AGENDA
SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER PATTY BERG, CHAIR

MONDAY, MARCH 24, 2008
STATE CAPITOL, ROOM 127
4:00 P.M.

0530 HEALTH AND HUMAN SERVICES AGENCY
OFFICE OF SYSTEMS INTEGRATION
5180 DEPARTMENT OF SOCIAL SERVICES

TOPIC OVERVIEW

The budget appropriates funds for the state and federal share of the costs incurred by the counties for administering the following programs: Food Stamps, California Food Assistance Program, Foster Care, and Refugee Cash Assistance. In addition, the budget provides funds for the ongoing maintenance and development of county Welfare Automation Systems.

For 2008–09, the budget proposes an appropriation of $429 million from the General Fund for county administration and automation systems. This represents a reduction of $20.8 million, primarily attributable to proposed budget balancing reductions which (1) cancel the Interim Statewide Automated Welfare System (ISAWS) Migration Project and (2) reduce Food Stamps administrative funding by 10 percent.

ISSUE 1: CHILD WELFARE SERVICES / CASE MANAGEMENT SYSTEM

The Governor's budget proposes to spend $247 million ($112 million General Fund) over the next seven years to continue with the development of a new Child Welfare computer system (referred to as the New System). The CWS/CMS is a statewide computer system deployed in all 58 counties to support the administration of CWS. From 1992 until 1995, state and county staff participated with the vendor to develop system requirements and design. Statewide system implementation began in 1995, and by 1997 the CWS/CMS was in use in all 58 counties.

In 1993, the federal government offered "incentive funding" to states that would develop a Statewide Automated Child Welfare Information System (SACWIS) that met federal requirements. These systems would receive 75 percent federal funding for the first three years of system development and 50 percent thereafter. California received the 75 percent funding through 1997 when it implemented CWS/CMS and has received 50 percent federal funding since that time.

In 1999, a federal review raised concerns about the extent to which CWS/CMS complied with the requirements of SACWIS. In 2003, the federal government notified the state that CWS/CMS did not meet all SACWIS functional requirements. The missing functions included Adoptions case management, Foster Care eligibility, financial management, and automated interfaces to the Child Support and Human Services Systems. In 2004, the state submitted a plan (referred to as the Go Forward Plan) to the Department of Finance (DOF) and the federal government for achieving SACWIS compliance and for meeting additional county business requirements. The counties had two business requirements beyond the SACWIS requirements: (1) a

simplified data entry process and (2) the ability to access CWS/CMS from locations other than their office (remote access). The plan proposed to conduct a study to determine the technical viability of the current system to provide the additional functionality and a technical analysis of alternatives. The federal government approved the plan and the State has moved forward with the New System.

- ❖ **Maintenance and Operation Budget Request.** OSI is requesting a decrease of $1.9 million for the prime vendor and technical maintenance. DSS is requesting an increase of $1.6 million for data center services. The total project has a net reduction of $301,000 General Fund (GF) share is $166,000) for FY 08-09.

- ❖ **New System Project (NSP) Budget Request.** OSI is requesting five new positions and the conversion of the five existing limited term positions to permanent for the NSP. OSI is requesting an increase of $1.3 million in FY 08-09. The total increase for DSS Local Assistance is $2.5 million. The GF share of this increase is $1.1 million.

- ❖ **Budget Request.** DSS requests two-year limited-term positions to support activities associated with the planning, vendor selection, detailed system design, implementation, and transition to the new CWS/CMS.

LAO ALTERNATIVE TO NEW SYSTEM

The LAO recommends canceling the Child Welfare New System Project and updating the current system. The LAO asserts that this could result in reduced time, cost, and risk.

From the LAO Analysis. When replacement systems are built, the data from the old system must be moved to the new system. This is referred to as "data conversion." In order to convert data, programmers must write software programs to locate and move the data from the old database to the new database. Data conversion efforts can be complex, time–consuming, expensive, and high risk. The high risk is attributable to the possibility that data can be accidentally altered or even lost during the conversion process. Both the alternatives considered by the TAAA require this costly and risky data conversion process. In order to avoid these cost and risk factors, many companies are choosing to retain their legacy database and modernize their systems by adding a software layer that allows the system to be accessed from the web. This software layer is referred to as an "enterprise service bus." Adding an enterprise service bus enables application changes that can provide remote access and simplify data entry.

The CWS/CMS is built on software products currently under vendor support. That is, the vendors continue to maintain, upgrade, and market the software. Therefore, there is no reason to abandon CWS/CMS if it can play a role in meeting the additional SACWIS and county requirements. County requirements not met by the current system can be accommodated by making the system more modular and accessible from the web. This

can be accomplished by adding an enterprise service bus as described above. This approach is increasingly being used by organizations to leverage their existing databases in order to minimize both the risk of data conversion and the cost of building a new system. Thus, the LAO alternative is to (1) update the current system and (2) add the missing SACWIS components. This will meet the federal and county business requirements.

The CWS/CMS has been in use for more than ten years. There is $10 million in the baseline budget to keep the system current for changes in regulations and legislation. During the first five years that CWS/CMS was in operation, this baseline amount was being spent, most of it to adjust the system for changing business processes as social workers transitioned from a manual operation to an automated one. Over the past five years, approximately one–third has been spent of the $50 million budgeted. This reduced spending pattern is typical for new systems as they stabilize and attain user acceptance. The current vendor contract is effective through 2013 and allows up to $10 million annually for system changes. LAO estimates that $8 million could be made available each year from the existing baseline budget to update the system to make it accessible from the web and to add the missing SACWIS components. The remaining $2 million would be available to incorporate any regulatory and legislative changes.

Over the past two years the state has spent $7 million for New System project planning. In November 2007, the administration estimated that it would take seven more years to procure a vendor and complete the system at a cost of $247 million. During the final three years of New System development, after the contract has been awarded, there will be a reduction in federal funding for the current system.

PANELISTS

- Office of Systems Integration

- Department of Social Services

- Department of Finance

- Legislative Analysts Office

QUESTIONS

o   LAO, please discuss your alternative. OSI, please describe the issues with the alternative and outstanding questions in brief that would or would not make this a viable option for CWS/CMS.

o   How did the administration assess the updating of the current system at the outset of this project?

o   DSS, what indications from the New System project guided you to request the two additional support positions for the project? Why can't these activities be supported internally with existing resources?

Staff Recommendation:

These items are being heard on an informational basis at this time pending further review.

ISSUE 2: STATEWIDE AUTOMATED WELFARE SYSTEM

OVERVIEW

Since the 1970s, the state has made various efforts to develop a single, statewide automated welfare system. Each county uses one of four automated systems to administer California's human services programs. In the 1990s, the state was working with certain counties to develop an automation system which came to be known as ISAWS. At the same time, Los Angles County was pursuing its own system called the Los Angeles Eligibility Automated Determination, Evaluation, and Reporting System (LEADER). Meanwhile other counties came together to pursue their own automated systems. Each group was attempting to demonstrate that its system could be the one statewide system.

There was active discussion about this in the 1995 budget hearings and the Legislature ultimately decided that one statewide system was not feasible. The *1995 Budget Act* instructed the Health and Welfare Data Center (which is now called the Office of System Integration [OSI]) to collaborate with the County Welfare Directors' Association (CWDA) on a consortia strategy for statewide welfare automation. Specifically, the Legislature required that there be "…no more than four county consortia, including ISAWS and LEADER." During the fall of 1995, OSI worked with CWDA and the counties to develop an agreement on the consortia systems and their member counties. They decided there would be two more consortia in addition to ISAWS and LEADER. An existing system, which included Bay Area counties, would be renamed CalWIN and the Merced County system would be renamed Consortium IV (C–IV). The remaining, unaligned counties selected the consortium they each wanted to join and the four county consortia were formed. The following table displays the relative size of each consortium.

California Welfare Automation Consortia			
		2007 Estimated Caseload[a]	
Consortium	Number of Counties	Cases	Percentage
CalWIN Counties	18	363,532	36%
C-IV Counties	4	146,774	14
ISAWS Counties	35	166,097	16
LEADER (Los Angeles)	1	346,958	34
Totals	**58**	**1,023,361**	**100%**

The LAO asserts that the technology used to develop large automated systems has evolved rapidly over the past 20 years. Several evolutionary cycles have greatly changed the way these systems function. Systems of the size and complexity of the consortia take years to complete and cannot be redesigned midstream in order to take advantage of evolving technology. Therefore, the technology employed to develop each consortia system reflects the time period during which the system was designed. The older systems do not have the ease of function and support commonly available with more current technology.

ISAWS MIGRATION

The ISAWS was designed in the late 1980s and uses hardware and software that is nearing the end of vendor support. The programmers needed to support the software are not readily available because the programming language is not commonly used today. Therefore, programmers must be trained specifically for this purpose. In addition, the software must reside on hardware that is available from only one vendor and so it cannot be competitively replaced. The state enters into "sole source" contracts for this ISAWS support.

With respect to the 35 ISAWS counties, the Legislature concluded that it was more efficient to consolidate ISAWS counties into the existing C–IV system, rather than procure a new system. This consolidation, approved by the Legislature in 2006, is known as the ISAWS Migration Project and has an estimated cost of $245 million over four years. In light of California's budget deficit, the administration proposed in a January BBR to cancel the ISAWS Migration Project. The administration has stated that it plans to resume this project when it can be accommodated within the state budget.

In the Special Session, the Legislature chose to delay the implementation of ISAWS by one month, leaving the issue open for continued discussion in the spring budget process, rather than eliminate the project and forego the benefit of prior progress and investment.

❖ **Current Year Adjustment.** OSI proposes a decrease to DSS Local Assistance of $853,000 in the current year.

❖ **Budget Request.** OSI proposes an increase in FY 08-09 of $59.8 million ($27.2 million GF share) with a reduction to OSI spending authority for FY 08-09 of $252,000.

C-IV

As use of the Internet increased, vendors began to develop applications that could be accessed over the web, referred to as "web enabled." Web enabled applications do not require special software on a PC to access the application like client/server applications. At the time C–IV was being formulated, vendors also changed the way they develop large systems. Now a series of smaller applications are developed and each performs a discreet function or "service." This is referred to as "service–oriented architecture" and it allows for system changes to be accomplished more quickly. The C–IV system takes advantage of these more current technologies. This makes it easier to maintain and less expensive to adapt the C–IV system to process and regulatory changes.

> ❖ **Budget Request.** OSI proposes an increase of $973,000 ($655,000 GF share) in FY 08-09 for ongoing Maintenance and Operations services for the current C-IV system and to conduct a competitive procurement for additional M&O services after the ISAWS Migration implementation effort.

LEADER REPLACEMENT

The Los Angeles County LEADER system uses the same technology as the ISAWS system. Over the years, Los Angeles County has entered into a number of sole source contracts to maintain and update its system.

As LEADER was approaching the end of its useful life, the initial (2005) procurement strategy was for Los Angeles to receive a replacement system based on either C–IV or CalWIN. In 2007 the county and the administration changed this approach to open the procurement to all viable vendor proposals. The Legislature approved this change, thus allowing Los Angeles to procure a new system.

> ❖ **Current Year Adjustment and Budget Request.** OSI proposes a decrease of $11,460 in the current year and a decrease of $597,360 ($228,000 GF share) in FY 08-09 as a result of a 13-month extension to the planning phase of the project.

| WELFARE CLIENT DATA
| SYSTEM OR CALWIN |

The WCDS Consortium CalWORKs Information Network (CalWIN) system is managed by the 18 consortium counties.

The technology used to develop CalWIN is referred to as client/server. With this technology, the data is stored in a database on a large mainframe. This data interacts with an application on the desktop personal computer (PC). For client/server systems, as the amount of software on the PC grows, the PC must also grow. Therefore, the PC's capacity must be increased periodically via an upgrade or replacement. This drives up the cost of maintaining client/server systems.

❖ **Budget Request.** OSI proposes a decrease of $6.4 million (GF share is $2 million) in FY 08-09 and reflects updates to the December 2006 advance planning document, approved May 2007.

| LAO ASSESSMENT |

From the LAO Analysis. California has four disparate welfare automation systems. The LAO views the proposed cancellation of the ISAWS migration to C–IV as a temporary delay on a path toward potentially three systems. Each of these systems processes caseloads using different business processes, even though they each adhere to the same laws and program regulations. In addition, the consortia systems don't talk to each other; meaning they do not share data, and caseload information cannot be transferred among consortia systems. These soloed business operations have further divided county human services operations across the state.

The *1995–96 Budget Act* stated that there would be "no more than four consortia." With the decision to move ISAWS to C–IV, the Legislature previously expressed a preference for reducing the number to three: C–IV, CalWIN, and Los Angeles. Reducing the number of consortia reduces maintenance costs that are incurred because there are fewer systems that must be modified for regulatory and legislative changes. In addition, there are other administrative savings. Currently, when a client moves to another county with a different system, client information must be recreated. This increases workload and the opportunity for fraud. Having fewer systems reduces the frequency of this occurrence. While it is difficult to quantify total savings, reducing the number of consortia will result in ongoing annual savings for system changes that are currently costing between $10 million and $20 million per system.

LAO Recommendation.   To reduce costs and increase efficiency, the LAO recommends enactment of legislation establishing a goal of standardizing the state's human services programs on no more than two automated systems. In addition, the LAO urges increasing legislative oversight of information technology consortia contracts that support these systems.

PANELISTS

- Office of Systems Integration
- Department of Social Services
- Department of Finance
- Legislative Analysts Office

QUESTIONS

o LAO, please discuss your recommendations in this area.

o What has been the administration's reaction to the special session action on ISAWS migration?

o OSI and DSS, please describe what alternatives might be available in the absence of a decision to eliminate ISAWS as was originally proposed in the BBR. What costs or savings might these options portend?

Staff Recommendation:

This item is being heard on an informational basis at this time pending further review.

ISSUE 3: CMIPS II

The In-Home Support Services (IHSS)/Personal Care Services Program (PCSP) was established in 1973 and is administered at the county level by county welfare departments and at the State level by DSS Adult Programs Division (APD). California considers IHSS/PCSP service recipients to be the "employers" of their service providers for purposes of managing, hiring, firing, and training. As a result, legislation in 1978 mandated DSS to develop and maintain a payroll system to relieve IHSS/PCSP recipients of their payrolling responsibility as the employer of record. DSS contracted with Electronic Data Systems (EDS) for the development, implementation, and operation of the Case Management, Information, and Payrolling System (CMIPS). EDS has held the contract to operate and maintain the system since its development.

The purpose of the CMIPS II Project is to award and administer a contract to build, operate, and maintain a replacement system for the more than 20-year-old legacy CMIPS. The Project has two phases – planning and implementation. In the planning phase, the Project Office conducts the competitive procurement and awards a contract to the winning bidder.   The projected CMIPS II Contract work start date, and consequently Implementation phase start up, was extended nine months from July 1, 2007 to April 1, 2008 to enable the State to competitively procure consultant services to perform an independent cost evaluation, support the independent contractor in completing the cost assessment, and conduct contract negotiations and update Project planning and budget documents.

  ❖ **Current Year Adjustment.** OSI requests a decrease of $7.7 million in spending authority in the current year. This decrease and the associated decrease of $136,000 for DSS are the result of a delayed start of state staff and the reduction of related OE&E. Also, contract negotiations resulted in a net decrease for software purchase and customization.

  ❖ **Budget Request.** In FY 2008-09, OSI requests an increase of 14 positions and $86,859,000 in spending authority and $2,763,000 for DSS for county costs (combined GF share of $48 million) is requested due to implementation activities which include software purchases, customization, and interface costs.

  ❖ **Budget Request.** DSS requests permanent status of four limited-term positions and ten additional new three-year limited-term positions to be assigned to support DSS CMIPS II activities, which include design, development, and implementation efforts.

PANELISTS

- Office of Systems Integration
- Department of Social Services
- Department of Finance
- Legislative Analysts Office

QUESTIONS

o What is the status of approval from Federal control agencies?

o How does the April 1, 2008 implementation phase date look at this point?

o Will the CMIPS II contract address all of the business problems as outlined in the SPI (Supplementary Premise Information)?

o Did we fully anticipate the budget year costs as a natural need in the Phase II implementation process? Are the costs above or below the administration's forecasted estimates?

o Can DSS please provide a justification for the 14 positions requested in the BCP and how their programmatic workload relates to the CMIPS II implementation demands?

Staff Recommendation:

This item is being heard on an informational basis at this time pending further review.

ISSUE 4: ELECTRONIC BENEFITS TRANSFER

Electronic Benefits Transfer (EBT) is the automated delivery, redemption, and reconciliation of the Food Stamp Program and cash program benefits. It provides program recipients electronic access to food stamp and cash benefits through the use of EBT cards at point-of-sale devices and automated teller machines. The current contract expires on August 8, 2010 and OSI released an RFP for new EBT services in May 2007. The new contract will be for seven years, with three optional one-year extensions that can be exercised by the state.

❖ **Budget Request.** OSI requests an increase in spending authority of $2 million and a corresponding Local Assistance increase of $4.7 million ($1.8 million GF share) for FY 08-09. OSI states that these additional resources are needed to continue implementation activities that begin in May 2008 and that these additional resources are consistent with the EBT Reprocurement November 2007 Implementation Advanced Planning Document.

❖ **Budget Request.** DSS requests the extension of two existing limited-term positions for two years to coincide with the conclusion of planned M&O activities under the existing EBT system and transition activities for the new EBT system.

PANELISTS

- Office of Systems Integration
- Department of Social Services
- Department of Finance
- Legislative Analysts Office

QUESTIONS

o What is the schedule for ACS to begin implementation of new EBT services and how will this work with the phase-out of the current contract?

o What improvements in services for clients will be gained a result of this reprocurement and implementation?

o DSS, please discuss the activities for the two proposed extended positions related to CMIPS II transition and implementation.

Staff Recommendation:

This item is being heard on an informational basis at this time pending further review.