

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

ASSEMBLYMEMBER MERVYN DYMALLY, CHAIR

WEDNESDAY, MAY 5, 2004
STATE CAPITOL, ROOM 444
1:30 P.M.

STAFF:
CHRISTIAN GRIFFITH
CONSULTANT

CONSENT ITEMS

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PUBLIC COMMENT

CONSENT ITEMS

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

CONSENT ISSUE 1: CHILD SUPPORT SERVICES BUDGET CHANGE PROPOSALS

Proposal Number	Description	Recommended Consent Action
DCSS BCP #1 California Child Support Automation System (CCSAS) Project	Requests \$828,000 (\$282,000 General Fund) and 5.5 positions to address the workload needs for the second year of the project.	Adopt Proposed Budget Change Proposal
DCSS BCP #2 State Distribution Unit (SDU) Component of the California Child Support Automation System (CCSAS) Project	Requests \$191,000 (\$65,000 General Fund) and 2 positions for the State Disbursement Unit (SDU) to develop the SDU's development, procurement, and implementation.	Adopt Proposed Budget Change Proposal

ITEMS TO BE HEARD

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: CALIFORNIA VETERANS CASH BENEFIT PROGRAM

The Subcommittee will consider the elimination of the California Veterans Cash Benefit Program.

BACKGROUND:

The Governor proposes to eliminate the California Cash Benefit Program for current year savings of \$1.4 million General Fund and budget year savings of \$5.5 million General Funds. This program provides a cash grant at the same level as the state SSP grant (about \$414 per month) to approximately 1,700 veterans of World War II that returned to the Republic of the Philippines. This program was established by AB 1978 (Cedillo) in 2000.

Prior to 1946, the Commonwealth of the Philippines was a United State's territory. On July 26, 1941 President Roosevelt, called on the Philippine Department, Forces of the Commonwealth of the Philippines, to serve on the Armed Forces of the United States. This service became necessary in December 8th, 1941, when the Japanese Army invaded and occupied the county.

However, in 1946, the U.S. Congress to enact what is known as the "Recision Act of 1946" now embodied in the U.S. Code, under Section 107, Table 39. Which provided that those Veterans of the Philippine Army who served as members of the U.S. Armed Forces, as ordered by President Roosevelt in 1941, would not be considered as having served as U.S. Army Officers or Enlisted Men. Thus depriving them, except for those killed or wounded in action, of all right, privileges, and benefits for which they were automatically entitled to when they were mustered into the Armed Forces of the United States, under President Roosevelt's Military Order of July 26, 1941.

COMMENTS:

These veterans would still be eligible for their federal SSI grant if the proposed reduction was enacted. However, these individuals would experience a dramatic drop in income due to proposed elimination of the State share of their grant.

PANELISTS:

Hernando Manaois
Commander of American Legion- Northside Post 858

Bert Arcaya
Filipino U. S. War Veterans Legion – Sacramento

Ben Menor
Northside Community Center

Rudy Asercion
Vietnam War Veteran, Director of Public Relations for American Legion

All other public comment will be addressed in the public comment hearing.

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 2: CAPPING AND BLOCK GRANTING OF IMMIGRANT PROGRAMS

The Subcommittee will consider a proposal to cap and block grant immigration programs.

BACKGROUND:

The Governor proposes to combine funding for four state-only immigrant programs into a block grant to counties.

The proposal would be implemented in two steps: 1) In the current year, the programs would be capped at the April 2004 level. This would result in \$71,000 General Fund savings in the current year and \$ \$6.8 million in the budget year. 2) In the budget year, the funding for the program would be rolled into a block grant of funds that would be allocated to counties. The amount of the block grant would be equal to 95 percent of a full year's cost of the program at the capped April 2004 caseload level. The budget reduces the funding of the block grant by 5 percent for "anticipated efficiencies" resulting in \$6.6 million in General Fund savings in the budget year.

Although the budget summary provides details of the block granting proposal it also says that it will not be reflected in the budget bill until the May Revise. The Department of Finance anticipates implementing the block grant in October 2004.

PROGRAM	Capped Enrollment Level	2003-04 Caseload Affected (No Services)	2003-04 General Fund Reduction	2004-05 Caseload Affected (No Services)	2004-05 General Fund Reduction
<p>Healthy Families for Documented Immigrants. Legal immigrant children above the cap would need to seek assistance at the county level, or hope their parents can obtain employer-based coverage for them.</p>	20,300 total children	700 total children	\$0	2,000 total children	\$2.4 million
<p>CA Food Assistance Program (CFAP). This program provides food assistance to recent immigrants, battered immigrants and persons paroled to the US for humanitarian, health and political reasons. Persons above the cap will need to seek services from food banks or county services.</p>	10,230 individuals	0	\$0	1,316	\$100,000
<p>Cash Assistance Program for Immigrants (CAPI). CAPI provides cash benefits to aged, blind and disabled legal immigrants who became ineligible for SSI as a result of federal welfare reform. Persons above the cap will need to seek assistance at the county level.</p>	8,645 individuals	60	\$71,000	927	\$4.3 million
<p>CalWORKS for Legal Immigrants. This program provides cash assistance and employment services to immigrants who have been in the US for less than 5 years.</p>	5,200 individuals	0	\$0	0	\$0

COMMENTS:

Los Angeles County has an SSI/SSP advocacy program. The program works with elderly and disabled individuals on Cash Assistance Program for Immigrants (CAPI) and General Relief to help them qualify for federal benefits. The Subcommittee may wish to explore expanding this program to other counties as a way to shift CAPI cases to SSI/SSP and thus save the State funds without impacting the grant recipient.

The Subcommittee has already rejected the proposed cap on the Healthy Family for documented immigrants that were part of the immigrant program block grant. The Subcommittee will now consider the block granting of the other three programs that are proposed in the block grant.

PANELISTS:

Traci Dobronravova
Self Help for the Elderly, San Francisco

May Lee
Asian Resources, Sacramento

Dennis Kao
Asian Pacific American Legal Center, Los Angeles.

Kelly Brooks
CSAC

Phil Ansell
Los Angeles County Department of Public Social Services

Other Panelists are pending confirmation and will be named at the hearing.

All other public comment will be addressed in the public comment hearing.

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 3: TANF AND CALWORKS OVERVIEW

The Subcommittee will discuss the overall funding structure of TANF and CalWORKs.

TANF FUNDING STRUCTURE:

Federal welfare reform created the Temporary Assistance for Needy Families (TANF) program to replace the AFDC program. Federal funds for the TANF program were provided to states as block grant of funds that was based federal fiscal year (FFY) 1994 level. California TANF block grant is \$3.4 billion per year.

To receive the federal TANF block grant, states must meet the Maintenance of Effort (MOE) requirement that state spending on assistance for needy families be at least 75 percent of the FFY 1994 level, which is \$2.7 billion for California. (The requirement increases to 80 percent if the state fails to comply with federal work participation requirements.) The State cannot spend below this MOE level without facing significant fiscal penalties in future years.

Although the MOE funding level serves as a floor for the minimum level of funding needed for the TANF program, the Administration and the Legislature have also treated the MOE level as a funding ceiling. Since TANF was established the State has budgeted its share of cost for the CalWORKs and TANF program at exactly the MOE level. Since TANF is a block grant, any State expenditures above the MOE do not draw down any additional federal funds.

Thus, the budget for CalWORKs is limited by the MOE. As a result, the Subcommittee has traditionally worked to ensure that the total funding for TANF programs stayed "within the MOE", which means exactly at the MOE level of funding.

Staying "within the MOE" has become more of a challenge for two reasons: First, the Governor's budget proposes to use TANF funds to offset costs in other programs, leaving less TANF available for the existing programs. Second, increased caseload and other cost pressures in the program mean that the current level of services in TANF could not be maintained without spending more than the MOE amount.

The Governor's budget includes significant reductions to TANF funded programs so that the State would remain at the MOE level of funding.

TANF FUNDING IS TRANSFERRED:

Although the MOE requirement is primarily met through state and county spending on CalWORKs and other programs administered. Of these funds, the Governor's Budget provides \$4.7 billion to support CalWORKs and \$1.7 billion to support non-CalWORKs programs.

Over time, California has broadened its definition of expenditures that can be considered to meet the state's Maintenance of Effort requirement. Additionally, the state has transferred a growing amount of TANF funds to non-CalWORKs programs. As a result, available direct funding for the CalWORKs program has substantially declined.

Since 1998, the amount of total funding provided for CalWORKs in the state budget process decreased by \$1 billion. Under the Governor's Budget, the total program funding reduction from the 1998-99 level will be \$1.3 billion, equal to a 21.5 percent reduction.

CalWORKs Program Funding

	FY 1998-99	FY 2003-04	FY 2004-05	98-99 to 04-05	
Total TANF Grant/Required MOE	6,640,971,000	6,413,211,000	6,401,369,000	-239,602,000	-3.61%
CalWORKs Program (Actuals)	5,459,880,441	5,062,397,000	4,702,394,000	-757,486,441	-13.87%
Grants	3,728,895,597	3,072,954,000	2,820,982,000	-907,913,597	-24.35%
Administration	518,317,463	615,931,553	582,485,155	64,167,692	12.38%
Services	418,503,052	776,479,603	734,315,104	315,812,052	75.46%
Child Care	360,733,329	597,031,844	564,611,741	203,878,412	56.52%
Estimated County Share of Admin/Services	60,400,000				
Performance Incentives(budgeted)	373,031,000	0	0	-373,031,000	-100.00%
Probation	201,413,000	201,413,000	67,138,000	-134,275,000	-66.67%
KinGAP	0	85,310,000	92,319,000	92,319,000	
Non-CalWORKs MOE in CDSS	(11,269,000)	(12,363,000)	(10,322,000)	947,000	-8.40%
Other MOE in CDSS	305,663,000	329,544,000	340,155,000	34,492,000	11.28%
MOE In Other Department Budgets	402,839,000	460,336,000	444,759,000	41,920,000	10.41%
State Support	29,016,000	27,242,000	27,242,000	-1,774,000	-6.11%
Total Expenditures	6,387,542,441	6,153,879,000	5,663,685,000	-723,857,441	-11.33%
Federal TANF	3,480,389,441	3,474,486,000	2,996,134,000	-484,255,441	-13.91%
General Fund	2,753,530,610	2,478,518,000	2,462,788,000	-290,742,610	-10.56%
Other State Funds (ETF, Prop 10)	0	56,400,000	56,400,000	56,400,000	
County Funds	153,622,390	144,475,000	148,363,000	-5,259,390	-3.42%
Total TANF transfers	284,965,000	747,993,000	832,627,000	547,662,000	192.19%
Non-CalWORKs Transfers	0	100,135,000	194,535,000	194,535,000	
Transfers to Stage 2, Tribal TANF and Reserve	284,965,000	647,858,000	479,657,000	194,692,000	68.32%
Total Available Funding	7,257,991,000	6,996,815,000	6,496,312,000	-761,679,000	-10.49%
Total TANF/MOE Expendis	6,672,507,441	6,901,872,000	6,496,312,000	-176,195,441	-2.64%
NET TANF Carry-over Funds	585,483,559	94,943,000	0	-585,483,559	-100.00%
CalWORKs contribution to the General Fund	708,502,000	1,155,325,000	1,251,768,000	543,266,000	85.09%

CUTS DUE TO TANF SHORTFALL:

The chart below illustrates the \$779.5 million in net reductions proposed in the January budget. The proposed budget would be within the MOE level of funding with only a \$154.8 million reserve.

Proposed Change CalWORKs/TANF	Total Change (\$ Millions)
CalWORKs Reform--Enhance Work Participation Requirement	-101.9
CalWORKs Reform--Reduce Sanctioned Grants 25 Percent After One Month of Non Compliance	-33.0
CalWORKs Reform--Reduced Safety Net Grants by 25 Percent	-28.0
CalWORKs Reform--Increased Costs for automation and child care	136.5
Suspend October 2003 COLA	-216.3
Suspend July 2004 COLA	-98.6
Reduce CalWORKs Grant by 5 Percent	-222.2
End Juvenile Probation on September 30th	-134.3
Eliminate Indian Health Clinic Funding	-2.7
Eliminate Low Income Women Outpatient Substance Abuse Treatment and Supportive Housing Program	-2.0
Eliminate Youth Development Services Project	-1.5
Reduce Tribal TANF funding	-30.5
Authorize Child Care Overpayment Collections	-0.9
Child Care Reform	-41.8
Include CalWORKs Recent Non-citizen Entrants in Block Grant for Immigrants	-2.4
Total Change to CalWORKs/TANF proposed in Budget	\$ (779.6)

In addition to the above reductions, the proposed budget reflects a \$14 million reduction in TANF funding for the Community Challenge Grants. The Community Challenge Grants pay for teen-pregnancy prevention programs administered through Department of Health Services and were funded with TANF High Performance Bonus Funding that the State received for meeting certain performance criteria. The Federal Government changed the criteria last year in a way in which California no longer qualifies for the bonus, thus the funding was eliminated.

STATE OF THE TANF RESERVE:

The Budget contains TANF Reserve of \$158.4 million in FY 04-05. Some Juvenile Probation departments have suggested appropriating this reserve as a potential funding source for the lost funding. However, Subcommittee staff now projects over \$263 million in additional TANF expenses that are not contained in the budget. If the Governor's Budget was enacted as budgeted, the TANF Reserve would have a **negative** \$115 million balance in the budget year. Thus, these funds cannot be used to restore this program.

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 4: TANF FUNDING FOR JUVENILE PROBATION

The Subcommittee will consider the proposed reduction in funding for Juvenile Probation.

BACKGROUND:

In California, counties are the primary providers of services to youthful offenders and juveniles at risk of becoming involved in the criminal justice system. In fact, the counties handle more than 95 percent of juveniles involved in the criminal justice system. Specifically, county probation departments provide a range of services designed to meet the diverse needs of juvenile offenders, at-risk youth, and to a lesser degree their families. These services range from after-school programs designed for relatively low-level at-risk youth, to formal counseling, and alcohol and drug treatment services. Services are provided both in the community and in residential facilities, such as juvenile halls, camps, and ranches. Generally, the purpose of these programs is public safety and rehabilitation. The effectiveness of the counties in responding to juvenile crime has an impact on public safety, as well as on the population of the state's youth correctional facilities and prisons.

The most significant source of federal funds is the federal Temporary Assistance for Needy Families (TANF) block grant, which has historically provided approximately \$200 million for probation services. Data on county general fund spending for probation services statewide are not available. Before the establishment of the TANF block grant, county juvenile probation services were partially supported by federal Title IV-A funds (named after the section of the Social Security Act authorizing the funding program). However, this program was eliminated in 1995. In order to restore juvenile probation services, the Legislature enacted the Comprehensive Youth Services Act as part of welfare reform, which authorized TANF funding for the counties based upon their Title IV-A probation services expenditures (Welfare reform also established the California Work Opportunity and Responsibility to Kids [CalWORKs] program which provides cash grants and employment services to low-income families). It should be noted that county probation department claims filed for reimbursement under the old Title IV-A program were taken into consideration by the federal government in determining California's share of TANF funds and thus increased the state's TANF block grant by approximately \$140 million. Under current law, the TANF block grant for juvenile probation programs sunsets in October 2004.

While comprehensive data is not available on precisely how the TANF block grant funds are used by county probation departments, a 2003 report on TANF-funded probation services conducted by the RAND Corporation suggests that these funds support a variety of juvenile probation services, including anger management, family mentoring, and mental health assessment and counseling to name a few. However, the report indicates that most of the funding is probably used for services provided to youth detained in juvenile halls, camps, and ranches.

The proposed budget assumes that the October 2004 sunset of funding for juvenile probation programs occurs, which results in a savings of \$134.3 million General Fund in

the budget year. The budget contains \$67.1 million to fund the program for the first three months of the fiscal year.

LA COUNTY DATA SUGGESTS OTHER OFFSETTING COSTS FROM PROPOSAL:

Los Angeles County has provided the Subcommittees with data that suggests that if the State funding for Juvenile Probation is eliminated that the State will have to spend more for juvenile incarceration and group home costs than the current State funding for juvenile probation camps. The county believes that the over 4,000 youth served by camps each year will instead receive care in the California Youth Authority (CYA) and in Group Home placements.

The chart below illustrates the potential fiscal effect that closing the Juvenile Probation Camps would have in Los Angeles County in the budget year:

	FY 2004-2005 Baseline			FY 2004-2005 Without Existing TANF funds		
	County Costs	State Costs	Total Costs	County Costs	State Costs	Total Costs
CYA	14,216,000	70,740,000	84,956,000	15,397,000	104,280,000	119,677,000
Juvenile Camps	39,775,000	83,001,000	122,776,000	0	27,663,000	27,663,000
Home on Probation	39,116,000	0	39,116,000	40,083,000	0	40,083,000
Group Homes	73,973,000	45,165,000	119,138,000	93,209,000	56,077,000	149,286,000
TOTAL	167,080,000	198,906,000	365,986,000	148,689,000	188,020,000	336,709,000

The projections above, provided by the County, illustrate the effect of the county closing its Juvenile Camps in October 2004 due to the loss of the State funds proposed in the budget. In these projections, the State saves only \$10 million because the youth that would have been served in the camps shift to CYA and Group Home placements. According to the county, it would have to close all of the camps in October 1, 2005 so that it can fund the loss in funding to the Juvenile Halls.

In 2005-2006, both the State and the County's net costs are higher as a result of the Camps being completely closed. The chart below illustrates this trend, based upon data provided by the County:

	FY 2003-2004 Baseline			FY 2004-2005 Without Existing TANF funds		
	County Costs	State Costs	Total Costs	County Costs	State Costs	Total Costs
CYA	14,216,000	70,740,000	84,956,000	17,581,000	166,320,000	183,901,000
Juvenile Camps	39,775,000	83,001,000	122,776,000	0	0	0
Home on Probation	39,116,000	0	39,116,000	40,083,000	0	40,083,000
Group Homes	73,973,000	45,165,000	119,138,000	107,058,000	65,310,000	172,368,000
TOTAL	167,080,000	198,906,000	356,986,000	164,722,000	231,630,000	396,352,000

Although the county has a wide range of services, the county has commented that the TANF funding it receives are devoted to discretionary programs like the Juvenile Camps. The County believes that it will have to eliminate its discretionary programs to concentrate on the core programs that are required by State law.

The Governor's Budget assumes no increase in the CYA or Group Home caseloads resulting from the loss of the juvenile probation funding. The Department of Social Services notes that the same State funding was eliminated for an 18-month period in the mid-1990's and the counties continued to operate these programs. Thus, it is assumed that counties would continue to operate their camps and other programs if this funding was eliminated.

LAO RECOMMENDATION:

From the LAO *Analysis*:

Our analysis indicates that the proposed TANF block grant reduction could result in the loss of core probation services for juvenile offenders, which could result in a lower level of public safety, and increased General Fund costs resulting from a greater number of Youth Authority commitments. We have identified other programs that could be eliminated or suspended as an alternative to the TANF block grant. Based on our analysis and discussions with probation officials and other criminal justice experts, we conclude that the elimination or suspension of COPS and/or JJCPA grants would achieve the same (or a greater) level of budget savings, and potentially have less of an impact on public safety, without increasing General Fund costs.

COMMENTS:

Currently, the State uses federal TANF funds as its funding source for money it provides to counties. Although there are historical arguments for why these funds have been allocated for Juvenile Probation costs; the current fiscal constraints within the TANF block grant would require the Subcommittee to identify an offsetting reduction within the block grant to restore funding for this program.

There is a policy bill on this issue. AB 2947 (Pacheco) would repeal the October 31, 2004, sunset on the Comprehensive Youth Services Act, providing services to juveniles detained in juvenile halls, camps and ranches, funded by the state's Temporary Assistance for Needy Families (TANF) block grant.

PANELISTS:

The following panelists will testify on this issue (2 minutes)

Paul McIntosh,
County Administrative Officer, Butte County

Cal Remington
Chief Probation Officer, Ventura County; President, Chief Probation Officers of California

Judy Cox
Chief Probation Officer, Santa Cruz County

Donald H Blevins
Chief Probation Officer, Alameda County

Ismael Baires
San Francisco Youth Commissioner

Frank Mecca
CWDA

Other Panelists are pending confirmation and will be named at the hearing.

All other public comment will be addressed in the public comment hearing.

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 5: CALWORKS REFORM

The Subcommittee will consider a CalWORKs reform proposal contained in the budget.

BACKGROUND:

The Governor's budget proposes a number of changes to the CalWORKs program, including stricter work requirements and greater sanctions. These program reforms would result in \$167 million in grant savings, partially offset by \$134 million in child care costs and \$2.5 million in automation costs in 2004-05, a net savings of \$30.5 million in the budget year.

The reform includes the following provisions:

- **Work Participation Reforms:** The Governor proposes to require job search as a condition of eligibility and to require most adults receiving CalWORKs to work or participate in work related activities for at least 20 hours per week, within 60 days of receipt of aid. The reforms seek to strengthen the program's focus on work and to increase California's work participation rate, which currently is 27 percent. The Governor's proposed reforms generate net savings of \$12.6 million.

	CalWORKs Program	Governor's Proposal	Proposed TANF Changes
Universal Engagement	<ul style="list-style-type: none"> • Requires non-exempt aided adults to participate in job search or job club activities. • Provides for an assessment and development of a Welfare-to-Work Plan if the adult does not find employment during the job search period or if the county determines that participation in job search will not lead to employment. 	<ul style="list-style-type: none"> • Requires all aided adults to sign a Welfare-to-Work Plan within 60 days of receipt of aid. • Requires job search as a condition of eligibility. Counties will be given flexibility in defining and implementing this criteria. 	<ul style="list-style-type: none"> • Requires that every family with a "work eligible individual" have a family self-sufficiency plan within 60 days of opening a case. • Requires all parents and caretakers receiving assistance to engage in work or alternative self-sufficiency activities.
Work Activities	<ul style="list-style-type: none"> • Recipients can satisfy work participation requirements within the first 18 to 24 months by being employed, participating in activities that will lead to employment, including 	<ul style="list-style-type: none"> • Eliminates the 18-24 month CalWORKs time limit. • Requires all non-exempt adults to work or participate in work-related activities for at least 20 	<ul style="list-style-type: none"> • Both proposals are more permissive than the Governor's reforms, but are more restrictive than current CalWORKs law.

	CalWORKs Program	Governor's Proposal	Proposed TANF Changes
	<p>education and training programs, or participating in activities that reduce barriers to employment such as receiving substance abuse or mental health treatment.</p> <ul style="list-style-type: none"> After the 18-24 month period, recipients must participate in employment or supervised community services to continue receiving aid. 	<p>hours per week within 60 days of receiving aid.</p> <ul style="list-style-type: none"> Limits the activities that count towards fulfillment of the 20-hour requirement to employment, supervised community services, job search for up to 8 weeks, on-the-job training and work experience. 	<p><i>House version</i> requires 24 hours of participation in "primary activities" which include work, on-the-job training, and work experience and community service. Permits states to substitute other activities (such as substance abuse treatment) for 3 months in a 24-month period.</p> <p><i>Senate version</i> requires 24 hours of participation in "primary activities" which include all <i>House version</i> activities, vocational educational training, job search (8 weeks) and providing childcare for other recipients. Permits substitution of barrier removal activities for 6 months in 24-month period.</p>
Hours of Participation	<ul style="list-style-type: none"> 32 hours per week for single parent families 35 hours per week for two parent families 55 hours per week for two-parent families receiving federally subsidized child care. 	<ul style="list-style-type: none"> Does not change the state's total required hours of work participation. 	<ul style="list-style-type: none"> <i>House version</i> requires 40 hours per week for all family types but provides a partial credit for adult who participate in at least 24 hours of "direct work activities". <i>Senate version</i> requires 34 hours for most single parent families, 39 hours for two parent families and provides a partial credit for single parent families (20 hrs) and for two-parent families (26).
Work Participation	<ul style="list-style-type: none"> California's work participation rate for 	<ul style="list-style-type: none"> The Governor's Budget does not estimate the 	<ul style="list-style-type: none"> 50 % in 2004, 55% in 2005, 60% in 2006,

	CalWORKs Program	Governor's Proposal	Proposed TANF Changes
n Rate	families in the federally funded CalWORKs program is 27.1 percent. This calculation of the work participation rate excludes the two-parent family caseload, which has a higher rate of work participation than the single parent family caseload.	impact of his proposals on the state's work participation rate.	65% in 2007, 70% in 2008. <ul style="list-style-type: none"> • Eliminates separate two-parent family rate. • <i>House version</i> limits caseload reduction credit to more recent caseload declines. • <i>Senate version</i> replaces caseload reduction credit with employment credit, a credit for higher earnings, and credit for using TANF funds for child care.

- **Reduces Safety Net Grants by 25 percent.** The Governor proposes to reduce Safety Net grants received by families with non-working adults by 25 percent for General Fund savings of \$28 million in 2004-05. The Safety Net grants affected by this proposal are child-only grants that provide cash assistance to children whose parents or caretaker relatives have exceeded their 60-month lifetime limit for receipt of cash aid. Under the proposal, the maximum monthly safety net grant for a family of three with non-working adults will be reduced by \$163 to \$405. According to the Department of Social Services, families that report any earnings during the quarter will be considered to be working.
- **Reduces Grants in Sanction Status by 25 percent.** The Governor proposes a 25 percent reduction of the grant received by families with an adult who is not complying with CalWORKs requirements after one month of non-compliance for General Fund savings of \$33 million. Currently, adults on CalWORKs who do not comply with certain program requirements are sanctioned, and sanctioned families' grants are reduced by the non-compliant adult's portion of the grant. The Governor would further reduce (25 percent) the grants for those families that remain in sanction status for two months or longer.

COMMENTS:

Currently, the federal TANF program is being reauthorized in Congress. The Governor's proposed reform mirrors some of the various proposals that have been discussed over the last two years in Congress. One of the central elements of the TANF discussion is a requirement for higher levels of work participation by participants in the program. The *Governor's Budget Summary FY 04-05* makes some references to these requirements in its description of the proposed reforms. However, it is unlikely that the Governor's proposal will replace the need to make substantial changes to CalWORKs program when TANF is reauthorized. One of the key decisions before the Subcommittee is whether California should enact a reform prior to an anticipated change in federal

requirements or should wait until the federal government has agreed upon the new requirements that impact California.

California has met federal work participation requirements each year since CalWORKs was implemented, thus avoiding federal penalties. However, the State's required participation rate is significantly reduced by the federal caseload reduction credit. Because California has experienced a significant caseload decline since FFY 1995, the caseload reduction credit reduces the statutorily required level of participation from 50 percent to less than 10 percent. For FFY 2002, California's actual participation rate was 27 percent, which was above the state's FFY 2002 required federal participation level of about 7 percent.

The proposed reform would also have the following effects upon the program:

Reduced Opportunity for Education and Training. The Governor's enhanced work participation requirements would require CalWORKs families to participate in at least 20 hours per week in "core work activities" within 60 days of receiving aid. Core work activities would primarily consist of unsubsidized work, community service, and on-the-job training. This additional requirement represents a fundamental shift in the direction of the CalWORKs program. Currently CalWORKs participants must perform up to 35 hours (32 hours in most counties) of employment-related activities to receive their grant. The range of activities that a participant can perform is currently much broader than those proposed by the administration and include education, training, domestic violence services, and alcohol/drug and mental health treatment. Under the Governor's proposal, these participants would still be required to meet the 32/35-hour requirement, but 20 of those hours would have to be core-work activities. Such a requirement would limit participant's access to education and training opportunities.

Loss of county flexibility: One of the central hallmarks of CalWORKs is the high degree flexibility counties were given in their program design. Over the last six years, various counties have implemented vastly different version of CalWORKs that reflect their local community values, economic condition, major industries, and outside resources. The proposed CalWORKs reform requires all of the counties to meet the same standards under the same timelines.

PANELISTS:

Frank Mecca
CWDA

Kelly Brooks
CSAC

Phil Ansell
Los Angeles County Department of Public Social Services

Mike Herald
Western Center on Law and Poverty

Other Panelists are pending confirmation and will be named at the hearing.

All other public comment will be addressed in the public comment hearing.

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 6: LOW INCOME WOMEN OUTPATIENT SUBSTANCE ABUSE TREATMENT AND SUPPORTIVE HOUSING PROGRAM AND THE YOUTH DEVELOPMENT SERVICES PROJECT

The Subcommittee will consider the elimination of funding for two TANF funded programs, the Low Income Woman Outpatient Substance Abuse Treatment and Supportive Housing Program and the Youth Development Services Project.

BACKGROUND:

The Governor's Budget eliminates funds to two TANF funded programs. These programs are:

The **Low Income Woman Outpatient Substance Abuse Treatment and Supportive Housing Program** was established in January 2001. It was funded with General Fund (counted toward the TANF MOE). In July 2003, funding source was shifted to TANF transferred to Title XX.

The program is designed to provide transitional substance abuse treatment services to women with incomes up to 200 percent of the FPL, who are not eligible for other treatment services (including those provided through CalWORKs). The funding is distributed to 10 individual providers (9 providers in the new funding cycle, which started in March 2004 and is proposed to end in June 2004). It serves about 340 women each month on average.

The **Youth Development Services Program** provides funding to Boy's and Girl's clubs to conduct the "Smartmoves" teen pregnancy prevention program.

PANELISTS:

No panelists have been identified on this issue.

There are no panelists for this item; this item has been placed on the agenda to provide an opportunity for the public to comment on the impact of the proposed cut.

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 7: INDIAN HEALTH CLINICS

The Subcommittee will consider the proposed elimination of funding for Indian Health Clinics

BACKGROUND:

The budget terminates funding for mental health and substance abuse services delivered by Indian Health Clinics to CalWORKs beneficiaries for savings of \$2.7 million.

The program is designed to provide services that assist clients in securing and retaining employment. Funding supports one clinician in each of 36 Indian health clinics to support the delivery of mental health and substance abuse services to Native Americans. Clinicians provide services such as; outreach, identification of individuals who may be eligible for CalWORKs services, and screening for substance abuse or mental health issues. The funding also supports vans and their maintenance in order to transport clients to county welfare offices.

In 2002-03 the program served an estimated 4,573 people. About 45 percent (2,036) received mental health services, about 45 percent (2,090) received substance abuse treatment, and about 10 percent (447) received domestic violence services.

COMMENTS:

The Subcommittee may want to consider whether TANF funding is the appropriate funding source for this program.

PANELISTS:

The following panelists will testify on this issue (2 minutes each)

Maryann Brookins
Round Valley Indian Health Clinic Mental Health & Substance Abuse Program Director
and Certified Counselor

Billy Mitchell
Northern Valley Indian Health Clinic Certified Substance Abuse Counselor

Mark LeBeau
California Rural Indian Health Board Policy Analyst & Co-Coordinator of the Alliance to
Save CalWORKs Funding for 36 Indian Health Clinics

All other public comment will be addressed in the public comment hearing.

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 8: TRIBAL TANF

The Subcommittee will discuss a proposed reduction to Tribal TANF funding

BACKGROUND:

The Governor proposes to reduce State funding by \$30.5 million for Tribal TANF programs to reflect actual caseload levels. Federal funding for Tribal TANF programs remains at the prior-year level and is based on the federal fiscal year 1994 caseload levels and costs. A total of 18,842 Native Americans were on the AFDC caseload at that time. The proposed budget contains \$41.7 million for Tribal TANF funding.

Funding for the Tribal TANF program is reduced from amount counties receive for CalWORKs administration and services, to reflect the fact that the tribe is providing the service in lieu of the county.

COMMENTS:

Although the Tribal TANF funding is based upon the caseload in 1994, Subcommittee staff has not been able to determine the actual caseload of the Tribal TANF program.

PANELISTS:

The following panelists will testify on this issue (2 minutes):

Paul Chavez
Owens Valley TANF

Denis Turner
So. Tribal Chairman's Assoc. TANF

Frank Mecca
CWDA

All other public comment will be addressed in the public comment hearing.

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 9: QUARTERLY REPORTING/PROSPECTIVE BUDGETING

The Subcommittee will discuss Quarterly Reporting and Prospective Budgeting (QR/PB).

BACKGROUND:

The *2002-03 Budget Act* replaced the monthly reporting system for CalWORKs and Food Stamps with a quarterly reporting system and changed the determination of client benefit levels from a system of retrospective budgeting to one of prospective budgeting. This requires county staff to work with the client to estimate their likely income over the coming three months, in contrast with the prior method of using only past data to estimate anticipated income.

Counties are now phasing in the implementation of the changes according to their ability to automate the changes, train staff, and educate clients about the switch. The phase-in will take place between November 2003 and June 2004

The change will reduce the amount of administration required in these programs. The net amount of savings assumed in the budget year totals nearly \$145 million. If approved, the cut would represent a 25 percent reduction in funding for these programs, which translates into one out of every four county Food Stamps and CalWORKs staff. Counties argue that the budgeted level of savings is too high.

COMMENTS:

Counties believe that the budget overstates the amount of savings that will be achieved and may understate the costs associated with the new system. In a CWDA survey of 50 staff in the first county to implement QR/PB, the overwhelming majority reported either no reduction or an increase in their workload in the first six months after implementation. Survey respondents were optimistic that they would save time in the end, but were clear that the savings do not begin immediately.

PANELISTS:

The following panelist will testify on this issue (2 minutes)
Frank Mecca
CWDA

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 10: REPEAL OF RECENT FOOD STAMP PROGRAM CHANGES

The Governor's budget proposes to repeal recent food stamp program expansions.

BACKGROUND:

Chapter 225, Statutes of 2003 (AB 1752, Oropeza), created the Transitional Food Stamps Program (TFS), which provides five months of additional food stamps to families leaving welfare without requiring the family to reapply for benefits. In addition, Chapter 743, Statutes of 2003 (AB 231, Steinberg), made TFS rules less restrictive, allowed for the exclusion of the value of a motor vehicle in determining eligibility in the food stamps program, and allowed for the elimination of a face-to-face interview as a requirement of the food stamps application process.

These changes to the food stamps program are estimated to increase the federal food stamp and CFAP caseloads by 81,000, increase the amount of federal food coupons the state receives by \$203 million, increase administrative costs by about \$1.9 million, and increase CFAP costs by \$1.6 million in the budget year.

LAO ANALYSIS CITES LOST REVENUE:

Research shows that low-income individuals generally are not able to save money because their resources are spent on meeting their daily needs, such as shelter, food, and transportation. Therefore, for every dollar in food coupons that a low-income family receives, an additional dollar is available for the consumption of food or other items. Research done at the University of California and elsewhere indicates that individuals with income low enough to be eligible for food stamps would, on average, spend about 45 percent of their income on goods for which they would pay sales tax. The state General Fund receives about 5 cents for every dollar that is spent on a taxable good. Local governments and special funds receive the remainder of the sales tax revenue (generally about 2.25 percent). Because additional food coupons would result in low-income families spending more of their other resources on taxable goods, the receipt of federal food coupons helps to generate revenue for the state and for local governments.

The administration anticipates that eliminating TFS and the Chapter 743 expansions would result in foregone federal food coupons of about \$203 million. However, that is not the only loss the state would experience. The state would also lose General Fund sales tax revenue. This is because, based on the research described above, the LAO estimates that the forgone food coupons would have freed up an equal amount of income that families could spend on other items, including taxable goods. Assuming that 45 percent of the family's purchases are on taxable goods, about \$91 million would be spent on taxable goods. Because the state General Fund receives 5 cents for every dollar that is spent on a taxable good, these purchases would generate about \$4.5 million in General Fund revenue annually.

PANELISTS:

The following panelists will testify on this issue (2 minutes)

George Manalo-LeClair
California Food Policy Advocacy

Other Panelists are pending confirmation and will be named at the hearing.

All other public comment will be addressed in the public comment hearing.

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 11: FOOD STAMP ELIGIBILITY FOR DRUG-RELATED FELONS

The Subcommittee will consider expanding the eligibility for Food Stamps for drug-related felons.

BACKGROUND:

Current law provides that persons convicted of specified felonies related to controlled substances are ineligible for aid under the California Work Opportunity and Responsibility to Kids and food stamp programs if the conviction occurred after the provisions' effective dates.

Existing Federal Law prohibits recipients of food stamps or benefits funded by Temporary Assistance for Needy Families (TANF) funds from qualifying for benefits if they have been convicted of a felony crime involving controlled substances, but allows states to opt out of the disqualification in whole or part.

The Legislature is currently considering legislation [AB 1796 (Leno)] that would allow California to opt out of the lifetime federal disqualification from food stamps for persons convicted of a felony involving controlled substances.

COMMENTS:

The Subcommittee could consider adopting Trailer Bill Language to allow California to opt out of the lifetime federal disqualification from food stamps for persons convicted of a felony involving controlled substances.

PANELISTS:

The following panelist will testify on this issue (2 minutes)

Ana Hicks
California Hunger Action Coalition

All other public comment will be addressed in the public comment hearing.

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

ISSUE 12: STATEWIDE FINGERPRINT IMAGING PROGRAM

The Subcommittee will discuss whether to continue the Statewide Fingerprint Imaging System (SFIS).

BACKGROUND:

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

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

In addition, undocumented adults are required to be fingerprint and photo imaged as a condition for an eligible family member to receive CalWORKs or Food Stamp benefits. Undocumented adult family members are not eligible for Food Stamps, CalWORKs or the California Food Assistance program. According to advocates, if an undocumented adult refuses to be photo and fingerprint imaged, the entire family can be denied eligibility. Food Stamp program regulations allow for the imaging of an authorized representative if none of the applicable adults in the household is required or able to comply.

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

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

According to the Department of Social Service, the total budget for SFIS in the budget year is \$8.5 million General Fund.

COMMENTS:

In the last three previous budgets, Subcommittee has taken action to eliminate the SFIS program. Although the Department maintains that the system saves the state money from fraud, there is considerable debate regarding the usefulness of this system.

The Bureau of State Audits conducted an audit of the SFIS system. The audit was not able to demonstrate sufficient savings for the system to justify the costs associated with the system.

PANELISTS:

Phil Ansell
Los Angeles County Department of Public Social Services.

George Manalo-LeClair
California Food Policy Advocacy

Other Panelists are pending confirmation and will be named at the hearing.

All other public comment will be addressed in the public comment hearing.

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 13: CALWORKS GRANTS

The Subcommittee will consider budget proposals that would impact the level of CalWORKs grants.

BACKGROUND:

The Governor's budget and the mid-year reduction propose to reduce CalWORKs grants by 5 percent and suspend the COLAs for the 2003-2004 and 2004-2005 fiscal years. The net effects on the grant level would be a reduction of \$35 from \$704 per month to \$669 per month for a family of three.

The *Governor's Budget Summary FY 04-05* notes that California's grant level is higher than several other large states. However is important to note that the proposed CalWORKs grant level of \$669 per month is lower than the amount given to AFDC recipients in 1989. Since 1990, net results of frozen COLA and reductions to the grant levels have reduced the purchasing power of the grant by 33.8 percent. Under the Governor's proposed reduction, the purchasing power of CalWORKs grant in FY 04-05 would be 61.3 percent of its 1989 level. The table below (courtesy of Assembly Human Services Committee) illustrates the grant level over the last 15 year.

AFDC/CALWORKS BENEFITS, 1988 - 2004

Effective Dates	Maximum Aid (MAP) family of 3	Final Action	CNI (inflation)	MAP if full COLA adopted
July 88	\$663	4.7%	4.7%	\$663
July 89	\$694	4.7%	4.7%	\$694
July 90	\$694	0.0%	4.6%	\$726
July 91	\$663	-4.4%	5.5%	\$766
July 92	\$624	-5.8%	1.8%	\$780
July 93	\$607	-2.7%	2.4%	\$798
July 94	\$594	-2.3%¶	1.7%	\$812
July 95	\$594	-4.9%¶	1.3%	\$822
July 96	\$594	0.0%	0.5%	\$827
Jan 97	\$565	0.0%	2.6%	\$848

Nov 98	\$611	8.1%§	2.8%	\$872
July 99	\$626	2.4%	2.4%	\$893
Oct 00	\$645	2.9%	2.9%	\$919
Oct 01	\$679	5.3%	5.3%	\$968
Oct 02	\$679	0.0%	3.7%	\$1,004
June 03	\$704	3.7%	---	\$1,027
Oct 03	\$704*	0.0%	3.5%	\$1063
July 04	\$669**	---	2.8%	\$1092

NOTE: MAP is for family of 3 in Region 1 (higher cost counties)
 § – included scheduled COLA plus expiration of 1995 4.9% reduction.
 ¶ – passed but enjoined by court in *Welch v. Anderson* until Jan. 1, 1997.
 * - suspended due to increase of VLF [W.I.C. §11453 (c)(3)]; not restored despite reduction in VLF in October 2003. Subject of litigation [*Guillen v. Schwarzenegger*].
 ** - as proposed by Governor (5% reduction from June 2003 level)

COMMENTS:

The Subcommittee has acted to suspend the CalWORKs COLAs in previous years.

PANELISTS:

The following panelists will testify on this issue (2 minutes)

Mike Herald
 Western Center on Law and Poverty

Other Panelists are pending confirmation and will be named at the hearing.

All other public comment will be addressed in the public comment hearing.

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 14: SSI-SSP COLAS

The Subcommittee will discuss the budget's proposed effect on SSI/SSP grant activities.

BACKGROUND:

Under current law, both the federal and state grant payments for SSI/SSP recipients are adjusted for inflation each January. The COLAs are funded by both the federal and state governments. The state COLA is based on the California Necessities Index and is applied to the combined SSI/SSP grant. The federal COLA (based on the Consumer Price Index for Urban Wage Earners and Clerical Workers) is applied annually to the SSI portion of the grant. The remaining amount needed to cover the state COLA on the entire grant is funded with state monies.

The Governor proposes to suspend the January 2005 State COLA (2.77 percent) which results in a cost avoidance of \$84.6 million in 2004-05. In addition, the Governor proposes no pass through of the January federal SSI which results in savings of \$62.5 million. Under this proposal the state funded SSP portion of the grant is reduced by the precise amount of the federal increase, which becomes effective January 2005.

The table below details the effect of the proposed suspension on the SSI-SSP Grant level as the Grant remains at its current year level and the January 2005 COLAs are not provided.

SSI/SSP Grants	Current Grant	2005 Grant With COLAs	Net Change	Percentage Change
Individuals				
SSI	\$564	\$574		
SSP	226	238		
Totals	\$790	\$812	(\$22)	-2.7%
Couples				
SSI	\$846	\$861		
SSP	553	577		
Totals	\$1,399	\$1,438	(\$39)	-2.7%

COMMENTS:

The Subcommittee has suspended the State portion of the SSI/SSP COLA in previous years.

PANELISTS:

The following panelists will testify on this issue (2 minutes)

Mike Herald
Legislative Advocate
Western Center on Law and Poverty

Other Panelists are pending confirmation and will be named at the hearing.

All other public comment will be addressed in the public comment hearing.

5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 15: LAO CALWORKS OPTIONS**

The Legislative Analyst's Office has three options for savings that involve changes to the CalWORKs and SSI/SSP programs.

BACKGROUND:

The Legislative Analyst's Office has three options for savings that involve changes to the CalWORKs and SSI/SSP programs. These are options provided by the LAO, but LAO does not necessarily recommend that the Subcommittee adopt them. These options are:

- **Reduce the maximum monthly SSI/SSP grants for couples by \$174 per month.** When compared to the federal poverty guideline, the SSI/SSP grants for couples is 39 percent above the federal poverty level, but the SSI/SSP grant for an individual is 5.5 percent of above this level. The LAO option would reduce the couple's grant level to a level that would be about 21 percent above the poverty guideline. The average grant for a couple is currently \$1,399 per month. The option would save \$89 million General Fund in the budget year.
- **Reduce State-only SSI/SSP grants for immigrants by 10 percent.** Currently, the State-only SSI/SSP grants are \$10 less than regular SSI/SSP grant level. This option would reduce the grant levels by 10 percent, which would reduce the average grant by \$78 per month for an individual and \$138 per month for a couple. This option would save \$ 7 million General Fund in the budget year.
- **Eliminate CalWORKs grants for families over the 120 percent of poverty.** CalWORKs families above 120 percent of poverty generally have small grant levels (up to \$150 per month) but these families would be able to recoup up to 45 percent of the lost grant with additional food stamp benefits. The proposal would save \$37 million in the budget year.

COMMENTS:

CalWORKs families earning close to the 120 percent of poverty level are most likely working while on aid. If the proposed option were adopted, it may have a negative effect upon the CalWORKs work participation rate.

PUBLIC COMMENT:

There are no panelists for this item; this item has been placed on the agenda to provide an opportunity for the public to comment on the impact of the options listed above.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 16: OVERVIEW OF CHILD SUPPORT

The Subcommittee will be updated on DCSS's performance.

BACKGROUND:

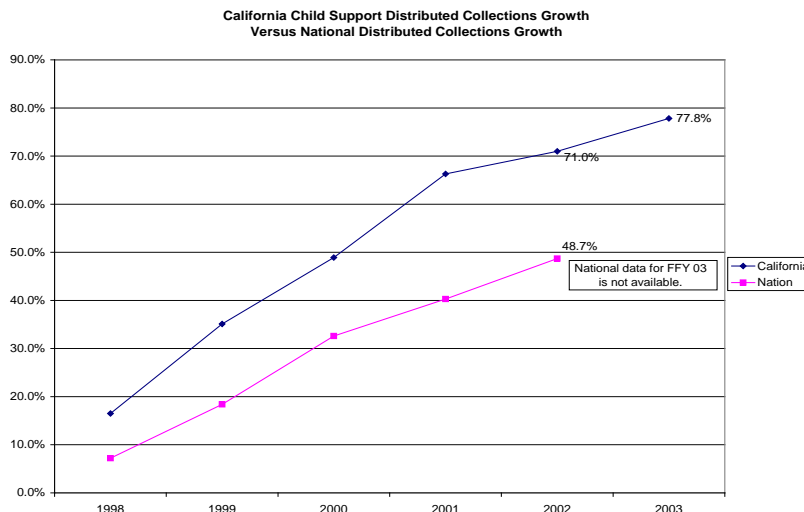
The Department of Child Support Services (DCSS), created on January 1, 2000, administers California's child support program by overseeing 58 county child support offices. The primary purpose of the program is to collect from absent parents, support payments for custodial parents and their children. Local child support offices provide services such as locating absent parents; establishing paternity; obtaining, enforcing, and modifying child support orders; and collecting and distributing payments.

Prior to the legislative reforms in California, the child support program was administered at the local level by the county district attorneys (DAs), with state oversight by the DSS. In an effort to improve program performance, the Legislature passed a package of bills in 1999, including Chapters 478 (AB 196 Kuehl), 479 (AB 150, Aroner), and 480 (SB 542, Burton and Schiff). Together, these acts made significant changes to the organization, administration, and funding of the program (see Figure 1). Generally, these reforms significantly increased state authority and oversight over the program, and changed state administrative responsibility for developing the statewide child support automation system. Included among the changes are the creation of a new state Department of Child Support Services; the transfer of local administration from the county DAs to separate county child support agencies; and the transfer of responsibility for procurement of the automation system from the state Health and Human Services Agency Data Center to the Franchise Tax Board.

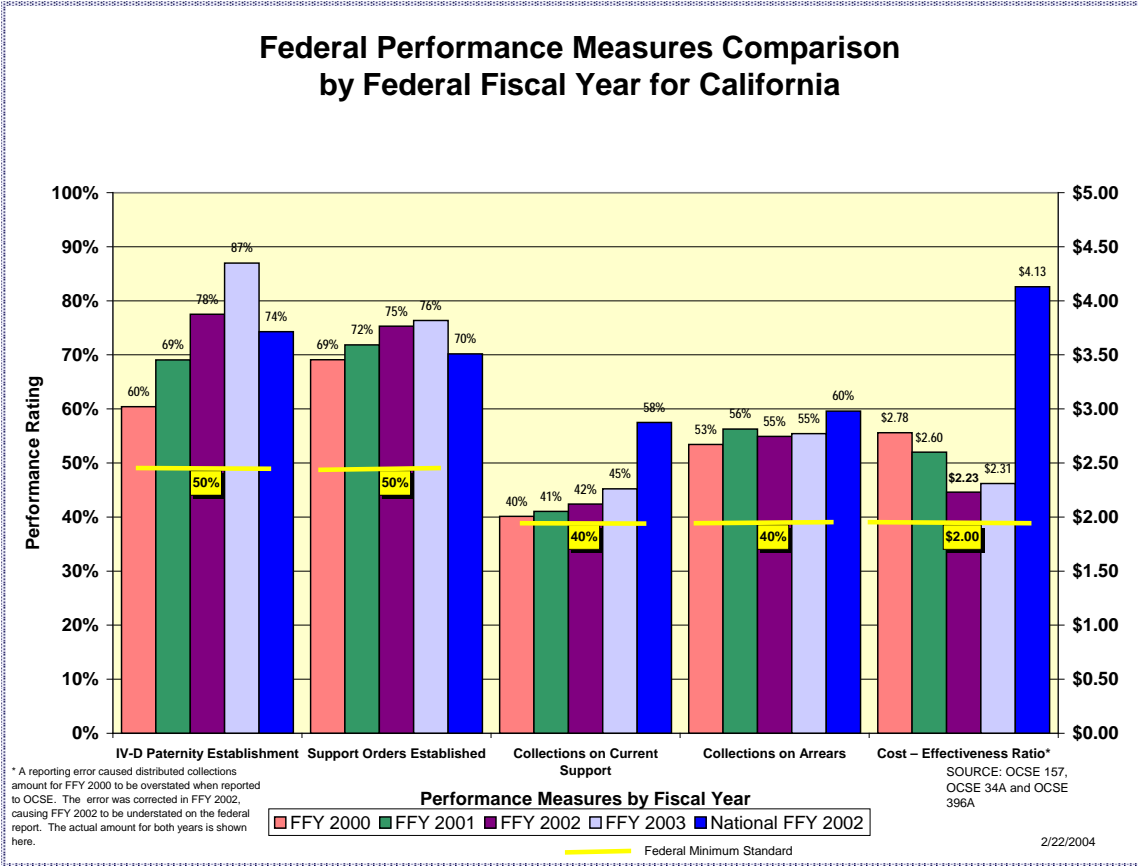
TRENDS SINCE DCSS ESTABLISHED

Since DCSS assumed control of the program, the State has improved significantly in all major performance measures. The chart below illustrates the growth in child care collections as compared to the rest of the nation.

The chart below illustrates the State's performance in the major performance measures as compared to the national average for all State's. The State has improved on all of



these measures over the last four years, with the exception of the cost-effectiveness ratio. The State's recent expenditures child support automation partially account for the drop in the cost effectiveness of the programs.



COMMENTS:

The Department has conducted several workgroups to discuss how county allocations relate to performance. The final meeting of this workgroup will be held on April 1st.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 17: LOS ANGELES COUNTY'S CHILD SUPPORT ALLOCATION

The Subcommittee will discuss the level of Los Angeles County's allocation.

BACKGROUND:

The Department of Child Support Services (DCSS) is responsible for allocation of funds to local child support agencies to support their efforts in administering California's child support programs. Most counties rely on the State and federal funding to pay for the administrative expenses associated with Child Support administration.

The amount of funding counties receive varies greatly. In Fiscal Year 2002-2003, the State allocated approximately \$400.67 per case on average Statewide. However, some counties like Marin received \$1,210 per case while Los Angeles received only \$319.68 per case. Of the 52 local child support agencies in California, Los Angeles is 48th in per case funding. Only Fresno, Imperial, and San Bernardino have a lower allocation.

In last year's budget process, the budget for child support administration was reduced by 5 percent. This reduction was intended to reflect the elimination of programmatic initiatives, not to reduce child support collections staffing. However, for Los Angeles County also lost some one-time funding for child support at the same time. There was concern in Los Angeles that the combined reduction would result in layoffs that would undermine the county's collection efforts. However, \$1.3 million of funds were returned to Los Angeles County for prior-year performance. When combined with federal funds, these one-time funds were able to offset \$4 million of the reduction faced by the county. As a result, the county was able to continue its operations in the current year without major programmatic impact.

The table below shows Los Angeles County's allocation for three different fiscal years (all funds):

LA DCSS Allocation	FY 02-03	FY 03-04	FY 04-05 (estimated)	Total Change	% Change
Allocation	\$145,903,055	\$142,256,846	\$142,256,846	\$(3,646,209)	-2.5%
One Time Funding	\$ 5,908,832	\$ 4,001,051		\$(5,908,832)	-100.0%
Total	\$151,811,887	\$146,257,897	\$ 142,256,846	\$(9,555,041)	-6.3%

DEPARTMENT'S ALLOCATION WORKING GROUP:

In the fall of 2003, DCSS convened a large group of stakeholders to examine the current county allocation methodology and recommend changes that would more clearly meet the funding requirements of the counties. As part of the work for those meetings, DCSS undertook a substantial statistical review of the performance and collections data available for each county. Through this review, DCSS was able to connect county performance on some outcome measures to the level of funding provided to counties.

They were also able to tie expected amounts of child support collections to the level of funding available to administer the program.

The DCSS was also required to begin work on improving the information provided in its budget documents and improving the methods used to build its budget. The child support budget display for 2004-05 shows significant improvement in terms of the information provided. The department has included auxiliary documents in its budget information, which summarize the amount of the federal child support penalty over time, and which illustrates the spending and collection trends over the last three years. Perhaps more significantly, DCSS's budget tables are beginning to display the detailed funding changes for the program in a clear way. In prior years, all administrative costs were included in one basic line; there was no way to determine which aspects of the program were being augmented or reduced in the budgets proposed by the administration for DCSS. However, in the current budget, changes are being clearly displayed. For example, the amounts budgeted for implementing the new collections enhancements are clearly separated from the basic cost of running the program. Similarly, anticipated collections associated with this enhancement are also displayed separately.

Although the final report of the working group is still pending, the effort is the first step in addressing allocation equity issues between counties.

COMMENTS:

Assembly Member Goldberg has requested that the Subcommittee consider Los Angeles County's allocation. The State would need to spend an additional \$1.3 million General Fund to keep Los Angeles County at the current year allocation level.

PANELISTS:

The following panelists will testify on this issue (2 minutes)

Philip Browning
Director, Los Angeles County Department of Child Support Services

Lawrence Hill
SEIU 660

Other Panelists are pending confirmation and will be named at the hearing.

All other public comment will be addressed in the public comment hearing.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 18: COUNTY SHARE OF CHILD SUPPORT COLLECTIONS

The Governor's Budget proposes to capture child support collections that currently go to counties.

BACKGROUND:

Most child support collections are paid to the custodial parent. However, a portion of the child support dollars collected by the counties are used to pay back the state, federal, and local governments for the cost of grants provided under the California Work Opportunity and Responsibility to Kids (CalWORKs) and the Foster Care programs. (These grants were paid on behalf of the children whose noncustodial parents are now paying child support.) These are known as assistance collections. Under current law, 50 percent of those funds are returned to the federal government, 47.5 percent constitute state General Fund revenue, and the remaining 2.5 percent reimburse the counties for their share of the CalWORKs grants. Counties have received these funds since the 1970's.

The Governor's budget proposes that the state retain \$39 million in collections that constitutes the counties' share of assistance collections and use it as state General Fund revenue.

COMMENTS:

Many counties use these funds to offset the county share of cost of foster care and child welfare programs. Counties currently face very limited budgetary options that will limit their ability to replace these funds. As a result, this shift of funding may result in large reductions in foster care and child welfare programs statewide. For example, counties pay about 19 percent of all costs for child welfare services and these funds are matched by State and Federal dollars. If all these child support collections dollars were used for child welfare, it would represent \$205.3 million in total expenditures that would be reduced.

The Subcommittee should consider how the proposed shift of funding would impact programs.

The LAO recommends that Governor's proposal to keep the county share of collections be modified into an incentive for the counties to improve their performance. Under the LAO recommendation, counties that meet all of the established performance measures would be allowed to retain their share of the assistance collections. The LAO points out that the child support program is driven in large part by state and federal performance measures. States receive federal incentive funds based on their ability to achieve the federal performance measures, and may be penalized for repeated failure of certain measures. Adopting this recommendation would reduce General Fund revenue by \$12.4 million in 2004-05. However, by providing the counties with a better performance incentive, the LAO believes that it should result in more federal incentive funds coming to the state, which will in part offset the loss of General Fund revenues. Further, the LAO

points out that stronger county performance should help assure that the state will avoid future federal penalties.

PANELISTS:

Frank Mecca
CWDA

Kelly Brooks
CSAC

Other Panelists are pending confirmation and will be named at the hearing.

All other public comment will be addressed in the public comment hearing.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 19: CHILD SUPPORT AUTOMATION FEDERAL PENALTY

The Governor's Budget proposes to capture child support collections that currently go to counties.

BACKGROUND:

Most child support collections are paid to the custodial parent. However, a portion of the child support dollars collected by the counties are used to pay back the state, federal, and local governments for the cost of grants provided under the California Work Opportunity and Responsibility to Kids (CalWORKs) and the Foster Care programs. (These grants were paid on behalf of the children whose noncustodial parents are now paying child support.) These are known as assistance collections. Under current law, 50 percent of those funds are returned to the federal government, 47.5 percent constitute state General Fund revenue, and the remaining 2.5 percent reimburse the counties for their share of the CalWORKs grants. Counties have received these funds since the 1970's.

The Governor's budget proposes that the state retain \$39 million in collections that constitutes the counties' share of assistance collections and use it as state General Fund revenue.

COMMENTS:

Many counties use these funds to offset the county share of cost of foster care and child welfare programs. Counties currently face very limited budgetary options that will limit their ability to replace these funds. As a result, this shift of funding may result in large reductions in foster care and child welfare programs statewide. For example, counties pay about 19 percent of all costs for child welfare services and these funds are matched by State and Federal dollars. If all these child support collections dollars were used for child welfare, it would represent \$205.3 million in total expenditures that would be reduced.

The Subcommittee should consider how the proposed shift of funding would impact programs.

The LAO recommends that Governor's proposal to keep the county share of collections be modified into an incentive for the counties to improve their performance. Under the LAO recommendation, counties that meet all of the established performance measures would be allowed to retain their share of the assistance collections. The LAO points out that the child support program is driven in large part by state and federal performance measures. States receive federal incentive funds based on their ability to achieve the federal performance measures, and may be penalized for repeated failure of certain measures. Adopting this recommendation would reduce General Fund revenue by \$12.4 million in 2004-05. However, by providing the counties with a better performance

incentive, the LAO believes that it should result in more federal incentive funds coming to the state, which will in part offset the loss of General Fund revenues. Further, the LAO points out that stronger county performance should help assure that the state will avoid future federal penalties.

PANELISTS:

Kelly Brooks
CSAC

Donna Seitz
Los Angeles County

Other Panelists are pending confirmation and will be named at the hearing.

All other public comment will be addressed in the public comment hearing.