

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

Assemblymember Gilbert Cedillo, Chair

MONDAY MAY 20, 2002
STATE CAPITOL, ROOM 4202
12:00 PM

CONSENT CALENDAR

ITEM	DESCRIPTION	PAGE
4200	DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS	6
CONSENT 1	OPEN ITEMS	6
CONSENT 2	DRUG MEDI-CAL ESTIMATES	7
CONSENT 3	SUBSTANCE ABUSE RECOVERY MANAGEMENT SYSTEM	8
4440	DEPARTMENT OF MENTAL HEALTH	9
CONSENT 4	CAPITAL OUTLAY TECHNICAL ADJUSTMENTS	9
CONSENT 5	LOCAL PROGRAMS IN MENTAL HEALTH	10
CONSENT 6	STATE HOSPITAL POPULATION ADJUSTMENT	11
CONSENT 7	HEALTHY FAMILIES PROGRAM CASELOAD ADJUSTMENT	12
CONSENT 8	SAN MATEO PHARMACY AND LABORATORY SERVICES FIELD TEST	13
CONSENT 9	MANAGED CARE ESTIMATE	14
CONSENT 10	INTEGRATED SERVICES FOR HOMELESS ADULTS PROGRAM— REAPPROPRIATION	15
CONSENT 11	INTEGRATED SERVICES FOR HOMELESS ADULTS PROGRAM—REDUCTION	16
CONSENT 12	LEASE REVENUE PAYMENT ADJUSTMENT	17
CONSENT 13	RECRUITMENT AND RETENTION PAY DIFFERENTIALS FOR SALINAS VALLEY PSYCHIATRIC PROGRAM	18
CONSENT 14	SALINAS VALLEY PSYCHIATRIC PROGRAM CONSTRUCTION DELAY	19
CONSENT 15	NON-LEVEL-OF-CARE STAFF AT ATASCADERO AND PATTON STATE HOSPITALS	20
CONSENT 16	POSTAGE INCREASE	21
CONSENT 17	LOCAL ASSISTANCE FUND REVERSION	22

CONSENT 18	SUPPORTIVE HOUSING TRAILER BILL LANGUAGE	23
5180	DEPARTMENT OF SOCIAL SERVICES	24
CONSENT 19	IN HOME SUPPORTIVE SERVICES REPORTING	24
CONSENT 20	ASSURING THE STABILITY OF THE CONTINUING CARE COMMUNITIES	25
CONSENT 21	FOOD STAMP ERROR RATE SANCTION	26
CONSENT 22	CHILD CARE RETROACTIVE PAYMENTS	26
CONSENT 23	CALIFORNIA FOOD ASSISTANCE PROGRAM	26
CONSENT 24	POSTAGE RATE INCREASE	27
CONSENT 25	CASELOAD ADJUSTMENTS	28
CONSENT 26	TYLER V. ANDERSON	29
CONSENT 27	PROSPECTIVE BUDGETING	30
CONSENT 28	USING DSS FUNDING FOR PERINATAL DRUG SERVICES	30
CONSENT 29	ADOPTIONS PLACEMENT REPORTING	31
CONSENT 30	ONE-STOP REPORTING	32
CONSENT 31	MAY REVISE TECHNICAL BUDGET CHANGES	32
4130	HEALTH AND HUMAN SERVICES AGENCY DATA CENTER	33
5180	DEPARTMENT OF SOCIAL SERVICES	33
CONSENT 32	CMIPS II LEGAL CONSULTING	33
CONSENT 33	C-IV AUTOMATION	34
CONSENT 34	LEADER	34
CONSENT 35	WCDS BUDGET BILL LANGUAGE	35
CONSENT 36	INTERIM STATEWIDE AUTOMATED WELFARE SYSTEM	36
CONSENT 37	CASH MANAGEMENT, INFORMATION, PAYROLLING SYSTEM	37
5100	EMPLOYMENT DEVELOPMENT DEPARTMENT	37
5180	DEPARTMENT OF SOCIAL SERVICES	37
CONSENT 38	TANF FUNDING FOR EDD	37
5100	EMPLOYMENT DEVELOPMENT DEPARTMENT	38
CONSENT 39	UNEMPLOYMENT INSURANCE LAW CLEAN-UP	38
CONSENT 40	CASELOAD CHANGES TO EMPLOYMENT DEVELOPMENT DEPARTMENT BUDGET	39
CONSENT 41	REED ACT FUND SHIFT	39
5120	CALIFORNIA WORKFORCE INVESTMENT BOARD	40

CONSENT 42	REDUCTION TO CALIFORNIA WORKFORCE INVESTMENT BOARD ADMINISTRATION	40
CONSENT 43	FUND SHIFT TO THE LABOR AND WORKFORCE DEVELOPMENT AGENCY	41
CONSENT 44	PERFORMANCE BASED ACCOUNTABILITY	42
0559	CALIFORNIA LABOR AND WORKFORCE DEVELOPMENT AGENCY	42
5100	EMPLOYMENT DEVELOPMENT DEPARTMENT	42
5120	CALIFORNIA WORKFORCE INVESTMENT BOARD	42
CONSENT 45	FUNDING FOR THE LABOR AND WORKFORCE DEVELOPMENT AGENCY	42
4700	DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT	43
CONSENT 46	INCREASED FEDERAL LIHEAP FUNDING	43
4170	DEPARTMENT OF AGING	43
4200	DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS	43
5180	DEPARTMENT OF SOCIAL SERVICES	43
CONSENT 47	HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT COMPLIANCE	43
4170	DEPARTMENT OF AGING	44
CONSENT 48	HEALTH INSURANCE COUNSELING AND ADVOCACY PROGRAM FUND TRANSFER	44
5175	DEPARTMENT OF CHILD SUPPORT SERVICES	45
CONSENT 49	CALIFORNIA STATE INSURANCE INTERCEPT PROJECT	45
CONSENT 50	BUDGET BILL LANGUAGE FOR FEDERAL FUND FLEXIBILITY	46
CONSENT 51	CALIFORNIA CHILD SUPPORT AUTOMATED SYSTEM	46
5175	DEPARTMENT OF CHILD SUPPORT SERVICES	47
5180	DEPARTMENT OF SOCIAL SERVICES	47
CONSENT 52	CHILD SUPPORT HEARINGS	47

ITEMS TO BE HEARD

ITEM	DESCRIPTION	PAGE
4200	DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS	49
ISSUE 1	PRIORITIZATION OF DADP FUNDING TRAILER BILL LANGUAGE	49
ISSUE 2	WOMEN AND CHILDREN'S RESIDENTIAL TREATMENT SERVICES	50
4440	DEPARTMENT OF MENTAL HEALTH	52
ISSUE 3	ADULT AND CHILDREN'S SYSTEM OF CARE	52
ISSUE 4	EARLY AND PERIODIC SCREENING, DIAGNOSIS, AND TREATMENT AND THERAPEUTIC BEHAVIORAL SERVICES PROGRAMS	53
ISSUE 5	COMMUNITY TREATMENT FACILITY RESTRAINT MONITORING	56
ISSUE 6	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION BLOCK GRANT	58
ISSUE 7	PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS FORMULA GRANT	59
ISSUE 8	SEXUALLY VIOLENT PREDATOR EVALUATIONS	60
4170	DEPARTMENT OF AGING	61
ISSUE 9	RESTORING LINKAGES	61
ISSUE 10	USE OF SENIOR HOUSING INDEPENDENT LIVING CENTER FUNDS	62
4700	DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT	63
ISSUE 11	COMMUNITY SERVICES AND DEVELOPMENT BLOCK GRANT FUNDS	63
5175	DEPARTMENT OF CHILD SUPPORT SERVICES	64
ISSUE 12	FOSTER PARENT TRAINING FUND	64
ISSUE 13	CHILD SUPPORT CASELOAD ADJUSTMENTS	65
ISSUE 14	CHILD SUPPORT AUTOMATION PENALTY	66
ISSUE 15	PRE-STATEWIDE INTERIM SYSTEM MANAGEMENT (PRISM) CONSORTIA PROJECT LEADERS	67
5100	EMPLOYMENT DEVELOPMENT DEPARTMENT	68
ISSUE 16	REED ACT FOR DISABILITIES	68
ISSUE 17	WORKFORCE INVESTMENT ACT PROGRAM ADJUSTMENTS	69
ISSUE 18	REED ACT FUNDING FOR CLIENT SYSTEM TRACKING	71
4130	HEALTH AND HUMAN SERVICES AGENCY DATA CENTER	71
5180	DEPARTMENT OF SOCIAL SERVICES	71
ISSUE 19	STATEWIDE FINGERPRINT IMAGING SYSTEM	71
ISSUE 20	REESTABLISHING DATA CENTER OVERSIGHT	73

ISSUE 21	ISAWS OVERSIGHT BUDGET BILL LANGUAGE	74
5180	DEPARTMENT OF SOCIAL SERVICES	75
ISSUE 22	ADOPTION AGENCY CASH FLOW BUDGET BILL LANGUAGE	75
ISSUE 23	CDSS TOLL-FREE TELEPHONE LINE FOR ADMINISTRATIVE HEARINGS	76
ISSUE 24	RATE RELIEF FOR FOSTER CARE GROUP HOMES	77
5180	DEPARTMENT OF SOCIAL SERVICES	78
6110	STATE DEPARTMENT OF EDUCATION	78
ISSUE 25	CALWORKS STAGE THREE CHILD CARE	78
ISSUE 26	CHILD CARE REFORM PLANNING	79
5180	DEPARTMENT OF SOCIAL SERVICES	80
ISSUE 27	CALWORKS MAY REVISE CHANGES	80
ISSUE 28	CALWORKS PERFORMANCE INCENTIVES	82
ISSUE 29	SENIOR PARENT DEEMING	83
ISSUE 30	DEPARTMENT OF SOCIAL SERVICES COUNTY ADMINISTRATION REDUCTIONS	84
ISSUE 31	CALWORKS AND SSI/SSP COST OF LIVING ADJUSTMENTS	86

ITEM 4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

CONSENT 1: OPEN ITEMS

The Subcommittee held items open from previous hearings. It will consider whether to adopt the Governor's January Proposals.

BACKGROUND:

ITEM #	ISSUE	DESCRIPTION	IMPACT
1	SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT (SPRING FINANCE LETTER)	Federal Funding for statutorily required HIV and Prevention Set Aside.	Augment: \$ 6.9 million Prevention and HIV Set-aside
2	UNALLOCATED PROGRAM CUTS	These encompass an array of services that may include group and individual counseling, residential services, detoxification, prevention, case management, relapse prevention, and ancillary services.	Cut: \$7.5 million Unallocated Programs
3	POSITION REAUTHORIZATION	These include four career executive assignment positions, and three assistant positions. These positions were filled by out of class assignments and emergency appointments in the interim.	Augment: \$48,000 General Fund \$461,000 other funds.
4	STATE INCENTIVE GRANT FUNDING	Directs the Department to apply for federal grants for community coalition building. Heard in Subcommittee on April 22 nd .	Adopt placeholder Trailer Bill Language.

CONSENT ACTION:

Accept proposals.

ITEM 4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS**CONSENT 2: DRUG MEDI-CAL ESTIMATES**

The Subcommittee will consider the updates on costs and caseload for the Drug Medi-Cal program.

BACKGROUND:

The Governor's May Revise proposes the following changes in caseload and costs in the Department of Alcohol and Drug Programs:

- **Reduce Drug Medi-Cal in the current year by \$5.9 million (\$2.9 General Fund)**, due to lower utilization, especially in Outpatient Drug Free counseling services.
- **Increase Perinatal Drug Medi-Cal in the current year by \$76,000 (\$38,000 General Fund)**, the result of a modest caseload decline and increased costs.
- **Increase Drug Medi-Cal in the budget year by \$2.9 million (\$1.4 million General Fund)**; the caseload continues to decline, but costs are expected to increase.
- **Increase Perinatal Drug Medi-Cal in the budget year by \$775,000 (\$385,000 General Fund)**, due to increases in caseload and cost.
- **Eliminate Reappropriation language in the Budget Bill.** The Drug Medi-Cal program now uses the Medi-Cal estimate methodology, and reappropriation is no longer required.
- **Add Reversion language for 2000 and 2001 Drug Medi-Cal funds, as of June 30, 2002.**

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Adopt May Revise letter.

ITEM 4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS**CONSENT 3: SUBSTANCE ABUSE RECOVERY MANAGEMENT SYSTEM**

The Subcommittee will consider adopting revised trailer bill language on the Substance Abuse Recovery Management System.

BACKGROUND:

The proposed language of Section 11970.25 is added to the Health and Safety Code to read:

(a) It is the intent of the Legislature to encourage counties to establish programs to provide services to parents whose use of alcohol or drugs is detrimental to the safety, protection, or physical or emotional well being of a child who is adjudged a dependent of the juvenile court.

(b) The parental substance abuse 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. Entry into the program shall be voluntary on the part of the parent. Services provided under the program 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 reunification plan or family maintenance plan ordered by the juvenile court. The court, under this program, 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 participating 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) It is the intent of the legislature to identify program savings resulting from county implementation of parental substance abuse programs and to reinvest some portion of those savings in counties' programs. The Department of Drug and Alcohol Programs, in consultation with the Department of Social Services, the Department of Finance, the Judicial Council, the County Alcohol and Drug Program Administrators Association, and the County Welfare Directors Association, shall develop recommendations for identifying county savings in the foster care program that may result from the implementation of a parental substance abuse program pursuant to this section. These recommendations shall be provided to the Legislature no later than April 1, 2003.

CONSENT ACTION:

Adopt Trailer Bill Language.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH**CONSENT 4: CAPITAL OUTLAY TECHNICAL ADJUSTMENTS**

The Subcommittee will consider whether to reappropriate funds for DMH construction projects.

BACKGROUND:

These issues were included in the current year budget and the Governor's May Revise requests a reappropriation of these funds in the budget year.

ITEM #	ISSUE	DESCRIPTION	IMPACT
1	Patton State Hospital Alarm System	Reappropriation is necessitated by delays in negotiating services during the preliminary plan phase.	Reappropriate \$70,000 General Funds
2	Sexually Violent Predator Facility	Reflects an estimated expenditure increase resulting from the reappropriation for the construction of an SVP facility.	Reappropriate \$331,550,000 Construction bond funds

CONSENT ACTION:

Adopt May Revise letter.

Adopt Trailer Bill Language.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH

CONSENT 5: LOCAL PROGRAMS IN MENTAL HEALTH

The Subcommittee will consider a General Fund savings by delaying payments to counties for mandate programs.

BACKGROUND:

Continued weakness in the stock market and the economy have caused State revenue receipts to be below forecast since the release of the January Governor's Budget. The May Revision revenue estimate significantly reduces the available General Fund resources for the current and budget years. The revenue reduction, combined with expenditure adjustments required for enrollment, caseload, and population changes necessitates the reduction or elimination of various program proposals included in the January Governor's Budget.

Due to the decline in available General Fund resources, the Governor proposes to reduce the appropriation for the mandated programs within this item for which funding was provided in the January 10 Governor's Budget to \$1,000 per mandated program. Within the Department of Mental Health, the reductions total \$64,834,000. The changes include:

<u>ITEM</u>	<u>PROPOSED CHANGE</u>	<u>PROPOSED BUDGET EXPENDITURES</u>
Mandates: Coroner's Costs	- \$111,000	\$1,000
Mandates: Mentally Disordered Offender Rec commitments	- \$198,000	\$1,000
Mandates: Not Guilty by Reason of Insanity	- \$313,000	\$1,000
Mandates: Services to Handicapped Students (AB 3632)	- \$47,929,000	\$1,000
Mandates: Sexually Violent Predators	- \$4,284,000	\$1,000
Mandates: Seriously Emotionally Disturbed Pupils	- \$11,999,000	\$1,000

COMMENTS:

The reduced appropriation to mandates will delay payments to counties. The State will pay out these claims plus accrued interest in out-years.

CONSENT ACTION:

Adopt May Revise Letter.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH**CONSENT 6: STATE HOSPITAL POPULATION ADJUSTMENT**

The Subcommittee will consider capturing savings in reductions in the caseload estimate of state hospital patients.

BACKGROUND:

The Governor is requesting to reduce expenditures by \$14,766,000 and increase reimbursements by \$2,516,000 to more accurately reflect the cost of providing care in state mental health hospitals. The state hospital population is projected to be 4,600, a decrease of 87, or 1.9 percent, below the Governor's January Budget. This adjustment results in a reduction of 163.2 personnel years.

COMMENTS:

These changes are caseload driven. This new budgetary proposal more accurately reflects the populations in state mental health hospitals.

The Legislative Analysts Office (LAO) recommends approval of the General Fund and reimbursement adjustments as proposed in the May Revision, in lieu of the previous actions taken in this area. However, the LAO further recommends that the Subcommittee take action to conform the level of California Department of Corrections (CDC) reimbursements in the DMH budget to the level of General Fund resources provided in the CDC budget for purchases of inmate beds in the state hospital system. Because CDC continues to use far fewer beds (180) than the number budgeted (255), LAO had recommended that the subcommittees with jurisdiction over the CDC budget reduce that budget by \$7.1 million to correct for caseload over-budgeting. Should that action occur, it would be appropriate to make a corresponding correction to DMH reimbursements from CDC.

CONSENT ACTION:

Accept May Revise letter.

Accept LAO recommendation.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH**CONSENT 7: HEALTHY FAMILIES PROGRAM CASELOAD ADJUSTMENT**

The Subcommittee will consider decreasing reimbursements to the Department as a result of a lower-than-projected caseload in the Healthy Families Program.

BACKGROUND:

The Governor's May Revise includes a request regarding the Healthy Families Program to reflect a change in the projection for the current and budget year caseloads. These changes reflect a reduction in the percentage of legal immigrants from 3.70 percent to 3.20 percent. As a result expenditures will be decreased.

The May Revise letter requests a reduction of \$239,000 in the current year (\$58,000 General Fund) and a decrease in the budget year of \$173,000 from reimbursements based on paid claims data for Fiscal Years 1998-99 through 2000-01.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Approve May Revise letter.

ITEM 4440 **DEPARTMENT OF MENTAL HEALTH**

CONSENT 8: SAN MATEO PHARMACY AND LABORATORY SERVICES FIELD TEST

The Subcommittee will consider reducing reimbursements to the pharmacy as a result of reduced growth.

BACKGROUND:

The Governor's May Revise requests a decrease in the Department's local assistance appropriation in the amount of \$1,322,000 in reimbursements to reflect a reduction in the funding level for San Mateo Pharmacy growth as a result of updated data and elimination of the base adjustment.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Accept May Revise letter.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH**CONSENT 9: MANAGED CARE ESTIMATE**

The Subcommittee will consider increasing general fund and reimbursements for adjustments to the caseload for the mental health services in the Managed Care Program.

BACKGROUND:

The Governor's May Revise proposes to decrease General Funding for Medi-Cal specialty mental health services (Managed Care Program) by \$7,936,000 to reflect the costs associated with providing mental health services to Medi-Cal beneficiaries.

The May Revise also includes a reduction of \$5,097,000 General Fund and \$5,168,000 in reimbursements to reflect the Administration's proposal not to fund the medical CPI. This reduction reflects a 3.1 percent increase in the medical care component of the national Consumer Price Index (medical Consumer Price Index (CPI)) applied to psychiatric inpatient hospital services. This is a revision resulting from a rate rollback.

The May Revise also proposes to increase reimbursements by \$116,904,000 to reflect the diversion of individuals from inpatient to community-based services. Medi-Cal reimbursements for county inpatient services are budgeted in the Department of Health Services and paid directly to counties. Medi-Cal reimbursements for community-based services are budgeted in the DMH.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Accept May Revise letter.

ITEM 4440 **DEPARTMENT OF MENTAL HEALTH****CONSENT 10: INTEGRATED SERVICES FOR HOMELESS ADULTS PROGRAM
FUNDS-- REAPPROPRIATION**

The Subcommittee will consider whether to re-appropriate funds to the Integrated Services for Homeless Adults.

BACKGROUND:

The May Revise reflects the reappropriation of \$300,000 of the unexpended balance from the Integrated Services for Homeless Adults (ISHA), Budget Act of 2001, for support of the Governor's Homeless Initiative during 2002-03.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Accept May Revise letter.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH**CONSENT 11: INTEGRATED SERVICES FOR HOMELESS ADULTS PROGRAM--
REDUCTION**

The Subcommittee will consider reducing the program for homeless adults by \$10 million to realize general fund budget year savings.

BACKGROUND:

Continued weakness in the stock market and the economy have caused State revenue receipts to be below forecast since the release of the January Governor's Budget. The May Revision revenue estimate significantly reduces the available General Fund resources for the current and budget years. The revenue reduction, combined with expenditure adjustments required for enrollment, caseload, and population changes, necessitates the reduction or elimination of various programs proposals included in the January Governor's Budget. Accordingly, the Administration is proposing reductions as follows:

- Reduce Item 4440-101-0001 by \$10.0 million for the Integrated Services Homeless Adults program (AB 2034 Steinberg).

ITEM	JAN 10 BUDGET PROPOSAL	MAY REVISE PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
Integrated Services for Homeless Adults Program	\$65,000,000	- \$10,000,000	\$55,000,000

CONSENT ACTION:

Accept May Revise letter.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH

CONSENT 12 : LEASE REVENUE PAYMENT ADJUSTMENT

The Subcommittee will consider whether to add \$16,000 in general funds for insurance costs.

BACKGROUND:

The Department of Mental Health (DMH) requests an increase of \$16,000 to reflect higher lease revenue insurance costs in DMH's rental payments on lease revenue bonds.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Accept May Revise letter.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH

**CONSENT 13: RECRUITMENT AND RETENTION PAY DIFFERENTIALS FOR
SALINAS VALLEY PSYCHIATRIC PROGRAM**

The Subcommittee will consider increasing reimbursements from CDC by \$554,000 to fund employment activities.

BACKGROUND:

The Governor's May Revise requests an augmentation of \$554,000 in reimbursements from the California Department of Corrections to reflect newly approved recruitment and retention pay differentials for various level-of-care professional and nursing staff for the Salinas Valley Psychiatric Programs at Salinas Valley State Prison.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Accept May Revise letter.

ITEM 4440 **DEPARTMENT OF MENTAL HEALTH****CONSENT 14: SALINAS VALLEY PSYCHIATRIC PROGRAM CONSTRUCTION
DELAY**

The Subcommittee could capture savings of \$1,450,000 in reimbursements in the budget year.

BACKGROUND:

The May Revise requests a decrease of \$1,450,000 in reimbursements in the budget year and a decrease of \$1,062,000 in the current year in reimbursements from the California Department of Corrections to reflect a four-month delay in activation of the Salinas Valley Psychiatric Program. This adjustment results in a decrease of 23.1 personnel years.

COMMENTS:

The Subcommittee took this action on April 22nd.

CONSENT ACTION:

Conform to Senate action.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH**CONSENT 15: NON-LEVEL-OF-CARE STAFF AT ATASCADERO AND PATTON STATE HOSPITALS**

The Subcommittee will consider accepting the Governor's May Revise proposal or keeping its own similar action from previous hearings.

BACKGROUND:

CURRENT YEAR	GOVERNOR'S JAN 10 BUDGET PROPOSAL	GOVERNOR'S MAY REVISE PROPOSAL	PROPOSED BUDGET EXPENDITURES
\$430,309,000	+\$3,061,000	-\$3,061,000	\$430,309,000

The Governor's May Revise Proposal requests a decrease of \$3,061,000 to reflect a one-year delay in the expansion of Atascadero and Patton State Hospitals. The previous proposal was to support new non-level-of-care positions and additional operating expenses at Atascadero and Patton State Hospitals for support of clinical staff when the modular space is occupied. This adjustment results in a decrease of 33.7 personnel years.

COMMENTS:

In January, the Governor proposed to augment the General Fund by \$3,061,000 to the state hospital appropriation to support new non-level-of-care staff positions and additional expenses at Atascadero and Patton State Hospitals. These positions would have supported clinical staff and met the activation needs of additional beds when the modular space was occupied. The 500 bed increase was previously justified because the department assumed that the state hospital system would run out of bed space in 2002-03 for patients requiring a secure setting.

The LAO argued that as a result of slower state hospital population growth, additional hospital beds would not be needed until 2003-04 at the earliest. The activation of a secure new 258-bed facility last year at Atascadero means that Department of Mental Health (DMH) would continue to have a *surplus* of about 125 beds at the *end* of the budget year. The surplus in these secure beds may even be sufficient to meet the state hospital system's needs until 2004-05, when a new state hospital in Coalinga is scheduled to open.

CONSENT ACTION:

Conform to Senate action.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH

CONSENT 16 : POSTAGE INCREASE

The Subcommittee will consider augmenting the Department's budget by \$19,000 for the national postage rate increase.

BACKGROUND:

The Governor's May Revise proposes an augmentation of \$6,000 (\$5,000 General Fund) in departmental support and \$13,000 (\$11,000 General Fund) in the state hospitals to absorb the additional costs associated with an 8.8 percent increase in postage rates to be implemented in Fiscal Year 2002-03.

CONSENT ACTION:

Deny May Revise letter.

ITEM 4440 **DEPARTMENT OF MENTAL HEALTH****CONSENT 17: LOCAL ASSISTANCE FUND REVERSION**

The Subcommittee will consider reverting \$3.1 million General Fund to the Budget Year.

BACKGROUND:

Continued weakness in the stock market and the economy have caused State revenue receipts to be below forecast since the release of the January Governor's Budget. The May Revision revenue estimate significantly reduces the available General Fund resources for the current and budget years. The revenue reduction, combined with expenditure adjustments required for enrollment, caseload, and population changes, necessitates the reduction or elimination of various programs proposals included in the January Governor's Budget. Accordingly, the Administration is proposing reductions as follows:

- Revert \$3,142,000 from unexpended funds appropriated in the Budget Act of 2001. This consists of \$625,000 in unspent funds for Dual Diagnosis, \$750,000 for the Institute for Mental Disease (IMD) Pilot Project and \$867,000 for local integrated services.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Accept May Revise proposal.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH**CONSENT 18: SUPPORTIVE HOUSING TRAILER BILL LANGUAGE**

The Subcommittee will consider approving trailer bill language regarding Supportive Housing Initiative, which will enable local projects to effectively complete their projects for which they had received awards.

BACKGROUND:

The Governor proposes to include Trailer Bill Language, which would amend the Welfare and Institutions Code 53300 to read:

- (a) No more than 10 percent of the amount appropriated in a fiscal year for the purposes of this chapter may be used for state administration of this chapter, including evaluation and technical assistance. Technical assistance shall include, but is not limited to, assisting with collaborations, providing information, and convening training workshops. The Legislature shall be notified of the administrative costs of this program pursuant to Section 28 of the Budget Act.
- (b) Notwithstanding the allocation of funds in the Budget Act of 2000 for the supportive housing initiative to the local assistance Item 4440-101-0001, up to 10 percent of the funds may be spent for administrative costs, as defined in subdivision (a).
- (c) Notwithstanding any other provision of law, the lead agency shall make all grant awards from funds allocated in the Budget Act of ~~2000~~ 2001 for the supportive housing initiative no later than June 30, ~~2001~~ 2002, and shall expend the funds allocated for those grants no later than June 20, ~~2004~~ 2005 except for grants awarded for housing costs, as specified in paragraph (1) of subdivision (b) of Section 53275.

CONSENT ACTION:

Conform to Senate.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**CONSENT 19: IN HOME SUPPORTIVE SERVICES REPORTING**

The Subcommittee will consider conforming to the Senate on a Supplemental Report regard the In Home Supportive Services Program.

BACKGROUND:

The Subcommittee considered an option presented by the LAO to eliminate the residual services in the case of advance payment cases, and services provided by relatives. The Subcommittee did not adopt the option, but asked the Department to explore whether some residual services can be revised so that they are federally eligible, without changing the general scope of the program. The Department is actively pursuing federal participation, especially when the services are for protective supervision, and in the case of advance payment. They are less optimistic about the willingness of federal Medicaid decision-makers to recognize California's decision to use relatives when they can provide the most appropriate care. It is possible that some of these efforts will result in budget year changes, but not at all certain.

COMMENTS:

The Senate Subcommittee #3 has adopted the following Supplemental Report Language:

The Department shall make available at budget hearings in 2003, information about the State's efforts to identify groups of services under the IHSS residual program that could be adapted to assure Medicaid reimbursement, including advance payment cases, services intended to provide protective supervision, and any other services where federal reimbursement is possible.

CONSENT ACTION:

Conform to Senate

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**CONSENT 20: ASSURING THE STABILITY OF THE CONTINUING CARE COMMUNITIES**

The Subcommittee will consider conforming to a Senate action reiterating the Legislature's interest in insuring stability of Continuing Care Communities staffing at the Department of Social Services.

BACKGROUND:

The Department of Social Services, Community Care Licensing branch, has oversight responsibility for residential communities that promise to provide long-term (usually lifetime) resident contracts to provide care. This oversight includes 80 communities statewide, with approximately 20,000 residents. Each community must be licensed as a Residential Care Facility for the Elderly; some have a Skilled Nursing Facility on the premises. The Department's oversight focuses primarily on monitoring for financial solvency.

COMMENTS:

The Senate Budget Subcommittee adopted Budget Bill Language reiterating the Legislature's interest that staffing in this project is adequate to assure the stability of the Continuing Care Communities

CONSENT ACTION:

Conform to Senate

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**CONSENT 21: FOOD STAMP ERROR RATE SANCTION**

The May Revision reflects the projected level of Food Stamp Error Rate sanction for the Budget Year.

BACKGROUND:

Since the Subcommittee heard this issue, the federal government has determined the final error rate for California at 17.4 percent and levied a penalty of \$115.8 million. Current law requires that counties pay a penalty, to the extent that the specific error rate can be ascribed to specific counties. Based on the federal audit information, the May Revision proposes that the penalty be budgeted as 10 percent state funds (\$11.6 million) and 90 percent county funds (\$104.2 million). The Department continues to negotiate with the federal government about how the penalty will be assessed. The May Revision budgets for the full penalty.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Accept May Revise Proposal

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

CONSENT 22: CHILD CARE RETROACTIVE PAYMENTS

The May Revise proposes to limit retroactive payments for Stage 1 Child Care.

BACKGROUND:

On May 8, the Subcommittee took action to limit retroactive payments to CalWORKs Stage 1 Child Care and redirect the savings to fund Stage 3 Child Care.

The May Revise also limits retroactive payments, but redirects the savings to offset increased CalWORKs costs.

COMMENTS:

The May Revise proposal is consistent with the Subcommittee's prior action, however the estimated savings is slightly lower.

CONSENT ACTION:

Accept May Revise Proposal in lieu of Subcommittee's prior action

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

CONSENT 23: CALIFORNIA FOOD ASSISTANCE PROGRAM

The May Revise adjusts California Food Assistance Program to reflect the actual level of expected Federal revenue expected in the Budget Year.

BACKGROUND:

The January budget assumed that all CFAP recipients would become eligible for Food Stamps in July, 2002, as Congress considered restoration of benefits to legal immigrants when it reauthorized the Food Stamps program. The final federal legislation will restore eligibility for a

small number of recipients in October 2002, and approximately 75 percent of recipients in April 2003. The May Revision augments the CFAP budget by \$92.3 million to provide administration and benefits to reflect the delay of federal reinstatement of the federal benefits and that some CFAP- eligible individuals will not be covered by the federal legislation.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Accept May Revise Proposal

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

CONSENT 24: POSTAGE RATE INCREASE

The Department of Social Services has requested an increase for operations to reflect an increase in the postage rate.

BACKGROUND:

The Department of Social Services has requested an increase for operations to reflect an increase in the postage rate.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Accept May Revise Proposal.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**CONSENT 25: CASELOAD ADJUSTMENTS**

The May Revise contains changes to Department of Social Services caseloads.

BACKGROUND:

The May Revise contains the following changes to Department of Social Services caseload:

- Kin-GAP: Costs for Kin-GAP decrease \$23.1 million due to a decrease in caseload; this is a decrease in estimated caseload: the real growth will still be 27.5 percent in the budget year. No COLA is provided to these parents.
- Adoption Assistance: Costs increase \$12.2 million, due to an increase in caseload, now estimated to grow 14.2 percent. No COLA is included.
- Foster care payments will increase by \$10.8 million, and caseload will decline a small amount compared to the January budget. No COLA is included.
- The SSI/SSP caseload is down somewhat from the January estimate, and average costs are also down somewhat, for savings of \$2.1 million over the January budget estimate.
- Reductions are made in the Cash Assistance Program for Immigrants, based on a lower caseload growth than assumed in January, and the application of the same COLA assumptions as SSI, for a savings of \$11.7 million.
- A reduction of \$1.7 million federal funds for refugee cash grants due to decreased caseload.
- Supportive Transitional Emancipation Program: Decrease by \$27.0 million, to reflect the slow take-up of this program by counties. (Note: the Subcommittee already took \$4.6 million from the budget year for this program, for the same reason.)
- Transitional Housing for Foster Youth is reduced \$3.7 million, due to a decline in participating counties and a slow start-up.
- Adoptions: There is a decrease of \$668,000 General Fund and an increase of \$508,000 federal funds due to a decrease in the number of private adoption agency reimbursement claims, and the receipt of additional federal adoptions incentives.
- IHSS caseload and average hourly case costs add a total of \$34.9 million General Fund (\$109.5 million total funds) in the federal program and the residual program.
- IHSS program costs are reduced due to slower granting of wage increases in public authorities, contract and individual provides modes, for a savings of \$57.6 million General Fund (\$143.7 million total funds).
- CalWORKs caseload growth and average grant size are increased modestly (\$23.6 million additional), offset partially by savings associated with a rate increase in Unemployment Insurance Benefits and the 13-week UI extension of \$14.9 million. Additional adjustments are made to reflect changes in the savings associated with the implementation of time limits. Additional adjustments are made to reflect a decrease in Cal Learn costs, a reduction in the costs of vehicle resource limit changes, and a decrease in child care costs.

COMMENTS:

These changes reflect an updated projection for budget year caseload. There are no issues with these proposals.

CONSENT ACTION:

Accept May Revise Proposals

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**CONSENT 26: TYLER V. ANDERSON**

The May Revise proposes to add \$1.1 million General Fund and to extend for a year four of the twelve existing limited term position set to expire on June 30, 2002.

BACKGROUND:

The May Revision proposes to add \$1.1 million General Fund and to extend for a year four of the twelve existing limited term position set to expire on June 30, 2002. These positions were created to implement Tyler v. Anderson, a lawsuit settlement that overturned the Department's policy of denying IHSS payment for certain services in the early 1990's. The settlement required the Department to inform individuals potentially affected by the settlement, receive and process claims, and make a payment to eligible claimants for services they were denied or for which payment was denied.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Accept May Revise Proposal.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**CONSENT 27: PROSPECTIVE BUDGETING**

The May Revise propose Trailer Bill Language to adopt prospective budgeting for CalWORKs and Food Stamp administration.

BACKGROUND:

On April 3, the Subcommittee adopted placeholder Trailer Bill Language to adopt prospective budgeting.

The May Revise proposes Trailer Bill Language to adopt prospective budgeting. The budget reflects the projected costs for this policy change.

COMMENTS:

The Legislative Analyst's Office has noted some concerns with the projected costs of the implementing this policy change. In addition, the Legislative Analyst's office believes that some technical changes to the Trailer Bill Language were necessary.

The Senate adopted placeholder Trailer Bill Language for prospective budgeting, to allow technical changes to the language to be made.

CONSENT ACTION:

Reaffirm that prior Subcommittee action conforms to Senate.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**CONSENT 28: USING DSS FUNDING FOR PERINATAL DRUG SERVICES**

The Subcommittee will consider conforming to a Senate Supplemental Report Language action.

BACKGROUND:

In the Department of Alcohol and Drug Programs budget, the Subcommittee adopted a reduction in funds for local perinatal treatment programs. The Subcommittee implemented the reduction proportionately between residential and non-residential programs.

Among the residential programs, many provide services directly in the context of a dependency court. In other cases, the dependency court has been involved in the past or could be again. Most of these programs also permit the parent to enroll in the residential program with their children, and believe that keeping the family together is a significant element of program success. This admission practice also avoids foster care placement, in cases where a dependency action is the alternative to drug treatment for the parent.

COMMENTS:

The Senate adopted Supplemental Report Language that requires DSS and DADP to report by March 1, 2003, on whether state or federal foster care funding could be adapted to serve the board and care needs of children who are in residence with their parent in a drug treatment program, who are placed there with the participation of a dependency court that finds that out-of-home placement is the alternative to parental drug treatment. The report should include a survey of funding sources, including information about the impact on out-of-home care costs for children, if available.

CONSENT ACTION:

Conform to Senate

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**CONSENT 29: ADOPTIONS PLACEMENT REPORTING**

The Subcommittee will consider adopting Supplemental Report Language requiring the Department of Social Services to report annually on the status of Adoptions placements.

BACKGROUND:

In the current year, the Department provided information on Adoptions placements based upon Supplemental Report Language adopted by the Subcommittee in the last budget.

COMMENTS:

Senate Budget Subcommittee #3 adopted the following Supplemental Report Language:

The Department shall make available through the budget process, county-by-county information on the number of final adoption placements, and the number of guardianships, from 1997-98 to the most recent information available. The information shall include whether the adoption case backlog addressed in the 2000-01 budget has recurred.

CONSENT ACTION:

Conform to Senate.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

CONSENT 30: ONE-STOP REPORTING

The Subcommittee will consider conforming to a Senate action on One-Stop reporting requirements for the Department of Social Services.

BACKGROUND:

The Subcommittee adopted Budget Bill language in the EDD budget on May 8 requiring the Department to develop a format for reporting state expenditures in One Stops, and to report EDD expenditures by February 1, 2003. The Subcommittee announced its intention to adopt similar Budget Bill Language for the Department of Social Services.

COMMENTS:

DSS, unlike EDD does not participate directly in One-Stop Centers. Indeed, local welfare departments are not mandated partners in One-Stop Centers. However, many welfare departments do outstation CalWORKs workers in One-Stops, or partner in other ways with the operation of One Stop Centers. The Subcommittee should adapt the Budget Bill Language to permit a one-time survey of welfare departments to determine the extent of participation in One-Stops.

CONSENT ACTION:

Conform to Senate

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

CONSENT 31: MAY REVISE TECHNICAL BUDGET CHANGES

The May Revise contains many changes, largely technical in nature.

BACKGROUND:

The May Revise requests the following largely technical budget changes to the Department of Social Services budget:

- A decrease of \$23,000 for Foster Care Burial, Repatriated Americans and Assistance Dog Allowance, all cost and caseload adjustments.
- An increase of \$560,000 General Fund and \$975,000 Reimbursements for Non-Medical Out-of-Home Care program costs in the County Services Block Grant.
- A decrease of \$269,000 General Fund and \$78,000 Child Health and Safety Fund, and an increase of \$74,000 Federal Funds for Community Care Licensing, largely due to caseload changes.

- A decrease of \$85,000 (\$81,000 General Fund) to community care licensing, to reflect the turn-back of licensing from Siskiyou and Yolo counties. The corresponding increase in state services was included in the Spring Finance Letter and adopted by the Subcommittee.

COMMENTS:

There are no issues with these proposals.

CONSENT ACTION:

Adopt May Revise proposals.

ITEM 4130 HEALTH AND HUMAN SERVICES DATA CENTER
ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**CONSENT 32: CMIPS II LEGAL CONSULTING**

The May Revise proposes adding legal consulting services for the procurement CMIPS II.

BACKGROUND:

The Department of Social Services and the Data Center are in the midst of re-procuring the CMIPS project, which provides a payrolling system for the IHSS program. The current system, which is more than 20 years old, is vulnerable, and not adequate to the new IHSS requirements for an employer of record. DSS proposes to add \$150,000 (\$100,000 General Fund) for legal consultant services to aid in contract negotiations associated with the CMIPS re-procurement. The legal consultant will prepare draft solicitation documents, prepare answers to contract inquiries, research past procurement projects, review legal issues for staff counsel regarding contracts, assist with contract reviews, and provide other reports to assist the process.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Adopt May Revise proposals.

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

CONSENT 33: C-IV AUTOMATION

The May Revision proposes to reduce the funding for C-IV.

BACKGROUND:

Consortium IV is one of the four SAWS consortia, and the most recent, still under development. The Subcommittee on May 9 eliminated \$9 million (\$2 million General Fund) from the total budget of \$75.5 million (\$16.3 million General Fund). The Subcommittee adopted placeholder Budget Bill Language to require specific reductions, and to identify risks and risk mitigation necessary to implement the proposed reduction.

COMMENTS:

The May Revision proposes to eliminate a total of \$20.0 million (\$5.0 million General Fund) from Consortium IV. Budget bill language is proposed to make approximately one-quarter of the remaining funds available only after Department of Finance approval of a special project report and notification to the Legislature.

CONSENT ACTION:

Adopt May Revision proposals.

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

CONSENT 34: LEADER

The May Revision includes funds for the modification of the LEADER system.

BACKGROUND:

The Los Angeles Eligibility Automated Determination, Evaluation and Reporting system (LEADER) is one of the four SAWS consortia. The Subcommittee reviewed information in March that showed errors in the computer system during transition created difficulties for aid recipients during the transition to implementation, and that these problems have delayed the adoption of enhancements to the system to reflect state and local legal and regulatory changes, especially for Medi-Cal.

The May Revision proposes an increase of \$1.2 million (\$400,000 General Fund) for the LEADER to expand the languages used for client notification letters. The item includes Budget

Bill Language requiring Department of Finance approval of any agreement to complete the modifications, including the estimate of funding needed, and requiring notification of the Legislature. The May Revision also redirects \$10.0 million (\$5.0 million General Fund) in DHS to application modifications to incorporate program changes. Budget bill language is included in the DHS budget to assure that these funds are not encumbered until DOF has approved a plan for the application modifications, including an estimate of funding needed, and requiring notification of the Legislature. The net budget request is an increase of \$1.4 million. This amount is offset by \$4.5 million in current year savings resulting from unexpended funds for application modification.

COMMENTS:

The LAO recommends that the plan for application modifications proposed in the May Revision be amended to include the Welfare Data Tracking Implementation Project system.

CONSENT ACTION:

Conform to Senate

ITEM 4130 HEALTH AND HUMAN SERVICES DATA CENTER
ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**CONSENT 35: WCDS BUDGET BILL LANGUAGE**

The May Revision proposes Budget Bill Language for the WCDS System

BACKGROUND:

The Welfare Client Data System is one of the four SAWS consortia. The Subcommittee adopted the budget for this program, including a reduction against planned expenditures (an increase over current year, however).

The May Revision proposes Budget Bill Language to make one-quarter of the appropriated funds for this project available only after Department of Finance approval of a special project report and notification to the Legislature.

COMMENTS:

There are no issues with this proposal

CONSENT ACTION:

Adopt May Revise proposal.

ITEM 4130 HEALTH AND HUMAN SERVICES DATA CENTER
ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**CONSENT 36: INTERIM STATEWIDE AUTOMATED WELFARE SYSTEM**

The May Revision contains language for the ISAWS data project.

BACKGROUND:

The ISAWS consortium is the oldest of the four consortia in the Statewide Automated Welfare System (SAWS). The current contract ends December, 2003. The system is old, and uses proprietary software that is expensive to change. The county consortium members in November voted to end this program, and to plan for county members to move to one of the other consortia. The Subcommittee voted to adopt Trailer Bill Language requiring DSS and the Data Center to work with consortium members to determine the steps necessary to ensure that ISAWS migrate expeditiously to one of the remaining SAWS consortia.

The May Revision proposes to reduce the ISAWS maintenance and operations expenditure authority in the Data Center by \$1.4 million. The May Revision also proposes to add Budget Bill Language for the ISAWS item to permit automation system funding to be used for the activities of planning for migration of consortium activities, subject to Department of Finance approval and written notification to the Legislature.

COMMENTS:

The LAO recommends that the proposed Budget Bill language be amended to eliminate the reference to the Feasibility Study Report, substituting "appropriate update to the implementation planning document." This will clarify that the counties and Data Center do not begin a whole new planning effort. Finally, the LAO adds Budget Bill Language stating legislative intent that ISAWS migration costs be included in the appropriate update.

CONSENT ACTION:

Conform to Senate

ITEM 4130 HEALTH AND HUMAN SERVICES DATA CENTER
ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**CONSENT 37: CASH MANAGEMENT, INFORMATION, PAYROLLING SYSTEM**

The Subcommittee will consider conforming to the Senate on two State Fiscal Letters for the CMIPS 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.

COMMENTS:

The Subcommittee will consider adopting the following two Spring Fiscal Letters:

1. The first Spring Fiscal Letter removes one-time funding for CMIPS fraud prevention. Last year, one-time fraud prevention funding was provided to DSS for 2001-02 fiscal year. The inclusion of these funds in the 2002-03 fiscal year was in error.
2. The second Spring Fiscal Letter conforms with a previous Subcommittee action to delete double-budgeted funds identified by the Legislative Analyst's Office and extend three limited term positions for CMIPS Procurement Project. The Subcommittee took action on this item prior to the issuance of the Spring Fiscal Letter, by reducing the double budgeted funds. Accepting this Spring Fiscal Letter will have the same net effect, but it will conform to the Senate's action.

CONSENT ACTION:

Conform to Senate

ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT
ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**CONSENT 38: TANF FUNDING FOR EDD**

The Subcommittee will consider conforming to the Senate's action to eliminate TANF funds budgeted for EDD.

BACKGROUND:

The CalWORKs budget has for several years included \$3.6 million in TANF funds and \$3.6 million in EDD funds for Intensive Services provided through EDD. The services include case management and more intensive support to hard to serve individuals seeking work. The

January budget removed the \$3.6 million match from EDD and continues to provide \$3.6 million in TANF funds into the program.

COMMENTS:

Senate Subcommittee #3 eliminated the \$3.6 million in TANF funds from the EDD budget.

CONSENT ACTION:

Conform to Senate

ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT**CONSENT 39: UNEMPLOYMENT INSURANCE LAW CLEAN-UP**

The Subcommittee will consider conforming to the Senate on technical clean-up language for SB 40.

BACKGROUND:

On October 1, 2001, The Governor signed SB 40, which increases Unemployment Insurance benefits in a phased set of increases through January 1, 2005.

COMMENTS:

Senate Budget Subcommittee #3 had adopted three technical changes to SB 40 to clean up problems with the bill that are purely technical in nature. These changes are:

- Corrects an error in the title of the WARN Act;
- Deletes a cross-reference which is no longer relevant;
- Re-inserts language deleted in the final version of the bill, that permits a student to restrict working hours to protect school attendance, as long as a substantial full-time labor market remains.

CONSENT ACTION:

Conform to Senate

ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT**CONSENT 40: CASELOAD CHANGES TO EMPLOYMENT DEVELOPMENT DEPARTMENT BUDGET**

The May Revise contains several changes to the Employment Development Department budget to reflect updated caseload trends.

BACKGROUND:

The budget contains the following changes:

ITEM	DESCRIPTION	AMOUNT OF CHANGE
Unemployment Insurance	Reflects a projected increase in Unemployment Insurance benefit caseload	Increased by \$1,164 million in Unemployment Insurance Funds
Disability Insurance	Reflects a projected increase in Disabilities Insurance caseload and increased postage costs	Increased by \$295.3 million and \$174,000 increase in administrative costs from increased postage costs
School Employees Fund	Reflects increase in benefit compensation paid from the School Employees Fund	Increase of \$7.3 million of School Employee Funds in the Budget Year

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Adopt May Revise proposals.

ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT**CONSENT 41: REED ACT FUND SHIFT**

The May Revise has proposed using Federal Reed Act funds for Employment Development Department administrative costs.

BACKGROUND:

During the April 3 and May 8 Subcommittee hearings, the Subcommittee took action to use Federal Reed Act funds to pay for Employment Development Division administrative costs and

Unemployment Insurance services in lieu of EDD Contingent funds. The savings in the EDD Contingent Funds were then transferred to the General Fund.

The May Revise has proposed a similar reduction to the action taken by the Subcommittee, but with a slightly higher level of General Fund savings.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Adopt May Revise proposal.

ITEM 5120 CALIFORNIA WORKFORCE INVESTMENT BOARD**CONSENT 42: REDUCTION TO CALIFORNIA WORKFORCE INVESTMENT BOARD ADMINISTRATION**

The May Revise proposes a reduction to the California Workforce Investment Board's administration.

BACKGROUND:

The May Revise proposes a \$138,000 reduction of federal Workforce Investment Act funds for the California Workforce Investment Board's administration. The reduction includes \$38,000 for personnel services and \$100,000 for operation expenses and equipment.

COMMENTS:

The Employment Development Department contains a corresponding augmentation using the funds reduced through this proposal.

CONSENT ACTION:

Adopt May Revise Letter.

ITEM 5120 CALIFORNIA WORKFORCE INVESTMENT BOARD

CONSENT 43: FUND SHIFT TO THE LABOR AND WORKFORCE DEVELOPMENT AGENCY

The May Revise proposes a \$50,000 reduction to the California Workforce Investment Board's administration to support the Labor and Workforce Development Agency.

BACKGROUND:

The May Revise proposes a \$50,000 reduction to offset the additional funds for the Labor and Workforce Development Agency.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Adopt May Revise Letter.

ITEM 5120 CALIFORNIA WORKFORCE INVESTMENT BOARD

CONSENT 44: PERFORMANCE BASED ACCOUNTABILITY

The Subcommittee will consider Budget Bill Language proposed by the LAO.

BACKGROUND:

The Subcommittee considered LAO Budget Bill Language during May 1, 2002, but did not have sufficient number of members present to hold a vote

COMMENTS:

Senate Budget Subcommittee 3 asked the LAO to review the Feasibility Study Report (FSR) for CWIB's Performance Based Accountability System. The LAO was concerned that the project lacked a full time project manager. The CWIB is proposing to have the program manager and the chief information officer act as the State project manager. In addition, CWIB intends to rely heavily on the prime contractor for project management. The LAO has found that State IT

projects fail because of a lack of dedicated project management or an over-reliance on the prime contractor to act as the state's project manager. For these reason, the LAO recommends the following Budget Bill Language:

It is the intent of the Legislature that the California Workforce Investment Board provide a full time project manager for the development of the redesigned Performance Based Accountability System. The project manager shall be independent of the project's prime contractor.

CONSENT ACTION:

Adopt LAO Budget Bill Language as printed in agenda.

**ITEM 0559 CALIFORNIA LABOR AND WORKFORCE DEVELOPMENT AGENCY
ITEM 5120 CALIFORNIA WORKFORCE INVESTMENT BOARD
ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT****CONSENT 45: FUNDING FOR THE LABOR AND WORKFORCE DEVELOPMENT AGENCY**

The May Revise proposes to fund the Labor and Workforce Development Agency and make offsetting reductions the Employment Development Department and the California Workforce Investment Board.

BACKGROUND:

The May Revise proposes to establish the budget for the Labor Agency. The proposal contains a total of \$1.8 million and 17 positions. Of the \$1.8 million of funding for the Agency, \$1.5 million will be provided through reimbursements and \$348,000 is General Fund.

According to the Department of Finance, 17 positions will be eliminated in the Department of Industrial Relations and the Employment Development Department to provide personnel to operate the Agency. In addition, the budgets of the California Workforce Investment Board, the Department of Industrial Relations and the Employment Development Department have been reduced by \$348,000, resulting in no net General Fund increase to the proposal.

The May Revise also contains two proposal to fund the Labor Agency, the first would reduce the CWIB by \$50,000 to fund the Labor Agency, and the second proposal would reduce the Employment Development Division by \$1,353,100 (\$32,000 General Fund) and 14 positions.

COMMENTS:

The Legislative Analyst's Office has provided an analysis of the Labor Agency and believes that the Labor Agency staffing level exceeds workload requirements of the portfolio that it oversees.

CONSENT ACTION:

Adopt May Revise Letters.

ITEM 4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT**CONSENT 46: INCREASED FEDERAL LIHEAP FUNDING**

The May Revise reflects a new \$23.3 million allocation to the State for additional energy related programs.

BACKGROUND:

The Department of Community Services and Development reports that it expects \$23.3 million in federal energy funds in the budget year. These funds include \$1.9 million for the Weatherization Services Program and \$21.4 million of the Low-Income Home Energy Assistance Program (LIHEAP).

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Adopt May Revise Letter.

ITEM 4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS**ITEM 4170 DEPARTMENT OF AGING****ITEM 5180 DEPARTMENT OF SOCIAL SERVICES****CONSENT 47: HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT COMPLIANCE (HIPAA)**

The May Revise contains a fiscal letter allowing the Department of Aging to comply with the Health Insurance Portability and Accountability Act (HIPAA).

BACKGROUND:

The May Revise proposes \$200,000 (\$130,000 State General Fund) to assess HIPAA requirements on programs and support systems of the Department of Aging. The Department of Aging believes that these assessment activities are critical to meet federally-established deadlines for HIPAA implementation.

The May Revise also proposes \$729,000 (\$665,000 General Fund) and 4.0 positions to assess HIPAA requirements on programs and support systems of the Department of Social Services.

For the Department of Alcohol and Drug Programs the May Revise requests a reduction of \$1.5 million (\$750,000 General Fund) to reflect a reduction in funding for HIPAA compliance. The

Department of Alcohol and Drug Programs still contains \$4,542,000 (\$2,271,000 General Fund) for HIPAA compliance.

COMMENTS:

The May Revise contains several proposals in various departments for HIPAA compliance. The Assembly will hear consider all HIPAA proposals during the May 22 hearing of Assembly Subcommittee 1.

CONSENT ACTION:

Hold Open

ITEM 4170 DEPARTMENT OF AGING**CONSENT 48: HEALTH INSURANCE COUNSELING AND ADVOCACY PROGRAM FUND TRANSFER**

The May Revise reverses a transfer of \$1.7 million Health Insurance Counseling and Advocacy Program (HICAP) funds to the General Fund.

BACKGROUND:

The Governor's Budget included a transfer of \$1,709,000 to the General Fund from the Health Insurance Counseling and Advocacy Program (HICAP) Fund. Subsequently, Department of Finance determined that the proposed transfer would have a negative impact on the HICAP in 2002-03 and thereafter.

The May Revise requests that the transfer of \$1,709,000 be eliminated by deleting Item 4170-002-0289.

COMMENTS:

The Subcommittee has received substantial feedback commenting the sweep of HICAP funds would create a cash flow problem within the HICAP program that would compromise the program's operations. The Department of Finance has taken action to relieve this problem.

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES**CONSENT 49: CALIFORNIA STATE INSURANCE INTERCEPT PROJECT**

The May Revise proposes to allow the State to contract with the State of Rhode Island for the California State Insurance Intercept Project.

BACKGROUND:

The Department of Child Support Services (DCSS) proposes to enter into a contract with the State of Rhode Island to implement the California Insurance Intercept Project (CIIP), an automated system to capture additional collection revenue from child support obligors who receive personal injury awards. The DCSS estimates \$3,373,000 increased General Fund revenue in the budget year, and \$1,687,000 in annual ongoing revenue as the result of this project. The cost of the CIIP would be \$1,126,000 (\$383,000 General Fund).

COMMENTS:

The Department of Child Support Services estimates that this new system will save \$23 million in the budget year.

The proposed contract would be a sole source contract with the State of Rhode Island, which has developed the system with private insurers using a private vendor.

The Legislative Analyst's Office notes that the Legislature may wish to remove references to the Department of Information Technology in the proposed Budget Bill Language.

The Senate modified the Budget Bill to eliminate the specific reference to the Department of Internet Technology and Department of Finance approval and instead require appropriate control agency review. In addition the Senate added Supplemental Report language requiring the Department to report in budget hearings on the amount of enhanced collections in the budget year.

CONSENT ACTION:

Conform to Senate.

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES**CONSENT 50: BUDGET BILL LANGUAGE FOR FEDERAL FUND FLEXIBILITY**

The May Revise proposes language allowing the Department of Child Support Services greater flexibility to adjust their budget to offset increases or decreases in collections.

BACKGROUND:

Federal recovery collections are deposited in the Child Support Recovery Fund and serve as an offset to the Child Support federal grant. The estimated collections are included in the DCSS's budget. It is requested that language be added to authorize Finance to adjust the expenditure authority to offset increases or decreases in collections.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Adopt May Revise proposal.

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES**CONSENT 51: CALIFORNIA CHILD SUPPORT AUTOMATED SYSTEM (CCSAS)**

The May Revise has proposed Budget Bill Language to allow the Department of Child Support Services to begin implementation of the California Child Support Automation System in the budget year.

BACKGROUND:

The Franchise Tax Board and the DCSS are proceeding with the evaluation of a bid for the development and implementation of the CCSAS. The proposal and related costs are currently under review, and the level of funding that would be required in 2002-03 is unknown at this time. However, it is critical that a mechanism be implemented to provide funding, when the requisite level is known. Therefore, The May Revise requests that Budget Bill Language be added to authorize Finance to augment these items to provide funding for the CCSAS Project to proceed, subject to 30-day notice to the Legislature. Similar language is being proposed for the Franchise Tax Board.

COMMENTS:

There have been no issues with this proposal.

CONSENT ACTION:

Adopt May Revise proposal.

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

CONSENT 52: CHILD SUPPORT HEARINGS

The May Revise includes \$650,000 (\$187,000 General Fund) and 2.1 positions for additional State hearings for Child Support Services.

BACKGROUND:

Current law requires that a State hearing be scheduled to commence within 30 days from the date of receipt of a request for hearing, provided the parties first exhaust the local complaint resolution process. It is estimated that child support State hearings will increase by 450 cases, or 42 percent.

Given the caseload growth, and in order to meet the statutorily required timeframe to hear a child support case, the May Revise requests \$650,000 (\$187,000 General Fund) to support this caseload growth. Of this proposed increase, \$137,000 (\$47,000 General Fund) is for an additional 2.1 staff positions in the Department of Child Support Services (DCSS) to review proposed State hearing decisions prepared by the Department of Social Services (DSS) State Hearings Division and \$413,000 (\$140,000 General Fund) to increase the contract with the DSS to conduct hearings.

The May Revise also contains Trailer Bill Language that would modify the budget for State hearings in the event that actual Child Support State Administrative Hearings caseload is higher than projected.

The May Revise also proposes to increase the budget of the Department of Social Services State Hearings Division by \$413,000 in reimbursements and 2.5 positions to increase administrative hearings on child support complaints based on caseload estimates in the Department of Child Support. The proposal includes Budget Bill Language comparable to language in the Department of Child Support, permitting the Department of Finance to increase reimbursements in this area if workload increases.

COMMENTS:

The Senate approved the proposed augmentation and amended the proposed Budget Bill Language to require legislative notification concurrent with approval by the Department of Finance.

CONSENT ACTION:

Conform to Senate.

ITEMS TO BE HEARD**ITEM 4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS**

ISSUE 1: PRIORITIZATION OF DADP FUNDING TRAILER BILL LANGUAGE

The Subcommittee will consider adopting placeholder trailer bill language.

BACKGROUND:

This proposed trailer bill language would require Department of Alcohol and Drug Programs (DADP) to develop, and recommend to the Legislature by July 2003, a plan to identify target program areas (or populations) where drug treatment expenditures can be most effectively expended, taking into account collateral costs if drug treatment services are not provided, such as the potential costs for child welfare services, incarceration, and health services.

COMMENTS:

The Department will comment on the aims of this proposal.

ITEM 4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS**ISSUE 2: WOMEN AND CHILDREN'S RESIDENTIAL TREATMENT SERVICES**

The Subcommittee will decide whether to add control language to protect the Perinatal Treatment Program network programs that originally received federal funds.

BACKGROUND:

California provides \$6.9 million to a network of Perinatal Treatment Programs initially operated through federal Center for Substance Abuse Treatment grants, but whose federal grants have expired. These nine treatment programs provide a system of comprehensive services to pregnant and parenting women. Programs provide addiction treatment, health care, parenting services, vocational and educational services. Each grantee monitors for health status, child welfare status, criminal justice involvement and emergency room use. Many clients have concurrent health and mental health disorders, are homeless, HIV positive, or have learning disabilities.

The Department has also licensed or certified an additional 250 perinatal inpatient and outpatient treatment programs, funded with Drug Medi-Cal, State General Fund, and federal block grant funds. Few of the non-federal programs have comprehensive services; in particular, few are able to provide collateral services to other members of the family. Drug Medi-Cal rules provide that women may be served while they are pregnant and postpartum for 60 days. Federal regulators have resisted extending medical necessity beyond this point. CalWORKs has provided for many women in this target population; some programs receive Proposition 10 funding, as well.

The Senate adopted control language retaining the nine treatment programs as an identified budget item in the DADP budget at the current level.

COMMENTS:

The nine federal network programs have testified that national evaluation data demonstrates that the full service residential programs have demonstrably better outcomes than other perinatal programs. Examples include: clean and sober 12 months post treatment (75% vs. 47%); percentage employed, in job training or in school post treatment (65% vs. 41%); and reunified with their children (75% vs. 21%).

On the other hand, some county administrators believe that outcomes from out-patient perinatal program can result in excellent outcomes. One county provided outcomes from out-patient perinatal programs that include: clean and sober 6 months post treatment (80%); percent of those unemployed at entry who were subsequently employed at

completion (95%); and percent who complete the 18 month program (75%). Although these programs claim significant success at reunifying women with their children, there is not a specific link between foster care treatment programs and these perinatal programs.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH**ISSUE 3: ADULT AND CHILDREN'S SYSTEMS OF CARE**

The Subcommittee will consider eliminating the Adult and Children's Systems of Care for a General Fund savings of \$42.6 million.

BACKGROUND:

Continued weakness in the stock market and the economy have caused State revenue receipts to be below forecast since the release of the January Governor's Budget. The May Revision revenue estimate significantly reduces the available General Fund resources for the current and budget years. The revenue reduction, combined with expenditure adjustments required for enrollment, caseload, and population changes, necessitates the reduction or elimination of various programs proposals included in the January Governor's Budget. Accordingly, the Administration is proposing reductions as follows:

- Eliminate the Adult and Children's Systems of Care to capture a General Fund savings of \$42,578,000.

ITEM	JAN 10 BUDGET PROPOSAL	MAY REVISE PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
Children's System of Care	\$35,578,000	- \$35,578,000	\$0
Adult System of Care	\$7,000,000	- \$7,000,000	\$0
Total	\$42,578,000	- \$42,578,000	\$0

COMMENTS:

The purpose of the Children's System of Care program is to develop an integrated system of care for children who are severely emotionally and behaviorally disturbed, and their families. The basic elements of the program include interagency coordination and collaboration, child/family-centered services, culturally competent services, and case management services. Families of the children are full participants in all aspects of the planning and delivery of services.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH**ISSUE 4: EARLY AND PERIODIC SCREENING, DIAGNOSIS, AND TREATMENT AND THERAPEUTIC BEHAVIORAL SERVICES PROGRAMS**

The Subcommittee will consider whether it is appropriate to transfer a share of cost on future growth in the specialty mental health services provided under the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) and Therapeutic Behavioral Services (TBS) programs.

BACKGROUND:

Continued weakness in the stock market and the economy have caused State revenue receipts to be below forecast since the release of the January Governor's Budget. The May Revision revenue estimate significantly reduces the available General Fund resources for the current and budget years. The revenue reduction, combined with expenditure adjustments required for enrollment, caseload, and population changes, necessitates the reduction or elimination of various programs proposals included in the January Governor's Budget. Accordingly, the Administration is proposing reductions as follows:

- Requests a decrease in reimbursements by \$65,057,000 in local assistance in the budget year to reflect a change in the growth percentage and the implementation of a 10 percent county match requirement. This reflects a reduction in the State's share of the cost of growth in the Early and Periodic Screening, Diagnosis, and Treatment and the Therapeutic Behavioral Services programs. This reduction includes \$35,039,000 in General Fund savings in the Department of Health Services and a reduction of \$30,018,000 in Federal Financial Participation from the Department of Health Services as reimbursements.

The Administration argues that overall cost of providing mental health services to children under the federally mandated EPSDT program has been growing 29 percent per year. State costs will have increased \$286 million over the last seven years under the proposed budget. Counties share part of the base of support for the program but pay relatively little for program cost increases and thus have little incentive to help control program costs.

COMMENTS:***Department of Finance***

It is the ultimate goal of the state to transfer the risk for EPSDT services to the counties, which now operate as Mental Health Plans under Phase II consolidation. The transfer of risk, however, is dependent on determining a reasonable estimate of the appropriate level of reimbursement for that risk. The continuing expansion of EPSDT services in response to significant state policy changes has made such an estimate impossible to date. A variety of factors, including modifications in Medi-Cal policy, legal decisions, and expansion of services by counties to meet EPSDT access requirements, will likely result in continued significant program growth for several more years.

The Department of Finance argues that shifting risk to the counties at this time risks legal claims, as well as the possibility of counties returning the responsibilities of providing these services to the state and opting out of the managed care situation.

LAO Comments

The LAO recommends approval of the May Revision Administration proposal, instead of the LAO Option approved by the Assembly Subcommittee, to reduce General Fund costs for EPSDT special mental health services for children by \$35 million by establishing a 10 percent share of cost for counties.

While the Governor's proposal is generally similar in concept to the option proposed by LAO, it differs in some significant ways. The LAO option would achieve \$28 million in savings by applying that 10 percent share of cost both prospectively and retroactively to increases in the nonfederal costs of the program. The administration's proposal applies the 10 percent share of cost only prospectively, but assumes a significant reduction in the rate of program growth (now above 30 percent per year) due to this change. Thus, **the May Revision proposal assumes that counties would contribute an additional \$5.4 million to support the EPSDT program during the budget year above their existing baseline contribution, while the LAO proposal assumed up to a \$28 million increase in county support for EPSDT.** The LAO believes the Administration's alternative approach is reasonable.

Although it is probably not technically needed to implement the Administration's proposal, you may also wish to consider adopting the Budget Bill language previously approved by Assembly Subcommittee 1 that specifies the mechanism for making the change and specifies that the share of cost imposed upon counties would be 10 percent. The proposed language is below:

Provision X. The Departments of Mental Health and Health Services shall modify their interagency agreement as it relates to the financing of specialty mental health services under the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program in accordance with the level of funding provided for these services in the annual Budget Act. The departments shall modify their interagency agreement to: (1) adjust, to the extent necessary, if any, the baseline funding level contributed by counties, and (2) provide that counties shall pay, in addition to their baseline contribution for the support of EPSDT special mental health services, a share of any growth in the nonfederal costs in the program that occurs in the 2002-03 fiscal year and subsequent fiscal years. It is the intent of the Legislature that the revised interagency agreement provide for a county share of about 10 percent of any nonfederal growth in costs in this program.

Advocates Comments

Advocates recommendations center around three basic areas of concern:

1. Remove Therapeutic Behavioral Services (TBS) program from the proposal; it has just begun its ramp up and has not achieved penetration into the service population.
2. Protect the base funding for the EPSDT program, as well as TBS.
3. Analyze cost control mechanisms, such as increased utilization review strategies, in order to score potential savings for the budget year.

More generally, county advocates argue that the EPSDT program is part of an overall network of children's services. The children's mental health care system in California is a system of care, not pieces of programs that can be separated. Currently, EPSDT receives the largest share of

funding available for children's mental health. As a result, it is critical that the State fully fund EPSDT if the children's mental health system in California is to stay intact.

Specifically, there is great disparity as to the state's ability to transfer a share of cost to counties for a mandated program. There is also a concern on the part of advocates and counties that shifting risk to the counties risks legal claims, as well as the possibility of counties returning the responsibility of providing these services to the state and opting out of the managed care situation.

Counties argue that if the appellate court decision in *County of Sonoma v. the Commission on State Mandates* were read as broadly as it seems the administration is interpreting it, the decision would directly contradict the *San Diego* Supreme Court decision. In that case, the court found a reimbursable mandate *not* because 100% of the cost was shifted to counties, but because counties incurred *any* net cost over and above the funding provided by the state along with the program responsibility.

EPSDT services are broad, open-ended, and an entitlement; as a result, counties argue that they have little control over the cost or level of service. Counties further argue that they currently have no share of cost in EPSDT and if the May Revise proposal were accepted, the state would be shifting some cost to them without any reimbursement-- creating an entirely new fiscal responsibility for counties.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH**ISSUE 5: COMMUNITY TREATMENT FACILITY RESTRAINT MONITORING**

The Subcommittee will consider adopting trailer bill language regarding medical monitoring of the use of restraints in Community Treatment Facilities (CTF).

BACKGROUND:

This issue arises from the medical monitoring requirement around the use of restraints in CTFs. Current DMH regulations require a Registered Nurse (RN) to monitor vital signs whenever a youth is placed in a restraint or seclusion. This language allows CTFs to use other staff, with specific types of medical training, to authorize and monitor restraints.

The following proposes to add Section 4094.3 to the Welfare and Institutions Code:

(a) The CTF plan of operation shall specify whether the CTF may use mechanical restraints.

(b) (1) For CTFs that include the use of mechanical restraints in their plan of operation, licensed nursing staff shall be on duty on a 24-hour basis and shall be responsible for monitoring physical restraint and seclusion.

(2) "Licensed Nursing Staff" shall include:

(a) licensed registered nurse, (b) licensed vocational nurse, (c) licensed psychiatric technician, (d) other individuals with an equivalent or higher level of education, experience, and/or professional qualifications, as approved by the Department.

(c) (1) For CTFs that do not include the use of mechanical restraints in their plan of operation, one of the following professionals shall be on duty on a 24-hour basis and shall be responsible for monitoring physical restraint and seclusion: (a) Physician, (b) Psychologist, (c) Licensed or registered clinical social worker, (d) Licensed or registered marriage and family therapist, (e) Licensed registered nurse, (f) Registered or licensed vocational nurse, (g) Licensed psychiatric technician, (h) Mental health rehabilitation specialist, (i) Other individuals with an equivalent or higher level of education, experience, and/or professional qualifications, as approved by the Department.

(2) The professionals specified in subparagraphs C – I, in paragraph (c) (1), shall be trained in First Aid, CPR techniques, and the areas of preventing and managing assaultive and self-injurious behaviors.

(d) (1) CTF staff who have been trained in the areas of preventing and managing assaultive and self-injurious behaviors may initiate physical restraint or seclusion. The continued use of physical restraint or seclusion in excess of five (5) minutes in duration must be authorized by one of the following professionals: (a) Physician, (b) Psychologist, (c) Licensed or registered clinical social worker, (d) Licensed or registered marriage and family therapist, (e) Licensed registered nurse, (f) Registered or licensed vocational nurse, (g) Licensed psychiatric technician, (h) Mental health rehabilitation specialist, (i) Other individuals with an

equivalent or higher level of education, experience, and/or professional qualifications, as approved by the Department.

(2) The professionals specified in subparagraphs C – I, in paragraph (d) (1), shall be trained in First Aid, CPR techniques, and the areas of preventing and managing assaultive and self-injurious behaviors.

(e)(1) Physical restraint or seclusion must be ordered by a licensed mental health professional.

(2) “Licensed mental health professional” means any of the following: (a) Psychiatrist, (b) Clinical psychiatrist, (c) Licensed marriage, family and child counselor, (d) Licensed clinical social worker, (e) Licensed registered nurse with a masters or doctorate degree in psychiatric nursing, (f) Other individuals with an equivalent or higher level of education, experience, and/or professional qualifications, as approved by the Department.

COMMENTS:

Directors of CTFs have commented that the cost of maintaining an RN 24 hours a day is expensive and unnecessary, especially in a social model. Additionally, directors argue that the state regulations are paradoxical because, in an emergency, the RN would call a paramedic, who is not trained at the level of a licensed nurse.

The Department has been generally supportive but has not commented on the language yet.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH

**ISSUE 6: SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES
ADMINISTRATION BLOCK GRANT**

The Subcommittee will consider approving an increase in federal funds to expand and enhance existing service systems.

BACKGROUND:

The Governor's May Revise proposes an increase of \$2.2 million for local assistance from the federal Substance Abuse and Mental Health Administration (SAMHSA) Block Grant to develop new projects and expand or enhance existing service delivery systems. Of the local assistance increase, \$2,000,000 will be used to provide additional support for the Integrated Services to the Homeless Program, and \$200,000 will be used to support the Administration's workforce initiative. The support funding will be utilized for administrative activities associated with data collection and analysis.

In addition, the Department requests an increase in state support by \$372,000. This action reflects an increase in the federal SAMHSA Block Grant to collect and analyze data on performance indicators and outcome measures for adults and children.

COMMENTS:

There are no issues with this proposal.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH**ISSUE 7: PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS
FORMULA GRANT**

The Subcommittee will consider augmenting the Federal Trust Funds account to expand existing programs within the Projects for Assistance in Transition from Homelessness.

BACKGROUND:

The Governor proposes in his May Revision to augment local assistance Federal Trust Funds appropriation by \$473,000 and an augmentation in the support Federal Trust Fund appropriation by \$37,000. This action reflects an increase in the federal Projects for Assistance in Transition from Homelessness (PATH) Formula Grant to restore previous federal reductions and to expand existing programs, and to collect and analyze data on performance indicators and outcome measures for adults and children.

The local assistance funds will be allocated to counties to complete the restoration of the funding reduction made in Fiscal Year 1997-98. The support funds will allow the Department to increase monitoring, oversight, and technical assistance support to the PATH projects.

COMMENTS:

The LAO suggests that the proposal to distribute these funds according to the standard county allocation formula be revised so that these funds would instead be distributed to a few specific local projects as part of the integrated care initiative. The LAO has calculated that the proposed allocations spread over all counties leave the smallest allocations at \$255 and the largest at only a few thousand dollars. The analysts reason that the funds could not be used in an effective manner in most jurisdictions. Consequently, the LAO argues that concentrating the funds in the hands of a smaller number of recipients would be more likely to produce an effective improvement in the care of the mentally ill homeless. This fund shift would also help to offset a \$10 million General Fund cut proposed in the May Revision for the integrated mental health services for the homeless.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH**ISSUE 8: SEXUALLY VIOLENT PREDATOR EVALUATIONS**

The Subcommittee will consider whether to allocate additional general funds for private contractors to perform evaluations of sexually violent predators (SVP).

BACKGROUND:

The Governor's May Revise proposes to increase General Funds by \$347,000 to reflect additional SVP evaluations to be performed by private contractors, as well as additional costs for evaluator court testimony.

The proposal also requests current year deficiency authorization of \$411,000 General Fund to reflect a shortfall in the funding available for the completion of SVP evaluations in the current year.

The current year budget for SVP evaluation activities is \$2,756,000 after a reduction of \$145,000, which was identified in the budget reductions. For the budget year, the base funding level is \$2,619,000. A reduction of \$282,000 was included in the support reductions associated with narrowing the General Fund gap between revenues and expenditures.

The Sex Offender Commitment Program (SOCP) has been in operation by the Department of Mental Health (DMH) for over six years. Psychiatrists and psychologists via contract with the DMH have completed over 5,000 evaluations on both California Department of Corrections inmates and persons currently committed (commitment extensions) resulting in 342 commitments by the California Courts. Although not required by law, DMH has always provided reimbursement to evaluators for all time spent to provide court testimony.

COMMENTS:

There are no issues with this proposal.

ITEM 4170 DEPARTMENT OF AGING

ISSUE 9: RESTORING LINKAGES

The Subcommittee will consider conforming to an action taken by the Senate to restore the Governor's proposed reduction to the Linkages Program by reducing funds budgeted for the Senior Wellness Campaign.

BACKGROUND:

On April 10, 2002 Subcommittee placed restoring a proposed \$126,000 reduction to the Linkages program on the suspense list. On that day, the Subcommittee also placed eliminating the \$700,000 budgeted for the Senior Wellness Campaign on suspense.

The Department of Aging has reported that any further reduction to the Senior Wellness Campaign would result in a loss of Federal funding used to support the Department's operations.

COMMENTS:

The Senate Subcommittee reduced the Senior Wellness Campaign by \$126,000 and redirected these funds to restore the reduction to the Linkages program.

ITEM 4170 DEPARTMENT OF AGING

ISSUE 10: USE OF SENIOR HOUSING INDEPENDENT LIVING CENTER FUNDS

The Subcommittee will consider the Department of Aging's use of Senior Housing Independent Living Center funds.

BACKGROUND:

As part of last year's Aging with Dignity Initiative, the Governor established the Senior Housing Information and Support Center within the Department of Aging. The Department of Aging budget contains \$862,000 State General Fund and seven positions for the Senior Housing Information and Support Center. The Center offers information and referral to seniors for home modification improvement and supportive service that facilitate independent living.

The California Foundation for Independent Living Centers has a long history of providing similar services to seniors and persons with disabilities.

COMMENTS:

The Subcommittee will consider whether the Department of Aging should be providing services already provided by Independent Living Centers.

ITEM 4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT**ISSUE 11: COMMUNITY SERVICES AND DEVELOPMENT BLOCK GRANT FUNDS**

The May Revise contains new federal funds for the Department of Community Services and Development and Trailer Bill Language to allocate these funds to local areas.

BACKGROUND:

The Department of Community Services and Development has received a one time increase of \$6.55 million in new Community Services Block Grant (CSBG) funds.

The May Revise also proposes Trailer Bill Language to conform to a federal requirement that the all eligible entities currently in good standing in the CSBG program receive a proportional share of the increase. According to the Department of Community Services and Development, the Trailer Bill Language is necessary to allow these funds to provide an increase to minimum-funded CSBG agencies.

COMMENTS:

According to the Department of Community Services and Development all current CSBG providers will receive an increase of 8.47 percent. Minimum funded agencies will receive a one-time increase of 13,556, from \$160,000 to \$173,556. The Department will re-evaluate the use of these funds after receiving the results of the 2000 Census.

During the April 10th Subcommittee hearing, the Subcommittee heard testimony from the Cal-Neva Association requesting that State adopt a permanent minimum funding level of \$240,000 per agency that would increase over time. Other CSBG providers and other agencies expressed opposition to the Cal-Neva proposal.

The Senate Subcommittee adopted Trailer Bill Language that would establish an ongoing minimum funding level for CSBG.

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 12: FOSTER PARENT TRAINING FUND

The Governor's Budget reduces the Foster Parent Training Fund by \$1.7 million

BACKGROUND:

The Foster Parent Training Fund consists of funds collected by the Child Support agencies from families that have had children placed in the child welfare system. These funds are remitted to the Community Colleges, which provides training to foster parents.

As part of a Budget Change Proposal to reduce the General Fund for the Department of Child Support Services, the Governor redirected \$1.6 million of collections from the Foster Parent Training Funds to the General Funds. Reducing the Foster Parent Training Funds from \$3.7 million to \$1.9 million results in a reduction of funding available for foster parent training by over 25 percent.

The May Revise proposes Trailer Bill Language to cap the amount transferred to the Foster Parent Training Funds at \$1.9 million.

COMMENTS:

The Subcommittee has received feedback from advocates indicating that the proposed reduction to the Foster Parent Training Fund will substantially impact the number of new Foster Parents available in the State.

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES (DCSS)**ISSUE 13: CHILD SUPPORT CASELOAD ADJUSTMENTS**

The May Revise contains changes to the Department of Child Support Services (DCSS) caseload to reflect updated caseload trends and updated administrative costs.

BACKGROUND:

In the current year, implementation of the Child Support Program at the local level has proceeded slower than anticipated and counties are not expected to utilize the full amount of their administrative allocations. This will result in savings of \$81,830,000 (\$25,215,000 General Fund). Therefore, it is requested that Item 5175-495 be added to revert the General Fund savings.

In the budget year, counties are projected to utilize the full amount of their allocations. However, General Fund costs have been adjusted to reflect reductions of \$2,646,000 for county automated system enhancements. These reductions were offset by an increase of \$335,000 for postage. Federal funds have also been reduced to reflect a decline in the amount of time required to plan for the California Child Support Automation System (CCSAS) in the budget year, and a change in the methodology used to reflect Title IV-E collections.

The May Revise also proposes to the Child Support loan authority increased from \$110.0 million to \$136.0 million. This increase is required because of the growth of the Child Support Program at the local level. The DCSS requires loan authority in order to pay local child support agencies for the federal share of their administrative costs prior to the receipt of federal funds. The loan is repaid when the federal share of costs for the program becomes available or when the collections are received from the counties.

COMMENTS:

The May Revise letter that contains these changes also contains the Foster Parent Training Language addressed in the previous issue.

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES**ISSUE 14: CHILD SUPPORT AUTOMATION PENALTY**

The May Revise contains a revised assumption on impact of Child Support Automation Penalty.

BACKGROUND:

The Governor's January Budget assumed federal legislation would be enacted to relieve the State of \$181,315,000 in federal automation penalties that would be assessed because of the State's delay in implementing a statewide automated child support system. However, more recent information indicates that the State would likely receive relief of \$91,585,000, which would result in a penalty of \$89,730,000.

Although the federal penalty is a county responsibility under current law, the General Fund has provided counties relief from the penalty for the past three years, with the understanding that counties will work toward participation in a statewide automated child support system. Given the current General Fund shortfall, the May Revision reflects the assumption that counties will assume one-half of the penalty. Counties will remit payments as General Fund revenue, to offset General Fund costs. Therefore, the May Revise requests \$89,730,000 to reflect the cost of the penalty. Half of this penalty will be paid by the State and half will be paid by the Counties.

COMMENTS:

The May Revise assumes that pending federal legislation will reduce the automation penalty from \$181.3 million to \$89.7 million. If the projected relief is not realized, under the proposed Trailer Bill Language, any addition penalty above the \$89.7 million amount would be borne completely by counties. The counties would need to remit the penalty payment to the counties with county General Fund within 30 days.

The proposed Trailer Bill Language is also unclear about how the proposed penalty would be allocated to counties.

The Senate adopted Trailer Bill Language splitting the amount of the Child Support Automation Penalty so that it has a 50 percent State share and 50 percent county share.

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES**ISSUE 15: PRE-STATEWIDE INTERIM SYSTEM MANAGEMENT (PRISM)
CONSORTIA PROJECT LEADERS**

The Department of Child Support Services proposes a redirection of funds for consultants to provide project leadership for the Pre-Statewide Interim System Management (PRISM) project.

BACKGROUND:

The May Revision reflects the redirection of \$1,671,000 (\$568,000 General Fund) from electronic data processing (EDP) conversion and enhancements to EDP maintenance and operation in order to establish six contract positions to act as PRISM Consortia project leaders. These positions will act as the State's on-site representative to ensure that DCSS directives are carried out on time and within budget, and to ensure that the Department's strategic vision regarding automation systems is effectively implemented at the local level.

COMMENTS:

The LAO believes that DCSS is concerned that the consortia are not complying with DCSS direction, and the consultants will provide oversight and direction to the consortia. Given that consultants are not state staff, it is questionable that this proposal will solve the underlying problem. For this reason, the LAO recommends that the Legislature deny the request and redirect the \$1.6 million to other activities within the Department. The LAO notes that if the problem is truly compliance to state direction, the Legislature may wish consider Trailer Bill Language directing counties to implement DCSS' directions.

ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT

ISSUE 16: REED ACT FOR DISABILITIES

The Subcommittee will consider conforming to the Senate on the use of Reed Act funds for physical and program access to one-stops

BACKGROUND:

Over the last two years, the Subcommittee has taken several actions to improve the access of the State's One-Stop system.

COMMENTS:

Senate Subcommittee 3 appropriated \$500,000 Reed Act to augment the \$500,000 in WIA 15 percent discretionary funds already allocated to fund applications made through competitive process for funds to support physical and program access at one-stops for a total of \$1 Million.

ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD)

ISSUE 17: WORKFORCE INVESTMENT ACT PROGRAM ADJUSTMENTS

The May Revise reflects a lower project allocation of federal Workforce Investment Act (WIA) funding.

BACKGROUND:

The May Revise reduces the Employment Development Department (EDD) budget by reflecting a \$62.3 million reduction in WIA funding received by the State.

COMMENTS:

In the May 8th hearing, the Subcommittee adopted a plan for the use of the 15 Percent Discretionary WIA funding. As a result of the reduced federal revenue, the amount of 15 Percent Discretionary WIA funds has been reduced by \$9.4 million. As a result, the plan adopted by Subcommittee will not fit within available resources. As such, the Subcommittee could consider the following proposal:

Workforce Investment Act 15 Percent Funds Budgeted 2002-2003				
Administration	Pre-May Revise Assembly Proposed Budget	May Revise Proposed Budget	Assembly May Revise Proposal	
Employment Development Department Administration	\$18.6	\$18.6	\$18.6	\$18.6
California Workforce Investment Board Administration	\$4.8	\$4.7	\$4.7	\$4.7
Federally Required WIA Activities	\$27.5	\$23.1	\$23.1	\$23.1
Subtotal for Administration and Required Activities	\$50.9	\$46.4	\$46.4	\$46.4
Proposed Programs				
Nurses Workforce Initiative	\$0.0	18	\$18.0	\$18.0
Veterans / Disabled Veterans Employment Services	\$0.0	0	\$0.0	\$0.0
Governor's Award for Veteran's Grants	\$6.0	\$6.0	\$6.0	\$6.0
Department of Education WIA Coordination/Program Integration	\$2.3	\$2.3	\$2.3	\$2.3
Community Colleges WIA Coordination/Program Integration	\$2.3	\$2.3	\$2.3	\$2.3
One-Stop Access to Services Initiative (with the Department of Rehabilitation)	\$1.4	\$1.4	\$1.4	\$1.4
Los Angeles County Work Plan for Worker Retraining	\$6.0	\$6.0	\$6.0	\$6.0
Youth Development and Crime Prevention	\$3.0	\$3.0	\$3.0	\$3.0
Jobs for California Graduates	\$1.0	\$1.0	\$1.0	\$1.0
Female Offenders Treatment and Employment Program	\$2.0	\$2.0	\$2.0	\$2.0

Preventing Parolee Crime Program	\$10.6	\$10.6	\$10.6
YouthBuild	\$0.3	0	\$0.3
California Savings and Asset Project	\$2.0	0	\$2.0
Faith Based Initiative	\$4.0	0	\$0.0
Community Services and Development Naturalization	\$3.0	0	\$0.0
Prior Year funding	(\$2.5)	(\$17.5)	(\$19.8)
Subtotal for program development	\$41.4	\$35.1	\$35.1
Total proposed expenditures	\$94.90	\$81.5	\$81.5

The above Assembly May Revise proposal assumes an additional \$2.3 million in prior year 85 percent Workforce Investment Act funding recaptured by the State in the Budget Year.

Note that if the Subcommittee takes this action, it will be eliminating all funding for the Faith Based Initiative. In addition, the WIA funding budgeted to restore the Naturalization Services program will not be available.

In addition to the proposed changes to the Budget Year, EDD has changed its allocation of 15 Percent of Discretionary Funds in the current year.

ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT**ISSUE 18: REED ACT FUNDING FOR CLIENT SYSTEM TRACKING**

The Subcommittee will consider appropriating Reed Act funds to establish a statewide client tracking system for One-Stop centers.

BACKGROUND:

Over 400 One-Stop centers across California provide workforce development services, however little is known about how many clients are served and what types of services are offered at each center. Currently, there is no statewide system for tracking services provided to Californians using the One-Stop system.

COMMENTS:

The California Workforce Association has proposed establishing a statewide system using the \$15 million Federal Reed Act funds that have recently been made available to the State.

Although there is a desire to develop a statewide system, considerable planning would need to be accomplished to develop and implement this system. If the Subcommittee were to desire adopting a client tracking system, it would take the following steps:

1. Appropriate \$15 million Reed Act funds for the development and implementation of the statewide system.
2. Adopt Trailer Bill Language requiring the California Workforce Investment Board to convene a stakeholder group to develop an assessment of the data that should be collected by a statewide system by January 15, 2003. The group will provide suggestions to the EDD on the appropriate technologies that could be used to develop this system.
3. Require the EDD to conduct a Feasibility Study Report of a proposed statewide system by June 30, 2003.
4. Require the EDD to implement the statewide system by June 30, 2004.

ITEM 4130 HEALTH AND HUMAN SERVICES AGENCY DATA CENTER
ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 19: STATEWIDE FINGERPRINT IMAGING SYSTEM**

The LAO will present its analysis on the cost-benefit analysis of the continued operation of the Statewide Fingerprint Imaging System.

BACKGROUND:

During the March 13th Hearing, the Subcommittee took action requiring the Legislative Analyst's Office to provide an analysis of the cost effectiveness of Statewide Fingerprint Imaging System (SFIS).

COMMENTS:

The Subcommittee received a 1997 evaluation of the Lone Star Imaging System, a similar fingerprint imaging system that was implemented in Texas. The study, conducted by the Center for the Study of Human Resources at the University of Texas at Austin, found that the fingerprint imaging resulted in no significant reduction in fraud.

The Department has also provided a copy of the 1994 AFDC AFIRM Demonstration Project evaluation by the Applied Management and Planning Group of Los Angeles. The report concluded that the fingerprint imaging system saved between \$52.5 million and \$64.6 million in fraud prevention in Los Angeles County alone.

Since the SFIS system does not contain any reporting function, the Subcommittee can only substantiate one Sacramento welfare case in which the SFIS system detected fraud. However, the Department argues that fraud deterrence accounts for most of the SFIS fraud prevention.

During the March 13, 2002 hearing, the Subcommittee adopted an LAO recommendation to reduce SFIS by \$570,000. The Department of Finance has provided a May Revise letter that conforms to an action taken by the Subcommittee

ITEM 4130 HEALTH AND HUMAN SERVICES AGENCY DATA CENTER
ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 20: REESTABLISHING DATA CENTER OVERSIGHT**

The Data Center has proposed re-establishing five positions for Data Center oversight.

BACKGROUND:

The Health and Human Services Agency Data Center (HHSDC) is proposing to re-establish five personnel years (PY) for Child Welfare Services (CWS) / Case Management Systems (CMS), SAWS Oversight, IHSS/CMIPS and Administrative Services. The positions will manage vendor service agreements for the CWS/CMS, manage the Case Management, Information and Payrolling System reprourement project, provide security and office support for Statewide Automated Welfare System Statewide Project Management, and develop personnel exams for the HHSDC when its seven-year organizational design demonstration project ends in July 2002.

COMMENTS:

The LAO's understanding is that these positions have been vacant for more than six months and that HHSDC has lost its authority to refill these positions. In addition CWS/CMS has 53 positions and SAWS Oversight has 27 positions and that each of these projects have existing vacancies. Given that both projects have existing vacant positions and the projects have not been negatively impacted by these two vacant positions, the LAO recommends that the Legislature authorize three positions for IHSS/CMIPS and Administrative Services, reduce this proposal by 2 PYs for CWS/CMS and SAWS Oversight, and reduce HHSDC's expenditure authority by \$120,000.

ITEM 4130 HEALTH AND HUMAN SERVICES AGENCY DATA CENTER
ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 21: ISAWS OVERSIGHT BUDGET BILL LANGUAGE**

The LAO recommends changing Budget Bill Language proposed in a May Revise letter.

BACKGROUND:

In December 2001, the 35 counties in the Interim Statewide Automated Welfare System (ISAWS) Consortium formally agreed to migrate to other SAWS consortia systems, rather than develop a replacement for the ISAWS Consortium system. The ISAWS system is the oldest of the four SAWS systems. A May Revise letter requests Budget Bill Language to allow the ISAWS Consortium to redirect ISAWS automation system funding for migration planning activities, subject to Department of Finance approval. Written notification to the Legislature would be provided.

COMMENTS:

The LAO is concerned that this language appears to allow the counties and HHSDC to begin a whole new planning effort for the ISAWS consortium which will have multi-year costs associated with it. The LAO recommends that the proposed language be revised to eliminate the reference to Feasibility Study Report and substitute "*appropriate update to the implementation planning document*". The LAO also propose that the Legislature adopt the following BBL:

It is the intent of the Legislature that the Interim Statewide Automated Welfare System (ISAWS) consortium counties will migrate to one or more of the remaining consortium systems. The ISAWS migration costs shall be included in the appropriate update to the implementation planning documents.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 22: ADOPTION AGENCY CASH FLOW BUDGET BILL LANGUAGE**

The Subcommittee will consider adopting Budget Bill Language to mitigate a potential problem for small Adoption Agencies.

BACKGROUND:

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.

On May 8, 2002, the Subcommittee considered taking action on this issue and asked the Department to look into the issue further.

COMMENTS:

The Department of Social Services has provided the following Budget Bill Language:

Between July 1 and December 31, 2002, the Department is authorized to advance up to \$2,000.00 (two thousand dollars), in addition to the 50 percent of the total compensation per adoption case to independent adoption agencies pursuant to Welfare and Institutions Code Section 16122(b), prior to the adoption petition being granted by the court. In order to receive the advance, the adoption agency must certify to the Department that the adoption will be completed by May 1, 2003. The Department must receive the certification prior to December 31, 2002. If an adoption is not completed by May 1, 2003, the adoption agency must refund the monies advanced by the Department for that case by June 1, 2003. The Department is not prohibited from recovering monies from future payments to independent adoption agencies.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 23: CDSS TOLL-FREE TELEPHONE LINE FOR ADMINISTRATIVE HEARINGS**

The Subcommittee will consider requiring additional reporting on the use of the Toll-Free Telephone line for Administrative Hearings.

BACKGROUND:

Last year, the Subcommittee adopted Supplemental Report Language to determine how the Department of Social Services handled requests for Administrative Hearings. Advocates had complained that clients were required to dial a toll-free line to file a complaint and that the line was frequently busy or unavailable.

While the report found substantial progress improving the phone system, the statistic showed that a significant problem still exists with the system. Last November, the Department reported 22,100 Administrative Hearing calls were repeat calls because the caller had previously received a busy signal; 8,700 calls received a busy signal that month; and 15,600 callers were told that the queue was full because each staff member had the maximum number of 6 calls stacked up waiting.

COMMENTS:

The Subcommittee may wish to consider asking the Department to continue reporting on the Administrative Hearings to allow the Subcommittee to discuss improvements in next year's budget deliberations.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 24: RATE RELIEF FOR FOSTER CARE GROUP HOMES**

The Subcommittee will consider conforming to a Senate action that allows Group Homes flexibility in their staffing.

BACKGROUND:

The January budget provides no Cost of Living Adjustment (COLA) for group homes in the budget year. The Subcommittee received a request from the California Alliance of Child and Family Services, asserting that the state's rate structure has not kept pace with the cost of care. They proposed a limited adjustment to the rate system that would permit them to retain experienced staff, without exposing the state to higher costs.

COMMENTS:

The California Alliance of Child and Family Services has provided language that allows Foster Care Group homes greater flexibility in staffing to allow them to adsorb the effect of the suspension of the Group Home Cost of Living Adjustment.

The Senate Budget Subcommittee adopted placeholder Trailer Bill Language that provides flexibility to group homes to adapt to no cost-of-living adjustment; the change will be for one year only, and all parties will report next year on the impact of this provision.

The Department of Finance opposes this change as a "backdoor COLA". Finance believes that the Alliance language would allow Group Homes to reduce their level of service by an amount equivalent to amount of the forgone COLA.

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

ISSUE 25: CALWORKS STAGE 3 CHILD CARE

The May Revise proposes to fully fund Stage 3 Child Care in the Budget Year.

BACKGROUND:

The May Revise proposes restoring \$103 million to fund the Stage 3 Set-Aside in the Budget Year.

The May Revise has proposed using the following funds to restore CalWORKs Stage 3 Child Care:

Funding Source	Amount (Millions)
Ongoing Proposition 98 Funding	\$58.5
Unspent Pre-School, Migrant, and General funds from the current year.	\$23.4
Unearned prior year child care funding	\$4.2
Unearned Federal funding	\$2.6
Additional unallocated Federal funding	\$15.2
Total	103.7

COMMENTS:

Given the May Revise has restored the Stage 3 Set-Aside, the Subcommittee could consider adopting the proposal and rescinding child care reform actions taken in prior Subcommittee hearings.

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

ISSUE 26: CHILD CARE REFORM PLANNING

The Subcommittee will consider a proposal for increased child care reform planning.

BACKGROUND:

The May Revision requests \$230,000 General Fund and three positions for increased workload to provide estimates and synthesize data received from a variety of organizations that are necessary for budgetary and policy decisions associated with the ongoing restructuring of the State's child care system.

COMMENTS:

In addition to the proposed positions, the May Revision proposed the following language as part of the Education Trailer Bill:

By April 1, 2003, the (State Department of Education), the State Department of Social Services and the Department of Finance shall jointly develop a new methodology to adjust the income eligibility levels and family fee schedules for family size and cost of living increases. Upon approval by the Department of Finance, the (State Department of Education) shall implement the income eligibility levels and family fee schedules using the new methodology for family size and cost-of-living adjustments, effective July 1, 2003.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 27: CALWORKS MAY REVISE CHANGES

The May Revise proposes several significant changes to the CalWORKs program.

BACKGROUND:

The May Revise proposes the following changes to CalWORKs (in millions):

CalWORKs (Total all Funds)	January Budget	May Revise Proposal	Difference
CalWORKs Assistance Payments	3392.4	3426.9	34.5
Senior Parent Deeming	0	-10.9	-10.9
KinGap Costs	99.3	76.2	-23.1
CalWORKs Employment Services	741.4	874.4	133
CalWORKs Mental Health	55.2	48.4	-6.8
CalWORKs Substance Abuse	54.1	71.5	17.4
CalWORKs Incentives Program	430.8	310.8	-120
CalWORKs Admin Costs	488.7	400.4	-88.3
CalWORKs County Probation	201.4	201.4	0
CalWORKs Child Care Stage 1	526.2	491.9	-34.3
Child Reform Savings Stage 1	-50	0	50
End Stage 1 Arrearages	0	-32.2	-32.2
CalWORKs Child Care Stage 2	322	314.6	-7.4
CalWORKs Community Colleges Program	15	35	20
\$50 Disregard Payments to Families	26.7	27.5	0.8
CalWORKs Adult Education Programs	0	0	0
CalWORKs Transfer to Title XX	0	-71	-71
Foster Care EA funds shift	202.6	137.1	-65.5
Count SSI/SSP for kids towards MOE	0	34.8	34.8
Count CFAP towards MOE	0	42	42
Other DSS MOE Countable Expenditures	175.3	197.9	22.6
Other CalWORKs Expenditures	9.8	-2.3	-12.1
CalWORKs Child Care Reserve	108.4	164.7	56.3
Total CalWORKs	6799.3	6739.1	-60.2

COMMENTS:

The May Revise changes include the following:

- The May Revise provides no COLA for participants in CalWORKs. Current state law requires that California adjust the grant by the amount of the California Necessities Index. COLAs in this program are awarded effective October 1.
- The May Revise contains the LAO proposal to shift EA case management costs outside CalWORKs, and transfer \$70 million TANF to Title XX funds. The Subcommittee put the emergency assistance (EA) fund shift on the suspense list during its April 3rd hearing on CalWORKs.
- Community College funding is augmented by \$20 million in the Community College budget. This proposal has Budget Bill Language in the community colleges budget to require a match of up to \$20 million additional funding. No action is required in the DSS budget.
- Adult Education funding is not restored. No action was taken in this Subcommittee's budget, and no further action is required. (The education Subcommittee may or may not take further action on this item).
- Maintenance of effort (MOE) expenditures are claimed for allowable SSP expenditures for disabled children in CalWORKs families and disabled parents with CalWORKs eligible children. This has the effect of reducing the amount of funds required to meet the TANF MOE requirement.
- Caseload growth and average grant size are increased modestly (\$23.6 million additional), offset partially by savings associated with a rate increase in Unemployment Insurance (UI) Benefits and the 13-week UI extension of \$14.9 million. Additional adjustments are made to reflect changes in the savings associated with the implementation of time limits. Additional adjustments are made to reflect a decrease in Cal Learn costs, a reduction in the costs of vehicle resource limit changes, and a decrease in child care costs.
- The May Revision proposed a \$10.7 million increase in substance abuse and mental health services to reflect caseload experience.
- The May Revise shifts \$50 million from the CalWORKs Stage 1 and Stage 2 Child Care Reserve to the CalWORKs Reserve.
- The May Revision proposes to retain the January proposal to develop a County Program Grant to give counties more flexibility over some CalWORKs expenditures. The Subcommittee rejected this proposal.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 28: CALWORKS PERFORMANCE INCENTIVES**

The Subcommittee will consider May Revision proposals regarding Employment Services and Performance Incentives.

BACKGROUND:

The January budget proposed to recapture \$169 million in unspent county performance incentives to fund employment services in CalWORKs, which increases the debt owed by the State to counties for earned but unpaid county incentives. Counties requested that an additional \$120 million in unspent county performance incentives be added to employment services as a one-time augmentation to provide equitable funding to all counties. The Subcommittee adopted both provisions. The May Revision also adopts both provisions. The May Revision proposes that the \$120 million for county equity be exempted from current law that would add these funds to the debt owed by the state to counties for incentives, and proposes Trailer Bill Language to do so. The net result of these actions is to leave \$310.8 in county performance incentives to be spent according to current law.

COMMENTS:

The County Welfare Directors Association (CWDA) has proposed three changes to the May Revision Performance Incentive proposal:

- Reject the proposed Trailer Bill Language to reduce the amount of performance incentive funds owed to the counties by \$120 million and specify the funds shifted to the Single Allocation constitute a loan.
- Change the amount of the transfer from \$120 million to \$128 million from county performance incentive funds to employment services funds to adjust for caseload shifts.
- Change the Budget Bill Language establishing amount of Performance Incentives paid to counties to equal the balance of the remaining performance incentive rather than the \$310.8 million specified in Budget Bill Language. The Department of Finance has proposed a technical change to this proposal.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 29: SENIOR PARENT DEEMING**

The May Revise proposes to reinstate Senior Parent Deeming.

BACKGROUND:

Under current law, a minor parent on CalWORKs is generally required to live with her parent(s) ('senior parents') in order to receive cash assistance. Exceptions are made where the senior parent's home is unsafe for the minor and her child. The senior parent can apply for and receive aid on behalf of the grandchild, even if the senior parent's income would otherwise make the family ineligible for assistance. In such a case, the child is deemed a 'child-only' case. The law was passed to encourage teen parents to live with their own parents.

COMMENTS:

The Department of Social Services has calculated that restoring Senior Parent deeming results in a \$12.0 million General Fund Savings. The Subcommittee has already made the following reductions to the TANF program:

TANF Reductions taken by Sub 1	In Millions
Cut Youth Development Project	\$ (1.5)
Cut Fraud Incentive Funs	\$ (6.9)
Eliminate TANF funds for EDD	\$ (3.6)
Total Reductions	\$ (12.0)

The Subcommittee could reinstate Senior Parent Deeming with no impact to the General Fund.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 30: DEPARTMENT OF SOCIAL SERVICES COUNTY ADMINISTRATION REDUCTIONS**

The May Revision proposes to reduce County Administration by 20 percent.

BACKGROUND:

The current year budget did not provide a cost of doing business adjustment to many of the county-managed, state programs in the human services area. This includes no adjustment for increased costs for Food Stamps administration, In Home Support Services (IHSS) administration, Foster Care administration, and CalWORKs. The January budget generally withheld cost-of-living adjustment for individuals and service providers, and withheld the budgeting of a cost of doing business for the same county-managed programs. The May Revision proposes to make further reductions of as much as 20 percent to county administrative costs in CalWORKs, Foster Care, Food Stamps and IHSS. The budget further proposes to eliminate a cost of doing business provided in January for Child Welfare Services, and to make a further reduction of earlier augmentations.

The chart below was prepared by the County Welfare Directors to array the cuts. The Total Funds impact is an estimate, since DSS did not conduct its usual administrative cost process this year. It includes county estimates of the cost of no cost of doing business adjustments in both current year and budget year. The May Revision numbers are specific reductions from the May Revision.

Program	May Revise Reduction (All funds)	May Revise Reduction (General Fund)	Total Reduction (All Funds)
Medi-Cal	\$175.9	\$87.9	\$400.9
Food Stamps	\$101.1	\$37.9	\$143.1
In-Home Support Services	\$43.1	\$15.7	\$63.1
Foster Care	\$21.9	\$7.4	\$27.5
Adoptions	\$15.9	\$9.1	\$28.4
CalWORKs	\$88.3	n/a	\$248.0
Special Circumstances	\$4.5	\$4.5	\$5.0
Adult Protective Services	\$6.6	\$5.0	\$6.6
CWS Augmentation	\$28.1	\$17.2	\$28.1
CWS Cost of Doing Business	\$26.2	\$10.8	\$26.2
Total Reduction	\$511.6	\$195.5	\$976.9

COMMENTS:

The CWDA estimates that the proposed reduction could result in layoffs of 4,900 county staff.

There has been considerable concern that the Counties would be unable to meet current county mandates if the reductions are sustained.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 31: CALWORKS AND SSI/SSP COST OF LIVING ADJUSTMENTS

The May Revise proposes to eliminate the Federal SSI pass through.

BACKGROUND:

The January Budget proposed to suspend the CalWORKs and State portion of the SSI/SSP Cost-of-Living-Adjustment. The May Revise proposes to also suspend the Federal SSI COLA of two percent and redirect the funds for a General Fund savings of \$54.3 million.

COMMENTS:

The Subcommittee could consider adopting Trailer Bill Language requiring the State to accrue any suspended Cost-of-Living Adjustments and require the restoration of suspended Cost-of-Living Adjustments in the next budget year. This Trailer Bill Language will ensure the Assistance Payment levels keep pace with inflation.