

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

Assemblymember Gilbert Cedillo, Chair

WEDNESDAY, MAY 8, 2002
STATE CAPITOL, ROOM 444
1:30 P.M.

CONSENT CALENDAR

ITEM	DESCRIPTION	PAGE
5180	DEPARTMENT OF SOCIAL SERVICES	4
CONSENT 1	CWS COMPLIANCE REVIEW	4
4700	DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT	5
CONSENT 2	LIHEAP SUPPLEMENTAL REPORT LANGUAGE	5
4130	HEALTH AND HUMAN SERVICES AGENCY DATA CENTER	6
CONSENT 3	HHSDC INCREASED EXPENDITURE AUTHORITY	6
CONSENT 4	HHSDC RATE INCONSISTENCY	6
4170	DEPARTMENT OF AGING	8
CONSENT 5	STIPEND AUGMENTATION FOR THE FOSTER GRANDPARENT AND SENIOR COMPANION PROGRAM	8
4200	DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS	9
CONSENT 6	REPORTING ON ALCOHOL AND DRUG PROGRAMS	9
CONSENT 7	SAPT FUNDING FOR NEWSLETTER, TECHNICAL ASSISTANCE CONTRACTS, HIV, AND PREVENTION –SPRING FINANCE LETTER	10
CONSENT 8	TELEMEDICINE	11
4440	DEPARTMENT OF MENTAL HEALTH	12
CONSENT 9	OFFICE OF PATIENTS' RIGHTS	12
5100	EMPLOYMENT DEVELOPMENT DEPARTMENT	14
CONSENT 10	EMPLOYMENT DEVELOPMENT DEPARTMENT REPORTING LANGUAGE	14

ITEMS TO BE HEARD

ITEM	DESCRIPTION	PAGE
6100	STATE DEPARTMENT OF EDUCATION	15
5180	DEPARTMENT OF SOCIAL SERVICES	
ISSUE 1	CHILD CARE REFORM	15
ISSUE 2	CHILD CARE REFORM CONSULTING	17
5180	DEPARTMENT OF SOCIAL SERVICES	18
ISSUE 3	CALWORKS	18
ISSUE 4	DEPARTMENT OF SOCIAL SERVICES VACANCY RATE	19
ISSUE 5	COMMUNITY CARE LICENSING DIVISION STAFFING	20
ISSUE 6	ADOPTIONS PROJECTS	22
ISSUE 7	ADOPTIONS TAX CREDIT	23
ISSUE 8	DSS COST OF DOING BUSINESS INCREASES	24
4130	HEALTH AND HUMAN SERVICES DATA CENTER	25
5180	DEPARTMENT OF SOCIAL SERVICES	25
ISSUE 9	CASH MANAGEMENT, INFORMATION, PAYROLLING SYSTEM	25
ISSUE 10	DATA CENTER PROJECTS	26
5175	DEPARTMENT OF CHILD SUPPORT SERVICES	27
ISSUE 11	PRE-STATEWIDE INTERIM SYSTEMS MANAGEMENT (PRISM) PROJECT	27
ISSUE 12	CHILD SUPPORT TRAILER BILL LANGUAGE	28
4440	DEPARTMENT OF MENTAL HEALTH	29
ISSUE 13	SPECIAL EDUCATION PUPILS PROGRAM	29
ISSUE 14	DEPARTMENT BUDGET QUESTIONS	33
4200	DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS	34
ISSUE 15	ACCOUNTABILITY FOR ALCOHOL AND DRUG TREATMENT FUNDS TO COUNTIES	34
ISSUE 16	DRUG COURT/ PARENTAL SUBSTANCE ABUSE PROGRAM TRAILER BILL LANGUAGE	35
ISSUE 17	DEPARTMENT BUDGET QUESTIONS	37
5100	EMPLOYMENT DEVELOPMENT DEPARTMENT	38
ISSUE 18	DEPARTMENTAL BUDGET REDUCTION QUESTIONS	38
ISSUE 19	USE OF WORKFORCE INVESTMENT ACT FUNDS	39

ISSUE 20	EXPENDITURE REPORTING FOR ONE-STOPs	41
ISSUE 21	CITIZENSHIP TRAINING FOR AIRPORT EMPLOYEES	42
ISSUE 22	ALTERNATE BASE PERIOD BUDGETING FOR UNEMPLOYMENT INSURANCE	43
ISSUE 23	UNEMPLOYMENT INSURANCE CLAIMS FILING	44
ISSUE 24	IMPROVED UNEMPLOYMENT INSURANCE AUTOMATION	46
ISSUE 25	IMPROVEMENTS TO THE UNEMPLOYMENT INSURANCE PROGRAM	48
ISSUE 26	UNEMPLOYMENT INSURANCE INTAKE	49
4100	DEPARTMENT OF AGING	50
ISSUE 27	OLDER AMERICAN FUNDING	50

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

CONSENT 1: CWS COMPLIANCE REVIEW

The Budget proposes to establish four permanent positions to replace four limited tenure positions that work with CWS compliance review with the 58 County Welfare Departments and the 58 County Probation Departments.

BACKGROUND:

The Subcommittee heard this item on April 10, 2002 and had no issues with the proposal.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Adopt Budget Change Proposal.

ITEM 4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

CONSENT 2: LIHEAP SUPPLEMENTAL REPORT LANGUAGE

The Subcommittee will consider conforming to the Senate on an action take regarding the LIHEAP program.

BACKGROUND:

The Senate Budget Committee adopted Supplemental Report Language requiring the Department of Community Services and Development to report on the use of California LIHEAP funding in the budget year.

COMMENTS:

There are no issues with this action.

CONSENT ACTION:

Conform to Senate.

ITEM 4130 HEALTH AND HUMAN SERVICES AGENCY DATA CENTER**CONSENT 3: HHSDC INCREASED EXPENDITURE AUTHORITY**

The Legislative Analyst's Office recommends that HHSDC provide 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 recommended 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 centers' 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.

The Department of Finance has submitted a Spring Fiscal Letter reducing the HHSDC expenditure authority by \$7.5 million to align the expenditures for approved projects with actual expenditures.

CONSENT ACTION:

Approve Spring Fiscal Letter.

CONSENT 4: HHSDC RATE INCONSISTENCY

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

BACKGROUND:

During the March 13th Assembly Budget Subcommittee hearing, the Subcommittee held open an LAO recommendation regarding the Data Center's overhead rate pending the receipt of Spring Fiscal Letters on the subject. The Department of Finance has issued a series of Finance Letters to address this problem.

COMMENTS:

The Department of Finance has issued Spring Fiscal Letters to provide the following decreases to conform with the new HHSDC rate:

- \$35,000 General Fund reduction to the overhead for the Statewide Fingerprint Imaging System
- \$118,000 (\$59,000 General Fund) reduction to the overhead for the CWS/CMS system

CONSENT ACTION:

Approve Spring Fiscal Letters.

ITEM 4170 DEPARTMENT OF AGING

CONSENT 5: STIPEND AUGEMENTATION FOR THE FOSTER GRANDPARENT AND SENIOR COMPANION PROGRAM

The Subcommittee will consider a Spring Fiscal Letter to increase the stipend for the Foster Grandparent and Senior Companion Programs.

BACKGROUND:

The Federal Corporation for National and Community Services (CNCS) increased the hourly stipend for senior volunteers in the Foster Grandparent and Senior Companion programs by 10 cents, to \$2.65 per hour. The CNCS will provide \$62,000 to finance the stipend increase through March 30, 2003, \$21,000 State General Fund will be needed to finance the stipend increase.

COMMENTS:

The Department of Finance has issued a Spring Fiscal Letter to fund the stipend increase.

CONSENT ACTION:

Adopt Spring Fiscal Letter.

ITEM 4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

CONSENT 6: REPORTING ON ALCOHOL AND DRUG PROGRAMS

The Subcommittee will consider conforming to the Senate on a Supplemental Report on Alcohol and Drug Programs.

BACKGROUND:

The Senate has adopted placeholder Supplemental Report Language asking the LAO to prepare an analysis and a plan, in time for budget deliberations next year.

The report will address the barriers to provider participation in the Drug Medi-Cal program and the steps the State could take to increase participation, client access, and improve access.

COMMENTS:

There are no issues with this report.

CONSENT ACTION:

Conform to Senate.

ITEM 4440 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

The Subcommittee will determine whether it wants to allocate federal funding to the below listed projects within the Department.

CONSENT 7: SPRING FINANCE LETTER—NEWSLETTER, TECHNICAL ASSISTANCE CONTRACTS, HIV, AND PREVENTION.

BACKGROUND:

ITEM	PROPOSED CHANGE
Red Voices Newsletter for Native American Community	\$30,000
Technical Assistance Contracts for the Disabled	\$90,000
HIV	\$1.364 million
Prevention	\$5.456 million

The Department proposes to use \$120,000 of federal Substance Abuse Prevention and Treatment Block Grant on an ongoing basis for two local assistance contracts. The first expenditure is to augment the American Indian Training Institute's contract for the Red Voices Newsletter with \$30,000. The second expenditure is to augment the Disability Technical Assistance Contract with \$90,000.

The Department is also proposing to meet the set-aside requirements of the SAPT Block Grant. The two set-aside requirements are for prevention and HIV. The Department states that there will be \$3.1 million used to meet the 20 percent set-aside requirement for prevention. Additionally, there is a 5 percent set-aside requirement for HIV, which would total \$0.8 million in the budget year. The percentages are taken from the ongoing increase from the Federal Fiscal Year 2003 award of \$15.4 million.

The Department of Alcohol and Drug Programs is the single state agency by which the SAPT Block Grant funds are distributed from the federal government to the counties and local providers. The federal Substance Abuse and Mental Health Services Administration (SAMHSA) awards these funds each year through the federal appropriations. The majority of these funds are disbursed to the 58 counties to provide substance abuse treatment, recovery, and prevention services.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH

CONSENT 8: TELEMEDICINE

The Subcommittee will decide whether to conform to the Senate on this issue and withdraw the Subcommittee's proposal to cap Medi-Cal.

BACKGROUND:

In a previous hearing, the Subcommittee capped Medi-Cal reimbursements to providers for psychiatric telemedicine services. However, the regulations governing Medi-Cal do not allow for caps.

The Subcommittee may consider withdrawing its proposal to cap Medi-Cal reimbursements during the two year period of negotiations between the Department of Mental Health and Department of Health Services, in which the departments will determine how to reimburse providers in separate counties for tele-psychiatry services.

The Senate adopted the trailer bill language to require the DHS to have the Fiscal Intermediary process claims on a fee-for-service basis for tele-psychiatric services. There was no fiscal cap to Medi-Cal. The Assembly adopted the trailer bill language, but also imposed a cap of \$100,000 per year for each of the two years.

COMMENTS:

ITEM 4440 **DEPARTMENT OF MENTAL HEALTH****CONSENT 9: OFFICE OF PATIENTS' RIGHTS**

The Subcommittee will consider conforming to the Senate on the issue of maintaining the Office of Patients' Rights for people in Mental Hospitals.

BACKGROUND:

The Governor's budget proposes to reduce the appropriation available for this contract by \$120,000 in General Fund money, which is a 14 percent reduction for 2002-03.

As required by existing statute, the DMH must contract with an independent entity for patients' rights advocacy services at the four State Hospitals. In addition, the contractor must provide training and technical assistance to county patient rights advocates.

Generally, each State Hospital is staffed by one full time patient advocate and a part-time advocate assistant. This currently provides, on average, one advocate per 1,220 patients.

Specifically, state law and regulation require the patients' rights advocate to 1) investigate and respond to patient complaints regarding violation of their rights, 2) investigate patients' allegations of abuse and neglect, 3) provide information to patients about their rights and how to file complaints, and 4) provide training to staff about patients' rights.

Based upon recent annual data, the contractor investigated and responded to 8,434 patients' rights complaints and related issues. Major areas of concern raised by patients included violations of statutory patients' rights, abuse, and neglect.

The contractor notes that although the number of patients, as well as State Hospital staff has increased over time, the number of advocacy staff is the same in 2002 as it was in 1993, the first year the DMH was required to contract for these services.

COMMENTS:

The Senate Budget Subcommittee No. 3 on Health and Human Services deleted \$138,000 from the General Fund which was used for two positions at the Department of Mental Health's headquarters and redirected \$120,000 to backfill for the Office of Patients Rights contract with Protection and Advocacy.

The Senate Subcommittee identified another reduction within the DMH budget to backfill for this proposed contract reduction. It eliminated a vacant Staff Mental Health Specialist position (number 461-600-8325-001) from the Program Compliance section which is used to provide assistance to the section's Deputy Director, and 2) a vacant Research Program Specialist I position (number 461-751-5756-001). **Elimination of these two positions would equate to General Fund savings of \$138,000.**

The current contractor—Protection and Advocacy Incorporated—states that this level of reduction will have a significant affect on their ability to provide viable patient rights advocacy services. Specifically, they note the following concerns: 1) They will not be able to respond to all patient

complaints; 2) The increasing patient populations with even less contract staff will severely strain the system. This is particularly difficult when there are other staffing shortages (such as nursing positions) at the State Hospitals which can lead to increased incidents of patient abuse due to lack of supervision or the increased use of seclusion and restraint; 3) They will not be able to provide "back-up" advocacy services at the State Hospitals.

A Sacramento Bee article wrote on March 19th: "Fourteen people have died and another rendered comatose while being restrained at state licensed mental health facilities since July 1999, according to a report released Tuesday by a legislative research committee. The report by the Senate Office of Research concluded that the state's mental health facilities restrain patients and use seclusion with little oversight and lax regulations."

ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT

**CONSENT 10: EMPLOYMENT DEVELOPMENT DEPARTMENT REPORTING
LANGUAGE**

The Subcommittee will consider conforming to the Senate on Employment Development Department reporting.

BACKGROUND:

The Senate adopted Supplemental Report Language requiring EDD to report on feasibility of collecting additional data from employer data managed by EDD for the purposes of public policy and labor market research.

COMMENTS:

There are no issues with this proposal

CONSENT ACTION:

Conform to Senate.

ITEMS TO BE HEARD

ITEM 6110 **STATE DEPARTMENT OF EDUCATION**
ITEM 5180 **DEPARTMENT OF SOCIAL SERVICES**

ISSUE 1: CHILD CARE REFORM

The Subcommittee will consider a plan to fund the Stage 3 Set Aside.

BACKGROUND:

On April 3rd, the Subcommittee considered the Governor's Child Care Proposal. The Subcommittee adopted the following budget changes:

Child care mode	Governor's Budget	Proposed Change	Revised Amount
CalWORKs Stage 1	\$ 472	\$ 50	\$ 522
CalWORKs Stage 2**	\$ 592	\$ 133	\$ 725
CalWORKs Reserve	\$ 165	\$ -	\$ 165
CalWORKs Stage 3**	\$ 81	\$ 196	\$ 277
APP Regular **	\$ 626	\$ (418)	\$ 208
General Child Care **	\$ 536	\$ 69	\$ 604
After School **	\$ 163	\$ (30)	\$ 133
Total	\$ 2,634	\$ 0	\$ 2,634

At that time, the Subcommittee considered a framework for funding the Stage 3 Set-Aside using savings in childcare items.

On April 23, Assembly Budget Subcommittee 2 took actions to bridge most of the Stage 3 funding gaps. The Subcommittee will consider these reductions as well as additional reductions to fund the Stage 3 Set-Aside in the budget year.

COMMENTS:

The Subcommittee will consider using the following sources as a funding source for the Stage 3 Set-Aside:

Proposed Action	Savings (millions)
Unallocated fund for General Child Care and State Pre-school Expansion *	\$ 26.4
Unearned CalWORKs Contract Funds from FY 00-01 *	\$ 2.7
General Child Care Expansion Carryover *	\$ 4.2
Additional allocation of Child Care and Development *	\$ 17.9
CalWORKs center-based pilot program *	\$ 10.0
Unallocated funds for expansion of State-Preschool	\$ 10.0
Eliminate eligibility for 13 year olds in child care *	\$ 5.5
Prohibit child care payments in arrears	\$ 47.0
Total Savings available	\$ 123.7

* Denotes action taken by Assembly Budget Subcommittee #2

If the Subcommittee adopted the above savings, the Subcommittee would be conforming with Assembly Subcommittee 2 on the asterisked items in the above table. The Subcommittee would also be recommending the adoptions of an unallocated reduction to the expansion of pre-schools to Subcommittee 2. Finally the Subcommittee would be adopting the prohibition of payment in arrears, since this item only effects CalWORKs Stage 1 childcare.

If the Subcommittee adopts the above chart of options to restore the Stage 3 Set-Aside, it will have to make the following changes to CalWORKs Stage 1 and Stage 2 child care to fully fund these items in the budget year:

Childcare mode	Governor's Budget	Proposed Change	Revised Amount
CalWORKs Stage 1	\$ 472	\$ 3	\$ 522
CalWORKs Stage 2	\$ 592	\$ 133	\$ 725
CalWORKs Reserve	\$ 165	\$ -	\$ 165
CalWORKs Stage 3	\$ 81	\$ 253	\$ 334
APP Regular	\$ 626	\$ (418)	\$ 208
General Child Care	\$ 536	\$ 69	\$ 604
After School	\$ 163	\$ (30)	\$ 133
Total	\$ 2,634	\$ 58	\$ 2,692

The Subcommittee could consider restoring Stage 1 and Stage 2 with Child Care Development Block Grant Funds (CCDF).

ITEM 6110 **STATE DEPARTMENT OF EDUCATION**
ITEM 5180 **DEPARTMENT OF SOCIAL SERVICES**

ISSUE 2: CHILD CARE REFORM CONSULTING

The Department of Finance has issued a Spring Fiscal Letter transferring the \$300,000 for the Child Care Reform contract to the Department of Social Services.

BACKGROUND:

Over the past two years, the Results Group, a contractor with the State, has provided technical assistance to the Department of Finance in their efforts to reform child care.

The Department of Finance has issued a Spring Fiscal Letter proposing that the Result Group contract be switched from the Secretary of State and the Consumer Affairs to the Department of Social Services. The proposed \$300,000 Results Group contract is funded with Child Development Block Grant funds. In the budget year, \$150,000 of the funds would be used solely for travel expense for field audits of 10 percent of the child care and development agencies to determine level of compliance with eligibility rules, family fee determinations, and family fee collections.

COMMENTS:

A total of \$442,000 has been provided to the Results Group to date.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 3: CALWORKS

The Subcommittee will discuss the CalWORKs

BACKGROUND:

The Subcommittee heard CalWORKs issues on April 3rd and held several issues open.

COMMENTS:

The Subcommittee may consider closing these open CalWORKs issues.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 4: DEPARTMENT OF SOCIAL SERVICES VACANCY RATE**

The Subcommittee will discuss the Department's vacancy rate.

BACKGROUND:

The Department of Social Services has provided the following table on Departmental vacancies:

DEPARTMENT OF SOCIAL SERVICES (As of March 31, 2002)	
Position	Count
Authorized	4,651.30
Filled Positions	-4,193.08
Vacant Positions	458.22
Budgeted Salary Savings	-363.40
Net Vacancies	94.82
Recruitment/Exemption Requests in process	-100.40
Net Vacancies	-5.58

COMMENTS:

The Subcommittee will consider whether the Department has realized any savings in the current year from the vacancies created during the hiring process.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 5: COMMUNITY CARE LICENSING DIVISION STAFFING**

The Department of Finance has issued two Spring Fiscal Letters addressing Community Care Licensing Division staffing levels.

BACKGROUND:

There are three Spring Fiscal Letters addressing the staffing levels of the Community Care Licensing Division.

1. The Department of Finance has issued a Spring Fiscal Letter reducing a budget proposal for increased licensing staff.

Foster Family Agencies (FFAs) are nonprofit organizations that recruit foster parents, certify them for participation in the program, and provide training and support services. Originally, FFAs investigated complaints associated with their own certified foster family homes. However, Chapter 311, Statutes of 1998 (SB 933, Thompson), transferred the investigation of these complaints from the FFAs to Community Care Licensing Division (CCLD). This transfer was effective July 1999. To meet this workload, the Legislature approved 42 positions (13.5 permanent and 28.5 limited term). In 2000, 3.5 support staff positions were eliminated, leaving 25 limited-term positions.

The Budget proposes 19 new CCLD positions and the conversion of the 25 two-year limited term CCLD positions, noted above, to permanent status. To calculate the Budget-year FFA complaint workload, the Budget uses the number of FFA homes as a proxy for the number of complaints. While the number of FFA homes was a reasonable approach to estimate an unknown workload several years ago, actual caseload data is now available and we believe this is a better predictor of workload in this area.

The Legislative Analyst's Office used 2000-01 complaint data and CCLD's complaint investigation workload standard--16 hours per complaint--to determine recommended staffing. Using these data, the LAO estimated five fewer Licensing Program Analysts (LPAs) will be needed in 2002-03. Because support staff are budgeted according to the number of LPAs, the support staff should be reduced correspondingly by two and the supervisory staff reduced by one. Finally, the LAO recommends a technical correction--denying three other support staff positions--as these exceed CCL statutory staffing and workload standards. Accordingly, The LAO recommends the denial of 11 total positions (five LPAs; three office assistants; two office technicians; and one licensing program supervisor) for a \$425,000 General Fund savings.

2. In addition to the above budget proposal, the Department of Finance has issued a Spring Fiscal Letter restoring 15.8 positions reduced in the Governor's Budget proposal. The Governor's Budget proposed eliminating 25.3 positions in the CCLD as part of the Department of Social Services' General Fund reduction proposal. The Budget assumed that streamlining the school-aged child care facilities operations would allow for a reduction in staffing. Specifically, the Department proposed maintaining the full background check for all care-providers and reducing the frequency of site visits for before and after-school programs from annual to triennial. Currently, the DSS conducts a site visit of licensed family day care homes every three years and child care centers annually.

After reviewing the workload level of the division, the Department of Social Services found that it would need 15.8 positions to fully staff the projected need for the before and after-school licensing function of the CCLD.

3. The third Department of Finance letter requests an additional \$85,000 (\$81,000 General Fund) and 1.5 positions due to increased workload associated with the transfer of the Siskiyou and Yolo Counties licensing of Foster Family Homes and Family Child Care Homes from the counties to the State.

COMMENTS:

The Subcommittee considered the Community Care Licensing caseload staffing budget change proposal on April 10th and on April 24th but did not adopt the Spring Fiscal letter at that time.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 6: ADOPTIONS PROJECTS

The Subcommittee will consider reductions made to the Adoptions program.

BACKGROUND:

The Governor's Budget substituted \$7.3 million Federal adoptions incentive funds for \$7.3 million in General Funds for the Adoptions Services program. This fund shift results in a loss of \$5.5 million Federal Title IV-E funds that matched the General Fund. The combined result of the fund transfer to the Adoptions program is a reduction of \$12.8 million in the budget year.

The Governor's Budget also includes a cost-of-doing business increase for the program. As a result, the net loss to the Adoptions Program is \$7.5 million (\$4.5 million General Funds) in the budget year.

COMMENTS:

The CWDA has commented that the loss of \$12.8 million to the adoption program does not make sense given that the number of children freed for adoption outpaces the basic funding for adoption services.

The LAO researched the impact upon adoptions placement. In the Budget year, there would be a minimal impact to the State General Fund and a small increase in County General Fund as a result of the change. The LAO also noted that there could be a \$5.5 million loss of Federal adoptions incentives in 2003-2004.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 7: ADOPTIONS TAX CREDIT

The Subcommittee will consider addressing a potential cash-flow problem for Adoption agencies.

BACKGROUND:

The Federal Government will begin offering a \$10,000 tax credit for adoptions finalized on or after January 1, 2003.

Adoption agencies receive \$5,000 per placement. Currently, an adoption agency receives 50 percent (\$2,500) of its payment from the State when an Adoptions Placement Agreement is signed and the other half (\$2,500) when the adoption agreement is finalized.

Several small adoption agencies are concerned that their agencies will experience cash flow problems in the first six months of the fiscal year, as families wait to finalize their adoptions until after January 1, 2003 to take advantage of the new tax credit.

COMMENTS:

Small adoption agencies have recommended a temporary change to the payments to adoptions agencies to stabilize cash flow. The agencies recommend that Subcommittee adopt Trailer Bill Language that would allow, between July 1, 2002 and December 31, 2002, the adoption agencies to receive 90 percent (\$4,500) of its payment once the Adoption Placement Agreement is signed and 10 (\$500) percent once the adoption agreement is finalized. The Trailer Bill Language would also require adoption agencies that have not finalized adoptions that had signed agreements during this time period to return the 40 percent (\$2,000) forwarded fee by the end of the fiscal year.

The Department of Social Services comments that the proposed change would result in a significant increase in the workload of the Department. In addition, the Department has commented they would have difficulty collecting overpayments from agencies that initiated an adoption but did not finalize

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 8: DSS COST OF DOING BUSINESS INCREASES

The Subcommittee will consider the effect of suspending cost of doing business increases to counties.

BACKGROUND:

In normal budget years, counties receive a cost-of-doing business increase for their administration of State funded programs. These cost-of-doing business increases cover increases in labor that result from Memorandum of Understand (MOU's) as well as the increased cost in operations resulting from inflation.

In the budget year, the Department of Social Services did not provide cost-of-doing business increases to the following programs:

- CalWORKs
- Food Stamps
- Adult Protective Services
- Foster Care
- In Home Supportive Services

The budget does provide a \$16.7 million increase in the Child Welfare Service Basic Cost for a cost-of-doing business increase. The Adoptions program also received a cost-of-doing business increase.

COMMENTS:

While the State's fiscal condition may necessitate the suspension of the cost-of-doing business increases to counties, the County Welfare Director's Association believes that without these increases the State is effectively cutting direct service provided by counties.

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

ISSUE 9: CASH MANAGEMENT, INFORMATION, PAYROLLING SYSTEM

The Subcommittee will consider change to the Cash Management Information and Payrolling System.

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 needed 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:

SEIU has asked the Subcommittee to consider actions to improve the CMIPS system. In particular, SEIU is concerned that the current system causes delays in payroll processing that delay the payment of IHSS providers.

Although CMIPS II should improve the automation of the IHSS in a couple years, SEIU believes that the CMIPS system needs immediate improvement in the budget year.

On March 13, 2002, the Subcommittee took action to delete funding budgeted for the CMIPS system. The Department of Finance has issued a Spring Fiscal Letter that conforms with this action.

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

ISSUE 10: DATA CENTER PROJECTS

The Subcommittee will hear about steps that the Data Center has taken to reduce costs in Data Center Projects.

BACKGROUND:

During the March 13th Subcommittee hearing, the Subcommittee requested that the Data Center re-examine each of the Data Center's projects and provide an analysis of what could be done to reduce costs.

COMMENTS:

The following table details the Data Center's projects and changes that have been proposed for the budget year:

Project	Changes in Budget Year
CDS-CalWIN	The January budget did not increase funding to implement the CalWIN project on the original timeline and instead maintained funding at the current year level, for a savings of \$40 million.
C-IV	The C-IV project has provided the Subcommittee with an option to delay implementation to the C-IV system, resulting a savings of \$9 million (\$2 million General Fund).
I-SAWS	The project will remain in maintenance and operations in the budget year.
LEADER	The Department of Finance has been working with HHSDC, the vendor, and Los Angeles County to reduce the cost of the system modifications to fit within funding available in the current year.
SAWS Oversight	The LAO and HHSDC, in response to the Subcommittee hearing on March 13 have agreed on a compromise to reduce SAWS consultant funding by \$807,000.
Cal-SERV Middleware	The Department has delayed implementation of this Federally mandated project until after the budget year.

The Department of Finance has also submitted a Spring Fiscal Letter to shift funds from the current year to the budget year to implement the Federally mandated Welfare Data Tracking Implementation Project (WDTIP) automation project. The WDTIP project counts time on aid for purposes of complying with State and Federal welfare time-limit requirements.

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 11: PRE-STATEWIDE INTERIM SYSTEMS MANAGEMENT (PRISM) PROJECT

The LAO recommends reducing the Department of Child Support Services PRISM project Budget proposal.

BACKGROUND:

The budget proposes to redirect \$4.2 million within the Department from the Pre-Statewide Interim Systems Management (PRISM) Project to additional DCSS oversight activities on the CCSAS Project. Chapter 479, Statutes of 1999 (AB 150, Aroner), required Franchise Tax Board to act as DCSS' agent for the procurement, development, implementation, and maintenance of the CCSAS Project.

Of the \$4.2 million being redirected, \$3.3 million are for activities similar to those already being funded in the FTB for the CCSAS Project. Since it is unclear how the proposed DCSS activities differ from FTB's current activities, we withhold recommendation on the DCSS request pending receipt of additional information (1) demonstrating the difference between the two departments' activities, and (2) the likelihood that the redirection will increase project success.

COMMENTS:

The LAO recommended that the Legislature (1) reduce the proposal by \$542,000, (2) provide two additional positions to support the proposed Project Management Office. The Subcommittee heard this issue April 3rd, but did not take action at that time, pending the analysis of a pending Spring Fiscal Letter.

The Department of Finance has issued a Spring Fiscal Letter that would transfer one position from the Franchise Tax Board to the Department of Child Support Services for the CCSAS Project Leader.

The LAO believes that even with the additional position from FTB, its recommendation to use dedicated positions for the Department's automation effort would be more effective than using a contractor. The LAO further feels that adding staff would help the State address Federal concerns with the State's child support automation efforts.

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 12: CHILD SUPPORT TRAILER BILL LANGUAGE

The Subcommittee will consider adopting proposed Trailer Bill Language for the Department of Child Support Services.

BACKGROUND:

The State has historically provided a \$50 administrative incentive payment to county child support agencies for each time they identify and obtain third-party health coverage or insurance of beneficiaries available through non-custodial parents' health benefit plans. The costs of the incentive payments to local agencies are 100 percent General Fund.

The incentive structure pre-dates the reform of the child support program. All the basic costs for the administrative activities to identify and obtain health insurance coverage are now funded within the local agency's basic administrative costs.

Costs recovered through this coverage for CalWORKs/Medi-Cal recipients are used to offset the costs of Medi-Cal benefits. Coverage for non-CalWORKs/MediCal cases results in potential cost avoidance of Medi-Cal expenditures. The savings from this activity are included in DHS estimates for Medi-Cal. Because of the new structure of financing for basic local agency costs, DCSS anticipates that suspension or elimination of this incentive program will have no effect on the rate at which local agencies identify health coverage. The new system anticipates a general, performance-based incentive program (which is also proposed for suspension for one year).

COMMENTS:

Current year expenditures for this program are \$3.0 million General Fund. The Budget proposes to suspend this program to save General Funds. There appears to be no reason to retain this program under the new financing arrangements.

The Senate Budget Committee adopted the Trailer Bill Language suspending the Child Support Incentive program for the budget year. The Senate also adopted Trailer Bill Language eliminating the health incentive Trailer Bill Language.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH**ISSUE 13: SPECIAL EDUCATION PUPILS PROGRAM**

The Subcommittee will consider whether to adopt the Governor's proposed reduction of \$12.3 million (General Fund) to reflect a one-year deferral in advanced payments and whether to adopt the proposed trailer bill language.

BACKGROUND:

Mental Health Services to Special Education Pupils: Federal law (PL 94-142 of 1975-- the Education for All Handicapped Children Act—and the later Individuals with Disabilities Education Act (IDEA)) mandates states to provide services to children enrolled in special education, **including all related services as required to benefit from a free and appropriate education. Related services include mental health services**, occupational and physical therapy and residential placement.

In California, **prior to 1984 School Districts were also responsible for providing the related services to children enrolled in special education. However now, School Districts are only responsible for identifying children in need of special education services and for providing the instruction. This is because AB 3632 (W. Brown), Statutes of 1984, shifted responsibility for providing related services from School Districts and transferred these responsibilities to other state and county agencies.**

Generally, AB 3632 requires County Mental Health Departments to provide mental health services to special education pupils who need the services to benefit from their education (as identified in the student's Individualized Education Plan—IEP).

Mental health services include assessments, and all or a combination of individual therapy, family therapy, group therapy, day treatment, medication monitoring and prescribing, case management, and residential treatment. **Services to be provided, including initiation of service, duration and frequency of service, are included on the student's IEP and must be provided as indicated.** Services can only be discontinued on the recommendation of mental health and the approval of the IEP team, or by parental decision.

Emergency regulations to enact the provisions of AB 3632 were adopted in 1986 and remained in effect until 1997 when they were replaced with permanent program regulations enacted to conform with AB 2726, Statutes of 1996. **One of the reasons emergency regulations were in affect for 11 years was because of the complexity of the program, including a multitude of issues regarding funding.**

It is interesting to note that proponents of the enabling legislation characterized it as requiring coordination of existing services rather than an expansion of services. As such, they maintained that the bill would have minimal, if any costs associated with it. This perspective has been the source of amusement and frustration as considerable costs have been incurred by all parties over the years. However, the increased services to children needing mental health services has been invaluable.

Funding for AB 3632: For the past decade, counties have paid for the cost of the program through (1) categorical funding provided by the DMH as appropriated through the state budget process, (2) mandate reimbursement claims as obtained via the State Commission on State Mandates process, (3) Realignment funds, and (4) third-party health insurance when applicable. **It is estimated that about \$100 million in total funds is expended annually.**

Generally, counties submit claims for the program to the Commission on State Mandates (Commission). It is recognized that these county claims have varied considerably, contingent upon the number of children served, duration and type of services deemed necessary to provide based on the IEP, and related factors. In addition, some counties have claimed up to 100 percent of the treatment costs for the program, while others have claimed other varying levels, including only 10 percent. **It should be noted that the State Controller's Office has "desk audited" these county claims for the past decade without significant exception for years.**

The categorical funding historically appropriated through the annual Budget Act is used as an offset in calculating the amount counties may claim as mandate reimbursements. This categorical funding began in 1986 and has stayed fairly constant since 1987-88. **However, it is widely recognized that program costs have exceeded the categorical appropriation right from the start, with county mandate claims funding the rest. The categorical appropriation (about \$12.3 million in 2001-02) funds only about 20 percent of the costs.**

State Mandate Issue: In 1987, counties submitted a claim to the Commission on State Mandates (Commission), seeking reimbursement of costs in excess of the amount they had received from the state, beginning in 1986-87 for this program.

The Commission ruled in 1990 that counties were entitled to reimbursement of 100 percent of excess costs for assessment, case management, and participation in the IEP process, *and 10 percent of excess costs for treatment.*

It should be noted that the above percentages were derived from sharing ratios contained in the state's Short-Doyle Act, and were applied based on the Commission's conclusion that because the treatment portion of the program was required to be included in county Short-Doyle plans, *it was subject to Short-Doyle funding arrangements.* In 1991, the Commission adopted claiming "Parameters and Guidelines" (Guidelines) for the program *after* Realignment legislation passed which effectively eliminated Short-Doyle funding.

However, the California Mental Health Directors Association (CMHDA) contends that the Guidelines are flawed for several reasons, including the fact that **county realignment** legislation was enacted in 1991 (transferring most of the responsibility for the provision of public mental health services to the counties) and **that AB 3632 was not contained within the parameters of realignment. Thus although the Short-Doyle Act was repealed, the state was not relieved from providing 100 percent of the costs of AB 3632 services.**

State Controller Audits: The State Controller's Office is responsible for, among other things, conducting audits of state mandate claims. **Over the past two years, auditors from the State Controller's Office have been conducting AB 3632 state mandate claim reviews (three years of data from 1997 to 2000) in a few counties, including the County of Orange.**

The auditors are using the Guidelines established by the Commission, and as such, may likely contend that tens of millions of dollars are owed by the counties to the state. At this time, none of the audits have been released for public comment.

In discussions with State Controller staff, it was stated that all additional AB 3632 audits have been placed on hold pending clarification with the Commission.

COMMENTS:

Constituency Concerns and Subcommittee Staff Comment: Generally, many counties have been requesting funding under the state mandate claim process **for the full cost of treatment services, not just the 10 percent as contained in the Parameters and Guidelines developed by Commission.** These claims have been budgeted every year in the state budget and no one has previously questioned or contested this claiming process.

The CMHDA contends that the Guidelines presently in use need to be updated to reflect the true operation of the program. Therefore, to audit based on the Short-Doyle payment standard is not applicable. **As such, the counties have placed the issue before the Commission seeking a revision to the Guidelines.** There has been significant controversy regarding the facts of the case, as well as the options available for achieving a workable solution for all involved parties. In essence, the counties want to generally maintain the existing program and receive a reasonable reimbursement for its operation, including appropriate treatment services.

From these discussions it is evident that absent corrective action, the counties may not only lose funding prospectively, but could also be forced to refund the equivalent of the last three year's worth of claims as submitted to the Commission. According to the CMHDA, this would take possibly hundreds of millions of dollars out of the public mental health system and would effectively, decimate many children's programs.

Further, it is the understanding of Subcommittee staff that Assembly Member Steinberg will be amending a bill to address the prospective aspect of the AB 3632 issue since the Commission is not presently poised to do so.

Proposed Uncodified "Hold Harmless" Trailer Bill Language: Based on discussions with the California Mental Health Director's Association (CMHDA), Subcommittee staff recommends to adopt the following uncodified trailer bill language in order to hold the counties harmless for prior years.

The proposed language is as follows:

"Notwithstanding any other provision of law, with respect to the Handicapped and Disabled Students state-mandated local program, **county reimbursement claims submitted to the State Controller for reimbursement for services associated with providing eligible mental health treatment services to Special Education Program pupils in years up to and including the 2000-01 fiscal year are deemed correct and shall not be subject to dispute by the State Controller's Office.** No county may amend a previously submitted reimbursement claim for the 2000-01 fiscal year or prior for eligible mental health treatment services to Special Education Program pupils."

Governor's Proposed Budget: The budget proposes a reduction of \$12.3 million (General Fund) to reflect a one-year deferral in advanced payments to counties for mental health services to special education pupils. **The DMH states that these costs are expected to be recovered by the counties through the local mandates process.**

ITEM 4440 DEPARTMENT OF MENTAL HEALTH

ISSUE 14: DEPARTMENTAL QUESTIONS FOR MENTAL HEALTH

The Department will answer the Subcommittee's Budget questions.

BACKGROUND:

During the March 13th Hearing the Subcommittee decided to compose a fixed set of questions for all Departments. The Department of Social Services will respond the following questions:

1. What actions have been taken to evaluate the effectiveness of the programs for which you are responsible?
2. Have you made any effort to prioritize the Department's programs?
3. How has your department utilized savings from excess vacancies? Why shouldn't we recapture those savings and positions in FY 02/03?
4. What other funding sources might be available for your programs?
5. The LAO has produced a compilation of options for the Legislature to consider during Budget deliberations. Please comment on those options that you find objectionable and provide the rationale for your opposition.
6. What other areas of your Budget should be considered in our effort to identify additional savings?

ITEM 4440 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

ISSUE 15: ACCOUNTABILITY FOR ALCOHOL AND DRUG TREATMENT FUNDS TO COUNTIES

The Subcommittee is interested in determining the demographics of populations served by state and county alcohol and drug program funding.

BACKGROUND:

The Department will respond to the following questions:

1. How were reductions determined in the last two budget cycles? There is concern that Youth, Perinatal, Technical Assistance, and Drug Courts were hurt proportionally larger than other programs.
2. Please describe the planning process for counties to receive alcohol and drug program funding from the state. Are there advisory boards in each county? How are the county programs governed locally?
3. How are counties held accountable for their funding allocations? How are counties held accountable for the outcomes of the patients treated with their funding?
4. Who are the counties treating? How much money is being allocated in each county by gender, parenting status, age, and treatment mode (outpatient, residential, etc)? How much money is being allocated in each county by program type (perinatal, technical assistance, regular AOD, and unallocated)?
5. How could the state give the counties more flexibility to fund locally appropriate programs, while asserting the state's priorities of funding non-traditional treatment programs that are currently under-funded, such as perinatal residential programs?

ITEM 4440 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS**ISSUE 16: DRUG COURT/ PARENTAL SUBSTANCE ABUSE PROGRAMS
TRAILER BILL LANGUAGE**

The Subcommittee will decide whether to include trailer bill language regarding drug courts and parental substance abuse programs.

BACKGROUND:

The proposed language encourages counties to adopt Drug Court models, which would include, but not be limited to the following components: 1) providing services to parents to facilitate recovery from alcohol or drug dependency, 2) providing the court the ability to treat a failure to comply with recovery services plan as a contempt of court, 3) requiring parents to submit to random drug testing, 4) giving priority to pregnant and/ or parenting women, and 5) providing to the counties from the state one-half of savings in foster care expenditures as a result of the implementation of a parental substance abuse program.

The following trailer bill language is proposed for the Welfare and Institutions Code 362.5:

- (a) It is the intent of the Legislature to encourage counties to establish programs modeled on the Substance Abuse Recovery Management System (SARMS) in San Diego County. Such programs will provide services to parents whose use of alcohol or drugs is detrimental to the safety, protection, pr physical, or emotional well-being of a child who is adjudged a dependent child of the court. The services offered shall include, but no be limited to, the following:*
 - (1) Assessment of the parent by a trained recovery professional within 48 hours of court order;*
 - (2) Development of a recovery series plan designed to meet the parent's needs;*
 - (3) Case management by a recovery specialist;*
 - (4) Random weekly urine testing; and*
 - (5) Biweekly reporting to the court of the parent's compliance with the recovery plan and documentation of the parent's progress.*
- (b) The program will operate under the authority of the county Alcohol and Drug Program Administrator in conjunction with the Juvenile Court and the county child welfare agency. The services described in subdivision (a) may be provided by a government agency or a private service provider through a contract with the county.*
- (c) At disposition or any time thereafter, the recovery services plan shall be incorporated into the court-ordered reunification plan or family maintenance plan. The court may treat any failure to comply with the recovery services plan as a violation of a court order chargeable as contempt of court pursuant to Section 213.*
- (d) Each parent ordered to participate in the program will be required to submit to random drug testing. All contested drug test results may be confirmed by a National Institute for Drug Abuse certified drug laboratory, and the findings shall be reported to the court for appropriate action. The drug testing protocol may be approved by the county Alcohol and Drug Program Administrator in conjunction with the Juvenile Court and the county child welfare agency.*

- (e) In view of the intent of the Legislature in enacting this section, highest priority for program funding shall be designated to programs that provide substance abuse treatment services to pregnant and/ or parenting women.*
- (f) If a county implements a parental substance abuse program pursuant to this section and subsequently documents savings in foster care expenditures that have resulted from the program's implementation, the state shall return to the county one-half of the amount saved as additional funding for the program in the next fiscal year.*

ITEM 4440 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

ISSUE 17: DEPARTMENTAL QUESTIONS FOR DADP

The Department will answer the Subcommittee's Budget questions.

BACKGROUND:

During the March 13th Hearing the Subcommittee decided to compose a fixed set of questions for all Departments. The Department of Social Services will respond the following questions:

1. What actions have been taken to evaluate the effectiveness of the programs for which you are responsible?
2. Have you made any effort to prioritize the Department's programs?
3. How has your department utilized savings from excess vacancies? Why shouldn't we recapture those savings and positions in FY 02/03?
4. What other funding sources might be available for your programs?
5. The LAO has produced a compilation of options for the Legislature to consider during Budget deliberations. Please comment on those options that you find objectionable and provide the rationale for your opposition.
6. What other areas of your Budget should be considered in our effort to identify additional savings?

ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT

ISSUE 18: DEPARTMENTAL BUDGET REDUCTION QUESTIONS

The Employment Development Department will answer the Subcommittee's Budget questions.

BACKGROUND:

During the March 13th Hearing the Subcommittee decided to compose a fixed set of questions for all Departments. EDD will respond the following questions:

1. What actions have been taken to evaluate the effectiveness of the programs for which you are responsible?
2. Have you made any effort to prioritize the Department's programs?
3. How has your department utilized savings from excess vacancies? Why shouldn't we recapture those savings and positions in FY 02/03?
4. What other funding sources might be available for your programs?
5. The LAO has produced a compilation of options for the Legislature to consider during Budget deliberations. Please comment on those options that you find objectionable and provide the rationale for your opposition.
6. What other areas of your Budget should be considered in our effort to identify additional savings?

COMMENTS:

EDD will provide a written response to the above questions.

ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT**ISSUE 19: USE OF WORKFORCE INVESTMENT ACT FUNDS**

The Subcommittee will consider the allocation of Federal WIA 15 Percent Discretionary Funds.

BACKGROUND:

During the May 1 Subcommittee hearing, the Subcommittee heard Workforce Investment Act issues.

COMMENTS:

The Subcommittee could adopt the following alternate to the Governor's allocation for the Workforce Investment Act funding:

Workforce Investment Act 15 Percent Funds Budgeted 2002-2003		
Administration	Governor's Proposed Budget	Assembly Proposed Budget
Employment Development Department Administration	\$18.6	\$18.6
California Workforce Investment Board Administration	\$4.8	\$4.8
Federally Required WIA Activities	\$27.5	\$27.5
Subtotal	\$50.9	\$50.9
Proposed Programs		
Veterans / Disabled Veterans Employment Services	\$1.5	\$0.0
Governor's Award for Veteran's Grants	\$6.0	\$6.0
Department of Education WIA Coordination/Program Integration	\$2.3	\$2.3
Community Colleges WIA Coordination/Program Integration	\$2.3	\$2.3
One-Stop Access to Services Initiative (with the Department of Rehabilitation)	\$1.4	\$1.4
Los Angeles County Work Plan for Worker Retraining	\$6.0	\$6.0
Youth Development and Crime Prevention	\$3.0	\$3.0
Jobs for California Graduates	\$1.0	\$1.0
Female Offenders Treatment and Employment Program	\$2.0	\$2.0
Preventing Parolee Crime Program	\$10.6	\$10.6
YouthBuild	\$0.0	\$0.3
California Savings and Asset Project	\$0.0	\$2.0
Faith Based Initiative	\$0.0	\$4.0
Community Services and Development Naturalization	\$0.0	\$3.0
Unexpended 85 % WIA funds from (00-02)	\$2.5	\$0.0
Programs Under Development (01-02)	\$0.7	\$0.0
Programs Under Development (02-03)	\$4.6	\$0.0
Subtotal	\$43.9	\$43.9
Total proposed expenditures	\$94.90	\$94.90

In addition to the plan dictated above, the LAO believes that last year's budget bill language changes inadvertently dropped the requirement for a competitive bidding process. This inadvertent change has been included in the *2002-03 Budget Bill*. The LAO has recommended changing the existing budget bill language to correct this problem.

On May 1, 2002, the Subcommittee considered Trailer Bill Language to require that WIA 15 Percent Discretionary funds be spent to ensure continued access for the disabled to one-stop centers.

ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT

ISSUE 20: EXPENDITURE REPORTING FOR ONE-STOP

The Subcommittee will consider Budget Bill Language to track State expenditures on One-Stop centers.

BACKGROUND:

There are over 400 One-Stop centers in the State. Tracking the State's investment in these one-stops will help the Subcommittee better understand how these One-Stop Centers work.

COMMENTS:

The Subcommittee will consider the following Budget Bill Language:

By February 1, 2003, the Department will report to the Legislature on the cost it expects to expend to participate in California's One-Stop System for State Fiscal Year 2002-2003. This report will include the number of staff committed and the total cost to participate in each One-Stop. In preparing the report, the Department will coordinate with other State agencies that are also required to report their One-Stop costs. All Departments are expected to report in a consistent format to allow comparison of the State's expected contribution to the various One-Stops in California.

ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT

ISSUE 21: CITIZENSHIP TRAINING FOR AIRPORT EMPLOYEES

The Subcommittee will consider establishing a training program for airport employees.

BACKGROUND:

About 2500 airport workers will be laid off as a result of the federal law that requires US Citizenship in order to work at the security details at airports in California.

COMMENTS:

Workforce Investment Act Displaced Worker/Rapid Response could be used to create a program to provide training to allow airport workers to gain citizenship and keep their jobs.

EDD reports local Workforce Investment Boards in San Mateo (site of San Francisco International Airport) and Los Angeles are planning projects that target airport and hospitality workers that have lost their jobs due to a decrease in tourism and travel. However, neither WIB is reported to have a specific program to target citizenship training.

ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT

ISSUE 22: ALTERNATE BASE PERIOD BUDGETING FOR UNEMPLOYMENT INSURANCE

The Subcommittee will consider adopting an Alternate Base Period (ABP) in the determination of Unemployment Insurance eligibility.

BACKGROUND:

The California Labor Federation has proposed using Federal Reed Act funds recently provided to the State to allow the State to use an alternate base period to determine the amount of the Unemployment Insurance payment.

All states use a base period, or base years, to determine whether laid off workers have earned enough wages to qualify for Unemployment Insurance benefits. A base period is typically four calendar quarters. California uses the first four of the last five completed calendar quarters of work.

A worker filing for a Unemployment Insurance claim cannot use wages in the current calendar quarter or the most recent completed prior quarter towards monetary eligibility or in the level of Unemployment Insurance benefits. Adopting an ABP budget would allow the State to count wages in these two quarters in the calculation of the Unemployment Benefit.

COMMENTS:

Adopting the ABP budgeting for Unemployment Insurance should reduce reentry into CalWORKs, as some former welfare recipients that are laid off would be eligible for Unemployment Insurance.

The California Labor Federation has suggested that the Subcommittee adopt \$20 million and Trailer Bill Language to implement the ABP eligibility standard.

ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT**ISSUE 23: UNEMPLOYMENT INSURANCE CLAIMS FILING**

The Subcommittee will consider adopting policy changes to improve filing of Unemployment Insurance claims.

BACKGROUND:

In the late 1990's, California shifted from a system of local offices for the in-person delivery of Unemployment Insurance and Disability Insurance benefits, to use of centralized telephone call centers and mail delivery of benefits.

The State Auditor completed an audit of the use of call centers by EDD in July 2001. The Auditor found the following:

- Call centers improve customer service and increase the public's access to the Unemployment Insurance (UI) program. These improvements include the ability to file a claim over the telephone in a short time; callers can obtain information, including the status of their unemployment claim, seven days a week; bilingual and other special services are more readily available by centralizing services.
- Call centers supplement services to Disability Insurance (DI) claimants who cannot file claims over the phone. However, the call centers provide general information seven days a week.
- UI and DI callers are generally satisfied with the service they receive over the phone, when they receive it.
- Callers identified lengthy waiting times during busy periods; waiting periods increased last year. In the DI system especially, thousands of caller received busy signals or were asked to call again.
- The Department established goals for call response and waiting time.

Legislators have received a growing number of anecdotal complaints that UI call wait times have increased over the course of the recession. The Department reports that there has been no improvement to UI call center wait times. In addition, individuals have expressed concern that newly unemployed or disabled workers may not know about the call centers. Finally, the Department may not be meeting the requirements of AB 2779, Trailer Bill in 1998, to assure that staff is available to provide information about UI and DI in job search and One-Stop settings. The Department believes that a part of the problem with the UI Call Center system is a technology that is unable to handle the increase in the number of applications caused by the recession.

COMMENTS:

The California Labor Federation has proposed that the Subcommittee budget \$7 million of Reed Act Funds to upgrade the Unemployment Insurance Call Center.

EDD comments that it believes that these upgrades would cost \$6.5 million.

ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT

ISSUE 24: IMPROVED UNEMPLOYMENT INSURANCE AUTOMATION

The Subcommittee will consider adopting changes to the Unemployment Insurance automation system.

BACKGROUND:

The California Labor Federation has proposed using Federal Reed Act funds recently provided to the State to allow the State to improve the State's Unemployment Insurance Database system.

The State's current Unemployment Insurance database is supported by an older computer system that will need to be replaced in the near future. In addition, a new computer system would allow EDD to improve the efficiency of unemployment insurance and fraud detection activities.

COMMENTS:

The California Labor Federation has proposed using Reed Act funding to improve California's Unemployment Insurance database.

EDD comments that it believes that it would cost \$113.6 million in Reed Act funds to implement an improved computer database.

This automation improvement could contain the following elements:

- \$100 million to upgrade EDD's single client database.
- \$500,000 to fund a study through a contract with a qualified consulting firm to upgrade and improve EDD's single client database system to enhance efficiency and effectiveness of claim filing and benefit payments, to improve program integrity, and reduce fraud.
- \$7 million to redesign the UI Benefit Payment System to enable claimants to certify by telephone or internet.
- \$1 million to redesign the UI adjudication process by development of a computer based application.
- \$5.1 million to develop an electronic UI claim filing capacity over the internet.

The Federal government has provided one-time Reed Act funds for Unemployment Insurance Benefits and administration.

The EDD has commented that its existing database is very fragile and will need replacement in the near future because of its system's limitations.

In addition to the automation proposal, the Subcommittee could consider revisiting a previous action taken on a Budget Change Proposal for the review of an Employment Tax System. The Subcommittee adopted the proposal as budgeted. The Subcommittee could use Reed Act funds in

lieu of EDD Contingent Funds and transfer these Contingent Funds to the General Fund for a savings of \$206,000. In addition, the use of Reed Act funds would allow the Subcommittee to expand the review to also allow for an enhanced data collection capacity for an additional cost of \$500,000 Reed Act funds.

ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT

ISSUE 25: IMPROVEMENTS TO THE UNEMPLOYMENT INSURANCE PROGRAM

The Subcommittee will consider changes to the Unemployment Insurance program.

BACKGROUND:

The California Labor Federation has proposed using Federal Reed Act funds to fund improvements to the Unemployment Insurance System. These improvements include:

- \$10 million and Trailer Bill Language to increase the amount of earnings a worker can earn and still be eligible for partial UI benefits. This proposal is contained in SB 1249 (Alarcon).
- \$5 million and Trailer Bill Language to change the way California triggers federal-state funded extended benefits. This proposal is contained in SB 1245 (Alarcon).
- Trailer Bill Language requiring EDD to convene a labor, management, academic, community, and public sector represented committee to review the UI financing system.

COMMENTS:

The above proposal would use Federal Reed Act Funding and would not have General Fund cost.

ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT

ISSUE 26: UNEMPLOYMENT INSURANCE INTAKE

The Subcommittee will consider changes to the Unemployment Insurance program.

BACKGROUND:

Prior to the installation of the Unemployment Insurance call centers, Unemployment Insurance claims were filed in person. The California Labor Federation believes that given the poor performance of the Unemployment Insurance call centers, EDD should again begin full-time staff of One-Stop centers to collect Unemployment Insurance applications.

The estimate cost to provide one staff member at each local one-stop center for Unemployment Insurance is estimated to be between \$50-\$100 million per year.

COMMENTS:

EDD comments existing Jobs Services staff have conducted Unemployment Insurance claims intakes during times when callers overwhelmed the Unemployment Insurance call centers.

EDD also comments that the State receives a fixed allocation from the Federal Government for Unemployment Insurance intake. If the State were to deploy staff into the One-Stops to take Unemployment Insurance applications, it would have to reduce its staff in call centers to stay within budget.

ITEM 4100 DEPARTMENT OF AGING**ISSUE 27: OLDER AMERICAN FUNDING**

The Subcommittee will consider requiring the Department of Aging to plan the expenditure of new Federal funds.

BACKGROUND:

The Department of Aging has received \$8.5 million in additional Federal Funds. The Department of Finance has issued a Spring Fiscal Letter to allocate the funds. According to the Spring Fiscal Letter the funds would be used for the following:

Budget Issue	Amount
Support Services (State Operations)	\$ 224,000
Congregate Nutrition (State Operation)	\$ 23,000
Home-Delivered Nutrition (State Operations)	\$ 139,000
Family Caregiver (State Operations)	\$ 60,000
Prevention Health Services	-\$ 1,000
Support Services (Local Assistance)	\$ 4,257,000
Congregate Nutrition (Local Assistance)	\$ 437,000
Home-Delivered Nutrition (Local Assistance)	\$ 2,640,000
Family Caregiver (Local Assistance)	\$ 470,000
Ombudsman (Local Assistance)	\$ 288,000
Elder Abuse (Local Assistance)	\$ 42,000
Prevention Health Services (Local Assistance)	- \$ 21,000

The table above also reflects a decrease in Prevention Health Services to reflect the actual level of federal funding for Prevention Health Services.

COMMENTS:

The Subcommittee will consider adopting the following Budget Bill Language:

It is the intent of the Legislature that Area Agencies on Aging assume responsibility for assuring that each service area in California have a plan for assuring that resources are in place to assure that a network of services has the capacity to identify, assess and serve the most impaired aging and disabled clients with a support system that allows individuals to remain at home with the supports they need to live safely.

Before spending new Federal Older Americans Act funds in the 2002-03 fiscal year, area Agencies shall provide to the Department a plan that identifies resources currently available for case management services (including MSSP, Linkages and Older Americans Act programs), day support programs (including Adult Day Health Care, Alzheimers day program, and adult day support and care facilities), family support programs (including National Family Caregiver Support programs and Caregiver Resource Centers) and senior housing (programs and services). The plan may also include resources available through IHSS, Adult Protective Services, Special Circumstances for Adults, and HUD Section 8 programs. The plan shall identify unmet needs and gaps in this service

array, and barriers, including resources and other difficulties, in meeting the needs of vulnerable clients. The plan will identify how the new federal funds will be used to further strengthen the support network for the most vulnerable and impaired clients of the Area Agencies.

The California Department of Aging shall prepare a summary of local plans, identifying the expenditure plans for the new Older Americans Act funding and the nature of the planning process used by Area Agencies. The report will include a recommendation for how the results of the local assessments and plans can be used by the State's Long Term Care Council to provide guidance to future funding and legislative opportunities for the development of a Long Term Care system. The report will be made available to budget subcommittees by March 1, 2003.