** The new law excludes long-term unemployed from the definition of dislocated workers and adds displaced homemakers to the definition.

**Youth.** Eligible youth must be ages 14-21, low-income, and meet at least one of six specific barriers to employment. Five percent of the youth may be non-low-income if they have one or more specified barriers to school completion or employment. At least 30 percent of the funds for youth must be spent on out-of-school youth. The WIA also puts more emphasis on education and occupational training services for youth. Specifically, the WIA requires additional elements for youth services such as: preparation for postsecondary education opportunities or unsubsidized employment, strong linkages between academic and occupation training, tutoring, study skills training and instruction leading to completion of secondary school, and occupation skills training.

**“One-Stop” Delivery System:** The WIA establishes the “one-stop” delivery system as the access point for employment-related and training services. All core services must be available through at least one site. California has already established various one-stop centers in certain areas of the state.

**Customer Choice:** For adult and dislocated worker training, the new law requires the use of Individual Training Accounts (with some exceptions), through which a participant chooses among qualified providers in order to receive services. Currently, most of the training is provided through contracts with training providers and vouchers are used on a limited basis. In addition, a provider must now meet certain eligibility requirements, either through certification or some other procedure.

**Performance Measures:** The WIA establishes indicators of performance for the various programs. The federal government will negotiate the expected level of performance with the state, and the state must also negotiate the expected level of performance with each local area.

**Local Governance:** Currently, the JTPA is administered at the local level through service delivery areas by Private Industry Councils (PICs) in partnership with local elected officials. PICs and elected officials are responsible for developing local plans and for oversight. Under the WIA, local workforce investment boards will replace the PICs and will be responsible for planning and oversight of local programs. In addition, local workforce investment areas will replace the service delivery areas.

**State Governance:** The WIA requires states to establish a state-level workforce investment board to develop the state plan and oversee the programs. The state may retain the current State Job Training Coordinating Council which assists in coordinating and oversight of the state’s workforce programs.

The Governor does plan to establish a State Workforce Investment Board. In addition to meeting federal requirements, the Governor plans to request that the Board develop a plan which rationalizes the state’s use of resources in this area, with consideration to (1) consolidation of various education, training, and employment programs into a comprehensive and integrated workforce development system, and (2) development and application of a performance measurement and benchmarking system with which to measure the effectiveness of workforce development programs and provide a basis for consumer choice in the selection of training providers. Although the state is required to submit its plan to the federal government by April 2000, the Administration hopes to have a plan developed by October 1999.

**COMMENTS:**

In January 1999, the Legislature established the Joint Task Force on the Workforce Investment Act. Since then, the task force has convened several hearings to begin discussions regarding WIA implementation. Several Legislators have introduced bills to implement various provisions of WIA. Due to the July 2000 implementation deadline, the state will need to decide on many key issues this year. On March 16, 1999, the legislative Joint Task Force asked staff to convene workgroups with interested stakeholders to identify the implementation issues and options for the state. These workgroup meetings are scheduled in April 1999.

Some of the major funding related issues include:

- **Program Realignment.** As noted earlier, WIA provides the state an opportunity to consolidate and improve the various education, employment and training programs. According to the California Research Bureau, there are over 30 various job-training programs administered by more than 10 different state agencies. The following tables provide some detail on the various job-training programs which are administered by the EDD.

<b>EDD Job Training Programs Proposed Budget for 1999-00</b> (Dollars in millions)	
Job Agent Program	\$2.5
Job Services – Labor Exchange	\$100.8
Job Training Partnership Act	\$541.3
Intensive Services Program	\$13.9 (includes proposed expansion)
Special Veterans Services	\$18.5
Wagner-Peyser Governor's Discretionary Projects	\$9
School-to-Career	\$21.9
North American Free Trade Act	\$1.8
Trade Adjustment Assistance	\$7.5
Welfare-to-Work	(\$363 million included in prior budget years)
<b>TOTAL</b>	<b>\$717.2</b> (excludes Welfare-to-Work funds)

<b>Federal Wagner-Peyser Funds Governor's Discretionary Projects Expenditure Plan 1999-00</b> (Dollars in thousands)		
CalWORKs	Provides employment services to CalWORKs participants	\$3,576
Youth Employment Opportunity Program	Provides on-the-job and formal training to at-risk youth who, in turn, perform employment counseling and placement to other youth	\$3,152
Base Closure	Provides assistance to dislocated employees in the affected areas	\$893
Project BUILD	Provides job search workshops for persons living in housing projects in Los Angeles County	\$335
Deaf and Hard of Hearing Program	Places service provider staff in EDD field offices who are trained in signing skills, job placement and training skills	\$782
EDD	Administration	\$227
	<b>TOTAL</b>	<b>\$8,965</b>

<b>Employment Training Fund Proposed Budget for 1999-00</b> (Dollars in thousands)	
Employment Training Panel	\$60,468
Department of Social Services: CalWORKs	\$15,000
State and Local Labor Market Information	\$2,962
Tax Collections Branch	\$3,863
Department of Industrial Relations	\$2,854
<b>TOTAL</b>	<b>\$85,147</b>

- **Fiscal Incentives.** WIA requires the state to use a portion of the 15 percent state-level funds for incentive grants to local areas for performance measures, regional cooperation among local boards, and for local coordination of activities. The state will need to establish the performance measures and incentives structure.
- **Statewide Activities.** The state will need to determine the use of the 15 percent state-level funds. In addition to the required activities, WIA allows the state to use these funds for the following activities:

1. Capacity building and technical assistance to local areas, one-stop operators, one-stop partners, and eligible providers;
  2. Research and demonstrations;
  3. Innovative incumbent worker training programs;
  4. Programs targeted to empowerment zones and enterprise communities;
  5. Identification of eligible providers of training services;
  6. Innovative programs for displaced homemakers, which may include an individual who is receiving public assistance and is within two years of exhausting lifetime eligibility under TANF;
  7. Programs to increase the number of individuals training for and placed in non-traditional employment; and
  8. Other activities related to statewide workforce investment
- **Other Needed Resources.** At this point, the total allocation amount to the state under WIA is expected to be similar to the JTPA total allocation. However, depending on the design of the state's new workforce system, there may be a need to identify different and/or additional resources to fund certain activities. These activities might include the performance based accountability system, one-stop career center operations, transition planning, and transition impacts. For example, WIA does not include a "hold harmless" provision for local areas regarding funding allocations.

Most of the funding related issues will not have impacts in the budget year due to the implementation date of the Workforce Investment Act. However, issues such as transition costs and program realignment could be addressed in 1999-00.

**ISSUE 29: INTENSIVE SERVICES PROGRAM**

The budget proposes an increase of \$2,949,000 in federal Temporary Assistance for Needy Families (TANF) reimbursements from the Department of Social Services and 48 temporary help positions to expand the Intensive Services Program (ISP).

**BACKGROUND:**

The ISP provides special employment services to individuals who need more intensive services to obtain employment. ISP clients must meet the following eligibility criteria:

- 1) Unemployed or under employed;
- 2) Potentially employable but needs intensive employment services to become employed;
- 3) Able to benefit from the program;
- 4) Meets at least one of the following criteria
  - a) Has been out of work 15 weeks out of the last 26 weeks prior to the initial interview,
  - b) Referred specifically for ISP by another agency with which program staff have partnerships,
  - c) Public assistance recipient,
  - d) Disability,
  - e) Dislocated worker,
  - f) Non –English speaking,
  - g) High school dropout,
  - h) 40 years and older and encountering difficulties finding work because of age,
  - i) Migrant seasonal farm worker.

Priority is given to CalWORKs recipients. Case managers are required to maintain caseloads of which at least 75 percent represents CalWORKs recipients. CalWORKs recipients are referred by the county welfare departments. Veterans are also given priority for enrollment. Based on data from July through December 1998, there were approximately 25,800 clients, of which approximately 23,703 were CalWORKs recipients.

Services include employability planning, referral to job search training workshops and other EDD services, referral to other supportive services, disbursement of Case Services funds for the purchase of goods and services not available through another resource, referral to training, and desk coaching to improve the client's work habits.

Since 1994-95, the ISP has been supported by federal Wagner-Peyser funds and reimbursements from the Department of Social Services. In the current year, total expenditures for the ISP are \$11.1 million (\$7.8 million federal Wagner-Peyser funds and \$3.3 million federal TANF funds).

The budget proposes to use the augmentation for enhancements to the ISP, such as increasing the number of ISP sites from 80 to 105, increasing the 60-day caseload period to 90 days for post-employment follow-up services, and providing assistance on the use of the CalJOBS internet systems.

**COMMENTS:**

- According to the department, from July to December 1998, there were 25,801 clients enrolled in the ISP and 12,061 “successful outcomes”.
- The ISP and any proposal for expansion should be evaluated in terms of the Workforce Investment Act discussions.
- As a technical note, the budget for the Department of Social Services currently does not include \$2.9 million in reimbursements to the EDD.

**ISSUE 30: NEW EMPLOYEE REGISTRY**

The budget proposes an augmentation of \$4,648,000 in reimbursements (\$1,580,000 General Fund) from the Department of Social Services and the establishment of 109.4 permanent positions, to implement the federally required expansion of the New Employee Registry (NER).

**BACKGROUND:**

EDD's prior NER contained information from 17 industries and excluded reporting on employees under the age of eighteen, wages under \$300 per month, and businesses with fewer than five employees. Federal welfare reform law requires that now virtually all employers are required to report all hires to this registry within 20 days of hiring. Under current state statute, implementation was accelerated from October 1, 1998 to July 1, 1998 in California. Last year, the EDD indicated that this would mean an increase in reporting from 388,000 employers under the current program to approximately 850,000 employers under the new requirements. The federal law also requires states to submit quarterly summaries of wage and unemployment insurance (UI) data.

The proposed funds would be used to modify and maintain the registry database, capture additional data, and report to the national Directory of New Hires (required by federal law). The NER information is used to assist the state in locating parents who are delinquent in their child support obligations. The EDD projects that 18.5 million new hire reports will be processed in 1999-00.

**COMMENTS:**

The Legislature has approved funding since 1997-98 to support the federally required NER expansion. The department indicates that a Special Project Report for the NER is currently being reviewed.



**ISSUE 31: CAPITAL OUTLAY PROJECTS**

The LAO recommends deletion of federal funds for two capital outlay projects at Torrance and Vallejo because the Department of General Services (DGS) cannot manage the new projects in addition to its ongoing workload. The LAO also recommends approval for the San Bernardino project contingent on completion of preliminary plans that are consistent with the cost and scope previously approved by the Legislature.

**BACKGROUND:**

The budget includes \$2,079,000 in federal funds to renovate the San Bernardino Unemployment Insurance office. According to an Infrastructure Study by the Office of the State Architect in 1987, the building's sub-systems were identified as needing major renovation and replacement. However, other than minor repairs, the recommended work was never addressed. The current project would make alterations to the existing floor plan layout, upgrade the facility infrastructure, and increase functional use of the existing space.

The LAO indicates that although the Legislature had previously funded this project for preliminary plans, the preliminary plans had not been completed at the time the LAO's analysis was completed.

The budget also includes \$206,000 in federal funds to renovate the Torrance office and \$291,000 in federal funds to renovate the Vallejo office. Both offices are being designed for One-Stop Career Centers.

According to the LAO, the number of capital outlay projects being managed by the DGS has increased 46 percent since last year. The LAO believes that deferral of these two projects for one year will help bring the capital outlay program into balance with authorized project management resources.

**COMMENTS:**

The department indicates that the preliminary plans for the San Bernardino office have been completed. The department is also concerned about delays in renovating the Torrance and Vallejo offices if the projects are deferred for one year.