AGENDA

BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER HOLLY MITCHELL, CHAIR

MONDAY, MAY 23, 2011
STATE CAPITOL, ROOM 4202
UPON ADJOURNMENT OF SESSION

DISCUSSION ITEMS

VOTE-ONLY ITEMS

0530 HEALTH AND HUMAN SERVICES AGENCY

ISSUE 1: BCP#2 – HEALTH INFORMATION EXCHANGE PROGRAM SUPPORT (DENY WITHOUT PREJUDICE OR DWP ITEM)

Background on Subcommittee Consideration. This item was heard previously by the Subcommittee on January 25, 2011 and was Denied Without Prejudice (DWP), and as such was additionally considered on May 4 in the Subcommittee.

Budget Request. The Office of Health Information Integrity within the Health and Human Services Agency is proposing to establish a two-year limited term Staff Service Analyst/Associate Governmental Program Analyst position ($99,000 federal funds) to support the Deputy Secretary's operational activities coordinating and leading California electronic health information technology and exchange program.

The Deputy Secretary for Health Information Technology (HIT) is California's designated HIT leader. The Deputy Secretary also serves as the chief advisor to the Governor and Secretary on issues pertaining to health information exchange. As the state's HIT leader, the Deputy Secretary is operationally responsible for the overall coordination with a large number of related for external federal and state initiatives impacting HIE such as California Cooperative Agreement for Health Information Exchange, Regional Extension Center grants, Medi-Cal HIT Incentive Program, Cal ERX, California Telehealth Network and HIT Workforce Development grant programs. Additionally, the Deputy Secretary coordinates strategic planning efforts with state departments that will be affected and impacted by the health information programs.

Support for the Deputy Secretary's work was previously achieved through a redirection of resources from the California Office of Health Information Integrity (CalOHII). However, due to its own program demands, CalOHII cannot continue to provide the support needed for the activities and efforts of the Deputy Secretary as the state's HIT leader. Therefore, the administration is requesting this position to serve as an Executive Assistant and Analyst for the Deputy Secretary of HIT. The position will be funded by ARRA grant funds already included in CalOHII's budget authority.

Staff Comment and Recommendation:

No issues have been raised with this request and staff is recommending approval of the request.

ISSUE 2: FEDERAL AGING AND DISABILITY RESOURCE CONNECTION (ADRC) GRANT

May Revision Request. The May Revision includes two requests from the administration related to the Federal Aging and Disability Resource Connection (ADRC) Grant.

- **Staffing Request.** It is requested to extend an existing limited-term Staff Services Manager I position by 15 months through the end of the grant period, which is September 30, 2012. The current position was administratively established in January 2010, and is set to expire on June 30, 2011. The position would continue to support the federal ADRC Options Counseling Grant, which is designed to strengthen ADRC services within California. No increase in expenditure authority is being requested as the grant funding was already approved as part of SB 69 as passed by the Legislature. This position is federally funded with no state match requirement.

- **Adjustment of Federal Grant.** It is requested that Schedule 1 of Item 0530-001-001 and Item 0530-001-0890 be increased by $246,000. The additional federal funding authority will allow full expenditure of available federal grants which strengthen the ADRC services. This action would incorporate recently awarded second year funding of the ADRC Evidence Based Care Transitions grant ($206,000) and roll-over $40,000 in unexpended 2010-11 grant funds previously approved by the Legislature in SB 69.

Staff Comment and Recommendation:

No issues have been raised with these requests and staff is recommending approval of the requests.

0530 OFFICE OF SYSTEMS INTEGRATION (HEALTH AND HUMAN SERVICES AGENCY)

ISSUE 1: UPDATE OF CMIPS II PROJECT

Background. The In-Home Supportive Services (IHSS) Program of the California Department of Social Services (DSS) was established in 1973 as part of a Title XIX Medi-Cal reform plan to develop a system that supports an equitable eligibility system, a uniform schedule of benefits for recipients, and an improved system of health care delivery and health care financing for the program. In 1978, California enacted Welfare & Institutions Code 12302.2 which mandated a payroll and payment system for the IHSS program. The purpose of the system is to assist IHSS recipients who act as the employer of record to properly withhold employee taxes and pay employer taxes on behalf of the recipient. This mandate resulted in the development of the Case Management, Information and Payrolling System, now referred to as legacy CMIPS.

The legacy CMIPS has been in operation for over 25 years and is now antiquated. It has been determined that legacy CMIPS must be replaced, as it is running in a diminished capacity and has reached the end of its life cycle. Legacy CMIPS faces a high risk of failure if substantially enhanced.

The CMIPS II Project was created to award and administer a contract to design, develop, maintain, and operate the replacement for legacy CMIPS. A competitive bid for the prime vendor was conducted and the contract was awarded on March 31, 2008 to Hewlett Packard (HP).

In 2010, Chapter 725, Statutes of 2010 (AB 1612) was enacted to make numerous, significant changes to the IHSS program. The IHSS program changes necessitated changes to the CMIPS II system which was still in development under a contract managed by the Office of System Integration (OSI) on behalf of DSS, the project sponsor.

May Revision Request. In large part to make the system changes to accommodate AB 1612, the administration is requesting an increase in funding authority of $12,514,000 in 2011-12 due to an 18 month schedule extension for CMIPS II. Delays have created a corresponding current year decrease of $11,533,000 in Office of Systems Integration (OSI) funding requirements. There are also corresponding funding changes in the Department of Social Services (DSS) local assistance budget for fiscal year 2010-11 and 2011-12. The CMIPS II project was expected to finish system testing and move into pilot operations in the spring of 2011. Due to the delays, these activities are now expected to begin October 2011 with full implementation scheduled for January 2013.

Staff Comment and Recommendation:

No issues have been raised with this request in isolation. On May 24, the Subcommittee will consider the administration's other outstanding and May Revision proposals related to CMIPS II when the DSS issues are considered as a whole.

On this item for purposes of this hearing, staff will recommend approval of the May Revise changes associated with the changes as outlined.

ISSUE 2: REDUCE CWS/CMS M&O

Background. On December 17, 2010, the Child Welfare Services/Case Management System (CWS/CMS) received approval from the federal Administration for Children and Families (ACF) to amend the prime vendor contract with International Business Machines (IBM) Global Services. The current contract has been in place for eighteen years with a term-end date of July 31, 2013. The agreement has been negotiated to obtain savings, extend the base contract term through 2016, and allow for three additional optional years.

This had been intended to ensure uninterrupted maintenance support services through the implementation of the CWS Web project. The administration is now proposing to suspend the CWS Web project, an issue that the Subcommittee is scheduled to hear on May 24.

May Revision Request. Due to the negotiated reduction in annual costs, the CWS/CMS Office will be submitting annual Budget Change Proposals to adjust the prime vendor contract budget as negotiated with the vendor. Therefore, CWS/CMS is requesting a one-time decrease of $3,228,807 to its prime vendor contract budget in 2011-12 and additional one-time decreases to the out years. The following chart reflects the projected one-time budget adjustments by Fiscal Year:

Description	2011/2012	2012/13	2013/14	2014/15	2015/16
Prime Vendor Baseline Budget	$32,903,572	$32,903,572	$32,903,572	$32,903,572	$32,903,572
Projected Prime Vendor Costs	$29,674,765	$30,427,167	$31,203,167	$32,007,583	$32,840,416
Projected One-time BCP/FL Adj Requests	**($3,228,807)**	**($2,476,405)**	**($1,700,405)**	**($895,989)**	**($63,156)**

Staff Comment and Recommendation:

No issues have been raised with this request in isolation. On May 24, the Subcommittee will consider the administration's proposal on CWS Web, action on which may affect work for the current CWS/CMS project. (Both the OSI and Department of Social Services will be on the agenda for the May 24 consideration of the CWS Web topic.)

On this item for purposes of this hearing, staff will recommend approval of the May Revise changes associated with the changes as outlined.

4170 DEPARTMENT OF AGING

ISSUE 1: CARRYOVER OF FUNDING AUTHORITY FOR MIPPA GRANT

Background. The California Department of Aging was awarded a two-year $2,191,000 Medicare Improvements for Patients and Providers Act (MIPPA) grant by the federal Administration on Aging and this amount was reflected in the Governor's Budget. Of this amount, $1,096,000 was to be spent in the current year ($1,079,000 for local assistance and $17,000 for state support) and the remaining $1,095,000 ($1,086,000 for local assistance and $9,000 for state support) in the budget year as reflected in budget adopted by Legislature.

The grant funds are used to expand Medicare Beneficiary enrollment in the Prescription Drug Benefit Low Income Subsidy Program and the Medicare Savings Program, and to provide outreach. Of the $1,096,000 in current year funding, only $400,000 will be expended due to late enactment of the 2010 Budget Act.

May Revision Request. As a result of the aforementioned delay in expending funds, the administration has requested that federal expenditure authority of $696,000 be carried over into 2011-12. Despite the delays, it is anticipated that all second year MIPPA II funds will be expended by the end of the grant period. The changes consist of two components:

- **State Operations.** It is requested that Item 4170-001-0890 be increased by $17,000 and Item 4170-001-0001 be amended to reflect this change. These funds were budgeted for hiring a Retired Annuitant to assist local agencies and stakeholders with MIPPA outreach efforts. To maximize the effectiveness of this grant, this position is still needed in fiscal year 2011-12.

- **Local Assistance.** It is requested that Item 4170-101-0890 be increased by $679,000 and Item 4170-101-0001 be amended to reflect this change. The second year grant (MIPPA II) overlapped with the first MIPPA grant award (MIPPA I) in fiscal year 2010-11. Local Area Agencies on Aging were not able to expend MIPPA II funding as originally budgeted in 2010-11 since they were required to spend MIPPA I funds first, and access to these funds was delayed due to late enactment of the 2010 Budget Act.

Staff Comment and Recommendation:

No issues have been raised with this request and staff is recommending approval of the request.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

ISSUE 1: UPDATE OF DRUG MEDI-CAL ESTIMATE

Background. The Department of Alcohol and Drug Programs' (ADP) Drug Medi-Cal (DMC) program began in 1980. The program is jointly funded by the federal and state governments to provide drug and alcohol treatment services to eligible needy persons. The DMC Program provides services to those lacking health insurance and meeting income eligibility. Services are currently limited to those with incomes up to 250 percent of the federal poverty level.

The DMC Program offers the following services: Outpatient Drug Free (ODF), Narcotic Treatment Program (NTP) and Naltrexone services. In addition, Day Care Rehabilitative (DCR) and Perinatal Residential Treatment are available to pregnant and postpartum women and full scope Medi-Cal beneficiaries under the age of 21.

Caseload Changes. As compared to the DMC caseload estimates included in the Governor's budget (the Fall Estimates), the May Revise DMC caseload estimate for Fiscal Year (FY) 2011-12 decreased by 7,873 from 322,437 to 314,564. This change reflects an overall decrease of 2.4% in caseload projections based on recent trends of decreasing caseloads in Day Care Rehabilitative (DCR), Outpatient Drug Free (ODF), and Perinatal Residential services, coupled with increasing Narcotic Treatment Program (NTP) caseload. The detail for Perinatal and Regular DMC caseloads is below:

- Perinatal DMC caseload is projected to be 8,744 in fiscal year 2011-12, a decrease of 309 clients, or 3.5% from the previous estimate of 9,053.

- Regular DMC caseload is projected to be 305,820 in fiscal year 2011-12, a decrease of 7,564 clients, or 2.5% from the previous estimate of 313,384.

Relative to the increase in NTP caseload, some counties have reported seeing an increase in prescription drug abuse, particularly narcotics such as Oxycontin. Some counties are also seeing an increase in heroin use.

Expenditure Components in the DMC Estimate. As compared to the Fall Estimates, total expenditures for FY 2011-12 are projected to increase by $490,000 ($351,000 General Fund) overall. This is comprised of an increase of $1.1 million ($679,000 GF) in DMC Regular offset by a decrease of $656,000 ($328,000 GF) in DMC Perinatal Services. This overall change is due to increases in DMC Rates offset by decreases in projected caseload and unit of service (UOS) based on actual trend data.

Rate Changes. Although the overall Regular Drug Medi-Cal caseload projection is down, this is more than offset by an increase in provider rates compared to the March budget. As required by statute, the proposed DMC rates are based on the developed rates for use in FY 2011-12 or the FY 2009-10 Budget Act rates adjusted for the cumulative Implicit Price Deflator, whichever is lower. For May Revise, the cumulative Deflator used in calculating the proposed DMC rates is 4.6% (2.4% from FY 2009-10 to FY 2010-11 plus 2.2% from FY 2010-11 to FY 2011-12), a cumulative increase of 1.6% as compared to the Fall Estimates. The increase in rates results in an overall increase of $3.7 million ($2.0 million GF).

Caseload and UOS. Decreased caseload and UOS projections for FY 2011-12 result in decreased total expenditures by $3.2 million ($1.6 million GF). Of this amount, DMC Regular decreases by $2.5 million ($1.3 million GF) and DMC Perinatal services decrease by $684,000 ($342,000 GF).

For FY 2010-11, the projected DMC caseload and UOS changes represent a total decrease of $2.7 million ($1.1 million GF) as compared to the Fall Estimates. The total decrease in DMC Regular services is $2.1 million ($815,000 GF) and DMC Perinatal services will decrease $606,000 ($263,000 GF). May Revise also includes $13.2 million in federal ARRA funding, which represents a decrease of approximately $200,000 as compared to the Fall Estimates due to the decreased caseload projections.

Staff Comment and Recommendation:

No issues have been raised with the changes in the Fall Estimate for DMC, and so staff will recommend approval of the May Revise changes associated with the changes as outlined. Technical changes to Budget Bill include the following:

- Perinatal Drug Medi-Cal Estimate. It is requested that Schedule (1) of Item 4200-102-0001 be decreased by $328,000 and Reimbursements be decreased by $328,000 to reflect revised caseload and utilization estimates.

- Regular Drug Medi-Cal Estimate. It is requested that Schedule (1) of Item 4200-103-0001 be increased by $679,000 and Reimbursements be increased by $467,000 to reflect revised caseload and utilization estimates.

5160 DEPARTMENT OF REHABILITATION

ISSUE 1: BUDGET BILL ADJUSTMENTS TO FEDERAL FUND AUTHORITY

Background. The Vocational Rehabilitation Program (VR) is administered through the Department of Rehabilitation's (DOR) staff of rehabilitation professionals, who assist individuals with disabilities in preparing for, entering into, and retaining competitive employment in integrated work settings and to live independently in their communities. The VR Program funding is provided by a grant awarded under Title I, Section 110 of the federal Rehabilitation Act and provides 78.7% federal grant funds, with the remaining 21.3% provided by state or "certified time" matching funds. "Certified time" match is the dollar value of personal services and operating expenses generated by contractors and used as match for the federal grant. The VR Program is not an entitlement program. Consumers are provided services within the amount of funds available and are limited by the federal grant and the amount of state General Fund and other state match that is available.

May Revision Request. The changes sought enable the DOR to spend increased federal funds to provide support for cooperative agreements for vocational rehabilitation services in colleges, high schools, and mental health programs. The expenditures in 2011-12 are projected to increase by $2 million from the 2011-12 Governor's Budget. The increase will be funded with available federal funds with the state match ("certified time") provided by the local partner agencies.

The table below indicates the funding change for 2011-12 and from what totals these numbers relate for the VR Program.

May Revision 2011	May Revision	November Estimate	Change
	FY 11-12	FY 11-12	FY 11-12
TOTAL	$180,902	$178,902	$2,000
FEDERAL	144,604	142,384	2,220
GENERAL FUND	28,398	28,398	0
OTHER	7,900	8,120	(220)

Staff Comment and Recommendation:

No issues have been raised with the changes for the DOR, and so staff will recommend approval of the May Revise changes associated with the changes as outlined. Technical changes to Budget Bill include the following: Item 5160-001-0890 be increased by $2,220,000, Reimbursements be decreased by $220,000, and that Item 5160-001-0001 be amended to reflect this change.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 1: POSTAGE FUNDS TRANSFER

Background. The Child Support Program distributes numerous forms, notices, and statements to custodial and non-custodial parents, employers, other governmental entities and fiscal institutions. These documents are necessary to comply with federal and state child support requirements, inform parents of their child support rights and obligations, and provide support to parents participating in the child support program.

May Revision Request. The Department of Child Support Services (DCSS) is requesting to permanently transfer $9 million ($3.06 million GF) from Items 5175-002-0001 and 5175-002-0890 to Items 5175-001-0001 and 5175-001-0890 to provide sufficient funding in the correct budget items to pay for the postage associated with child support forms and notices. The need for the transfer of funds in this budget-neutral request is necessitated by a change in practice at the Department of General Services (DGS) Office of State Publishing (OSP), described below.

DCSS currently has a five-year contract with DGS OSP to provide for printing and mailing services. The contract amounts to $18.5 million ($6.29 million GF) per year through June 30, 2011. Of this amount, $9 million ($3.06 million GF) is allotted for postage associated with child support forms and notices. The funds are currently budgeted in an item through which postage is not directly paid, as current practice is to reimburse after the expenses are incurred. DGS has advised departments that effective in the 2011-12 budget year, absent a timely state budget, DGS OSP no longer has the authority or funding to pay for postage for clients' mass mailing projects, including the DCSS postage. Therefore, the movement of funds between budget items is necessary to allow OSP to effectuate the mailing under the new conditions.

Staff Comment: No issues have been raised with this request, and so staff will recommend approval of the May Revise changes associated with the changes as outlined. Technical changes to Budget Bill include the following: It is requested that Schedule (1) of Item 5175-001-0001 be increased by $3,060,000, Item 5175-001-0890 be increased by $5,940,000, and Schedule (3) of Item 5175-001-0001 be amended to reflect this change. Additionally, it is requested that Schedule (1) of Item 5175-002-0001 be decreased by $3,060,000, Item 5175-002-0890 be decreased by $5,940,000, and Schedule (2) of Item 5175-002-0001 be amended to reflect this change. This technical adjustment is necessary to implement the Department of Child Support Services' new methodology for paying mailing costs from its revolving fund.

DISCUSSION ITEMS

0530 HEALTH AND HUMAN SERVICES AGENCY

ISSUE 1: ELIMINATION OF HEALTH CARE QUALITY IMPROVEMENT AND COST CONTAINMENT COMMISSION

Background. The California Health Care Quality Improvement and Cost Containment Commission (HCQICCC) was created by AB 1528 (Chapter 672, Statutes 2003) to research and recommend strategies for promoting quality health care. The 27 member commission was to include members knowledgeable about health care with appointment authority shared between the Office of the Governor (17 appointments), and the Senate and Assembly, each having four appointments. The commission was to issue a report to the Legislature and the Governor, on or before January 1, 2005, making recommendations for health care cost containment.

May Revision Request. The administration is proposing elimination of this Commission, stating that with the passage of federal health care reform, this advisory board is no longer needed. Federal health care reform implementation includes quality and cost assessments related to health care and in California some of these evaluations will be provided by the newly created Health Benefit Exchange.

Further, the Commission has never convened, thus, the administration contends that the statutory framework creating the entity should be deleted.

Staff Comment and Recommendation:

No issues have been raised with this proposal, and therefore staff will recommend approval of trailer bill language to eliminate this Commission in statute.

4200 DEPARTMENT OF ALCOHOL AND DRUG ABUSE PROGRAMS

ISSUE 1: DEPARTMENT REORGANIZATION PROPOSAL

Background. The Department of Alcohol and Drug Programs (ADP) states that its mission is to provide leadership, policy, coordination, and investments in the planning, development, implementation, and evaluation of a comprehensive statewide system of alcohol and other drug prevention, treatment, and recovery services, as well as problem gambling prevention and treatment services. As the state's alcohol and drug authority, ADP is responsible for inviting the collaboration of other departments, local public and private agencies, providers, advocacy groups, and individuals in establishing standards for the statewide service delivery system.

May Revision Request. The administration has proposed the following pertaining to reorganization of functions currently residing in the Department of Alcohol and Drug Programs (ADP).

1. Realignment of all Drug Medi-Cal (DMC) services from the state to the counties in 2011-12 as follows, with movement of all Medi-Cal program state responsibilities to the Department of Health Care Services. [Additional background on the programs listed below can be found in the Sub. 1 agenda for January 26, 2011, which discussed the Realignment proposal embedded as part of the Governor's January 10 Budget.]

Non Drug Medi-Cal (DMC) Regular	$5.2 m
Non Drug Medi-Cal Perinatal	20.5 m
Drug Court Partnership Act	6.8 m
Comprehensive Drug Court Implementation Act	15.7 m
Dependency Drug Court Program	4.3 m
Drug Medi-Cal Program	131.1 m
Total Realignment	**$183.6 m**

- DMC functions and related positions will be transferred from ADP to the DHCS no later than June 30, 2012. The administration's stated goal is to minimize the impact on service delivery and funding. Medi-Cal mental health functions and positions will likewise transfer under the administration's proposal to DHCS no later than June 30, 2012.

- ADP will retain all other alcohol and drug program functions at least until June 30, 2012, including functioning as the single state agency for the SAPT Block Grant, licensing and certification of alcohol and drug (AOD) counselors and programs, data collection and management, developing standards, statewide needs assessment and planning, training and offering technical assistance, and prevention programming.

2. Elimination of ADP. In fiscal year 2011-12, the administration will be looking at ways that state level functions may work more efficiently. That will include eliminating ADP and DMH as free standing departments and determining the best placement of AOD and MH activities and programs. Under this proposal, options will be considered in fall 2011 for inclusion in the fiscal year 2012-13 budget and may include a single consolidated department or placement of functions in other departments.

    - The administration states that, in the coming year, it will solicit input from community partners. A process for when and how this will happen will be developed.

    - There will be a one time reduction to the Department of Corrections and Rehabilitation (CDCR) of $150 million. This includes $11.2 million reduction for parolee services network (PSN) services at the county level.

    - The Mental Health Services Fund (Prop 63) funding shift will delete funding for ADP 's co-occurring unit, eliminating two staff positions.

3. Additional changes.

    - The ADP training conference has been postponed to FY 2012-13. It will not be held June 2012 as planned.

    - The governor has proposed a 25 percent reduction in state operations, which will include employee positions for all realigned programs.

Budget Bill Language. The administration is also proposing Budget Bill Language (BBL) to provide DHCS with the necessary flexibility to implement the reorganization proposals. These are as follows:

Add Provision 7 to Item 4260-001-0001

Provision 7. Notwithstanding any other provision of law, the Department of Finance may authorize the transfer of staff and related expenditure authority between the various appropriations itemized under departments 4200, 4280, 4440, 4260-001-0001, and
4260-001-0890 as a result of the shift of responsibilities from the Department of Alcohol and Drug Programs, the Managed Risk Medical Insurance Board, and the Department of Mental Health to the Department of Health Care Services' Medi-Cal Program. Department of Finance shall notify the Legislature within 10 days of authorizing such a transfer. The 10-day notification shall include the reasons for the transfer, the assumptions used in calculating the transfer amount, and any potential fiscal effects on the program from which resources are being transferred.

Add Provision 14 to Item 4260-101-0001

Provision 14. Notwithstanding any other provision of law, the Department of Finance may authorize the transfer of expenditure authority between the various appropriations itemized under departments 4200, 4280, 4440, 4260-101-0001, and 4260-101-0890 as a result of the shift of responsibilities from the Department of Alcohol and Drug Programs, the Managed Risk Medical Insurance Board, and the

Department of Mental Health to the Department of Health Care Services' Medi-Cal Program. The Department of Finance shall notify the Legislature within 10 days of authorizing such a transfer unless prior notification of the transfer has been included in the Medi-Cal estimates submitted pursuant to Section 14100.5 of the Welfare and Institutions Code. The 10-day notification shall include the reasons for the transfer, the fiscal assumptions used in calculating the transfer amount, and any potential fiscal effects on the program from which funds are being transferred.

PANEL

- ADP – Please describe the reorganization proposal and respond to the following:
  - What are the risks and benefits of the proposal?
  - What reaction has been registered by the advocates? What considerations and conditions have they raised?
  - What are the impacts for clients of this proposal? How will focus on AOD issues be retained under this scheme?

- Department of Finance

- Legislative Analyst's Office

- Public Comment

Staff Comment and Recommendation:

The myriad of issues, questions, and complications associated with this proposal make acting on it in the context of May Revision very difficult. Therefore, staff is recommending referral of this proposal to the policy process for consideration. Staff also recommends rejection of the administration's attendant BBL associated with the reorganization request.

5160 DEPARTMENT OF REHABILITATION

ISSUE 1: ELIMINATE REHABILITATION APPEALS BOARD

Background. By law, the Rehabilitation Appeals Board (RAB) consists of seven members appointed by the Governor, although at present one seat is vacant. Members serve a term of four years and are subject to Senate confirmation. The RAB hears appeals by applicants for DOR services who wish to contest a denial of eligibility and by existing DOR consumers who are not satisfied with the services being provided to them. The DOR provides vocational rehabilitation services to approximately 115,000 Californians with disabilities annually. In federal fiscal year 2010, over 10,700 consumers achieved employment outcomes. During that same period of time, 39 requests for appeal were resolved.

May Revision Request. The administration proposed to eliminate the RAB and change the mechanism used to handle appeals filed by Department of Rehabilitation (DOR) applicants/consumers who are dissatisfied with decisions made regarding their eligibility for services or the type of services they receive. At present, such appeals are heard by the Rehabilitation Appeals Board (RAB), and this proposal would instead have appeals heard by impartial hearing officers (IHO).

The administration contends that the present RAB appeals process complies with federal law but it has several significant drawbacks. Hearings cannot always be scheduled within the statutory time frames. The administration states that Impartial Hearing Officers (IHOs) with substantive legal and evidentiary expertise will have greater ease in sorting through complex legal questions currently addressed by the RAB. Additionally, IHOs have expertise in crafting decisions with ample documentation of legal justification. Additionally, the administration argues that protracted legal procedures, extensive travel to meet quorum requirements, and extended appeals timelines, etc. have increased operating costs for the RAB which has caused the RAB to consistently exceed its budget. This required DOR to divert funds that could have been used for consumer services to cover the operating losses of the RAB.

It is estimated that contracting with IHO will cost approximately $80,000 and DOR would continue to incur staffing costs of another $95,000 for one staff position to coordinate referral of cases to the IHO. Total costs for this proposal would be $175,000 per year. By contrast, in 2010-11 the budget for RAB was $205,000, but actual expenditures over the last five years averaged $308,000. The administration states that this proposal will save the DOR approximately $130,000 a year, and allow reinvestment in services.

Staff Comment and Recommendation:

Due to the many questions raised by the proposal regarding consumer appeal rights, proper adjudication of issues, and the appropriateness of the change to the IHO model, staff recommends referral of this proposal to the policy process.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 1: MAY REVISION ESTIMATE

The May Revision updates the Department of Child Support Services (DCSS) local assistance budget and provides the estimates of the administrative costs for the local child support agencies.

Administrative Costs. The total administrative costs for local assistance are estimated to be $906.3 million ($277.7 million GF) for 2010-11 and $866.6 million ($270.8 million GF) for 2011-12.

Collections and Revenues. The total distributed child support collections and revenues are projected to be $2.3 billion ($217.7 million GF) for 2010-11 and $2.3 ($256.3 million GF) for 2011-12. This reflects an increase of $77.4 million ($5.5 million GF) for 2010-11 and an increase of $117.7 million ($9.6 million GF) for 2011-12.

California Child Support Automation System (CCSAS). Federal law mandates that each state create a single statewide child support automation system that meets federal certification. There are two components of the statewide system. The first is the Child Support Enforcement (CSE) system and the second is the State Disbursement Unit (SDU). The CSE contains tools to manage the accounts of child support recipients and to locate and intercept assets from non-custodial parents who are delinquent in their child support payments. The SDU provides services to collect child support payments from non-custodial parents and to disburse these payments to custodial parents. DCSS achieved full implementation of the CCSAS in November 2008, but the system, in the Maintenance & Operations phase now, undergoes continuing changes with contract updates.

A portion of the estimates change for DCSS as proposed in May Revision includes decreases associated with the CCSAS project, producing $5.24 million in GF savings to "reflect newly negotiated CCSAS contract costs."

PANEL

- DCSS – Please be prepared to address the following:

  Describe the CCSAS changes that contributed to the contract changes and resulting decrease. How does this follow or depart from the planning documents heretofore?

  Briefly describe the change in Federal Performance Basic Incentive Funds contributing to the slight increase in dollars here.

- Department of Finance
- Legislative Analyst Office
- Public Comment

Staff Comment and Recommendation:

No issues have yet been raised with the DCSS May Revision estimate, however the Subcommittee may ask the department to follow up and provide more detail in writing on the contract changes in CCSAS that resulted in the decrease, as well as an overall assessment of CCSAS operation and issues for which the Legislature should be made aware.

Beyond this additional information request, staff recommends approval of the May Revision requests, which include the following technical changes: It is requested that Schedule (1)(a) of Item 5175-101-0001 be decreased by $175,000 and Schedule (1)(b) of Item 5175-101-0001 be decreased by $5,248,000. Additionally, it is requested that Item 5175-101-0890 be decreased by $9,995,000 and Schedule (2) of Item 5175-101-0001 be amended to reflect this change. The requested adjustments include the following: (1) a $175,000 General Fund decrease and an offsetting $175,000 Federal Trust fund increase, to display a projected increase in Federal Performance Basic Incentive Funds and (2) a $15,418,000 decrease ($5,248,000 General Fund and $10,170,000 Federal Trust Fund) to reflect newly negotiated California Child Support Automation System contract costs.