

**AGENDA
SUBCOMMITTEE No. 1
ON HEALTH AND HUMAN SERVICES**

ASSEMBLYMEMBER JERRY HILL, CHAIR

**WEDNESDAY, MAY 13, 2009
STATE CAPITOL, ROOM 444
1:30 P.M.**

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ITEMS TO BE HEARD**4170 CALIFORNIA DEPARTMENT OF AGING**

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PROPOSED CONSENT

4170 DEPARTMENT OF AGING

ISSUE 1: IMPROVING ACCESS TO MENTAL HEALTH SERVICES - BCP

The California Department of Aging (CDA) requests ongoing budget authority through this Budget Change Proposal (BCP) to reclassify the existing Mental Health Services Act (MHSA)-funded Geriatric Mental Health Specialist position from an Aging Program Analyst II (APAI) to a Staff Services Manager I (Specialist). The position will provide ongoing programmatic expertise on the mental health issues of the population which CDA services through external outreach, system coordination and collaboration, stakeholder education, planning and policy development. In addition, CDA requests ongoing budget authority for 1.0 APA II position to support MHSA implementation locally by developing the internal capacity of CDA's program staff to support Area Agencies on Aging (AAA) in their efforts to address the mental health needs of older adults and adults with disabilities.

Staff Recommendation:

No issues have been raised with this BCP, which was included in the 2009-10 Budget without prejudice. Staff recommends approval of the BCP.

<p>ISSUE 2: PROVISION OF FEDERAL FUND FISCAL YEAR ACCOMMODATION – BCP AND SFL</p>
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The intent of this request is to revise Item 4170-101-0890 Provision 2 of the annual Budget Act, which currently applies to Title III and Title VII grants, to extend to all ongoing, legislatively approved California Department of Aging (CDA) federal fund sources including HICAP. This would enable CDA to more effectively deliver federal funding to local agencies and thereby benefit California's senior population. Differences between the federal grant calendar and the state budget cycle have not allowed CDA and local agencies to expend the total of the grants within initial fiscal years. The proposed provisional language will remedy that situation. This request will result in no additional costs to the state.

In addition, CDA requests, in a spring finance letter (SFL), an increase in federal fund authority of \$410,000 for fiscal year 2009-10 for unexpended resources supporting State Operations costs. No state funds are requested or will be obligated as a result. According to CDA, some of its federal grant-funded activities, including those related to HICAP, have been delayed because of the overlapping state and federal budget cycles and the recent budget standoffs. This authority is necessary to ensure that the department can carry-over unobligated federal funds to complete grant-supported activities.

The overall budget for HICAP state operations and local assistance is around \$11 million (no General Fund). A summary of the requested authority for specified federally-supported expenditures is below:

Increase to State Operations—2009/2010 Supplemental Federal SHIP Grants	
SHIP HICAP Awards	Requested Augmentation Increase
Low-Income Subsidy Supplemental Grant	\$200,000
Performance Award (07-08)	\$72,998
Performance Award (08-09)	\$62,500
Long-Term Care Award	\$73,545
Totals	\$409,043

HICAP is among the programs that CDA administers programs which serve older adults, adults with disabilities, family caregivers, and residents in long-term care facilities throughout the State. The Department contracts with a network of Area Agencies on Aging (AAAs), who directly manage a wide array of federal and state-funded services that help older adults find employment; support older and disabled individuals to live as independently as possible; promote healthy aging and community involvement; and assist family members in care-giving.

HICAP is the state's equivalent of the federal State Health Insurance Assistance Program (SHIP), a Medicare counseling and education program that offers community education, individualized health insurance counseling, informal advocacy services, and legal referrals. There are currently over 4.3 million Medicare beneficiaries in California who are potential consumers of HICAP services. Twenty-four local HICAPs rely on staff, as well as paid volunteers, to carry out these activities. CDA also has a state HICAP office.

Staff Recommendation:

The Department of Finance (DOF) and Legislative Analyst's Office (LAO) have forwarded a recommended legislative notification provision to be added to Provision 2, displayed below in italics.

For Item 4170-101-0890, Provision 2 is amended to read:

2. Notwithstanding subdivision (e) of Section 28.00, the Department of Finance, upon notification by the California Department of Aging, may authorize augmentations in this item for federal Title III, Title VII, HICAP one-time only allocations, and for unexpended 2008–09 federal grant funds. *The Department of Finance shall provide notification of the augmentation to the Joint Legislative Budget Committee within 10 working days from the date of the Department of Finance approval of the adjustment.*

Staff recommends approval of the administration's BCP and Spring Finance Letter with the additional provisional language as displayed.

ISSUE 3: ALZHEIMER'S DISEASE EVIDENCE BASED GRANT – BCP

CDA has received a grant from the federal Administration on Aging (AoA) for a three-year, \$715,000 federal grant. The grant will fund a California Alzheimer's Disease grant project to expand access to the evidence based Savvy Caregiver program, particularly targeting English speaking family caregivers from ethnic communities. The grant will also seek to identify whether this program obtains the same results when the participating family caregivers are non-Caucasians.

The proposal requests a \$250,000 increase in federal local assistance authority and a \$17,000 increase in state operations authority (to cover a portion of the salary and training expense for the grant analyst administering the grant) for Fiscal Years (FYs) 2009-10 and 2010-11. It should be noted that the CDA has already received Current Year expenditure authority to expend 2008-09 funds for this grant through the Section 28 process, and therefore no action is needed in the Current Year.

Staff Recommendation:

No issues have been raised with this BCP, which was included in the 2009-10 Budget without prejudice. Staff recommends approval of the BCP.

ISSUE 4: ALZHEIMER'S INNOVATION GRANT SERVING VIETNAMESE AND LATINOS - BCP

CDA requests state operations authority of \$17,000 in Federal Funds for FY 2009-10 to continue to support a portion of the salary and travel for CDA's federal grants specialist. CDA has received a continuation of a federal Alzheimer's grant in the amount of approximately \$235,000 that targets two specific communities – on Vietnamese and one Latino. The spending authority for the local assistance portion of this grant is already authorized in CDA's budget; however, the Department requires state operations authority to administer the grant. The CDA has requested and received Current Year authority through the Section 28 process, and the proposal in the BCP requests an augmentation for 2009-10.

Staff Recommendation:

No issues have been raised with this BCP, which was included in the 2009-10 Budget without prejudice. Staff recommends approval of the BCP.

4260 DEPARTMENT OF HEALTH CARE SERVICES

ISSUE 1: MAXIMUM ALLOWABLE INGREDIENT COST

This issue was heard by the Subcommittee on April 20th, 2009, and a more detailed write-up can be found in the April 20th agenda.

Proposal:

The Administration is proposing to establish a new Maximum Allowable Ingredient Cost (MAIC) that would allow DHCS to set MAIC using either: the Average Manufacturer Price (AMP), the wholesaler acquisition cost, or to contract with a vendor to establish MAIC prices. The 2009-10 Budget Act assumes \$1 million General Fund savings for one month of implementation (\$12 million General Fund savings annually in future years). The DHCS states that the benefits are that the proposal:

- Establishes a maximum reimbursement process that has been inactive in Medi-Cal for a long period.
- Will maintain or increase savings should the payment reduction currently in place get eliminated.
- Increases the use of generic drugs, thus responding to the criticism by providers and others that Medi-Cal does not use enough generic medication.

Advocates have expressed concerns that, while they understand the need for the proposal, the Administration's original proposed trailer bill language was too vague, and they have raised various concerns about the proposal.

Staff recommendation: Approve proposal with "placeholder" trailer bill language

ISSUE 2: GENETICALLY HANDICAPPED PERSONS PROGRAM

This issue was heard by the Subcommittee on April 20th, 2009, and a more detailed write-up can be found in the April 20th agenda.

Proposal:

In order to control costs and minimize crowd-out in the Genetically Handicapped Persons Program (GHPP), the Administration has put forward this proposal. The 2009-10 Budget Act assumes savings of \$790,000 General Fund for this proposal. The proposal includes the following two policies:

- 1. Private premium assistance.** The Administration proposes to authorize DHCS to purchase private insurance for eligible individuals when it is cost-effective. Beginning August 1, 2009, GHPP would help clients, who do not qualify for Medi-Cal, Medicare or employer-sponsored insurance, enroll in commercial insurance programs. This program would pay the premium payments for an insurance policy that will reimburse a client's full range of health care services. The program also would reimburse a GHPP client for his or her COBRA payments.
- 2. Six-month waiting period.** The Administration proposes to establish incentives to retain private coverage. Proposed trailer bill language stipulates that a person cannot have had employer-sponsored coverage for at least 6 months in order to qualify for GHPP, unless they have lost coverage for specified reasons, all of which are reasons that have been no fault of the individual. Should an individual lose employer-sponsored coverage, he or she would be required to enroll in GHPP within 15 days, in order to avoid being subject to the 6-month waiting period.

Advocates have expressed concerns about certain aspects of the Administration's proposed trailer bill language.

Staff recommendation: Approve proposal with "placeholder" trailer bill language

ISSUE 3: ELECTRONIC ASSET VERIFICATION

This issue was heard by the Subcommittee on April 20th, 2009, and a more detailed write-up can be found in the April 20th agenda.

Proposal:

DHCS is requesting \$125,000 General Fund (\$250,000 Total Funds) to contract with a service vendor to provide a secure, web-based means for counties to electronically request asset information from Financial Institutions to supplement verification for Aged, Blind or Disabled individuals in order to be in compliance with related federal requirements. The proposed trailer bill language exempts DHCS from the Public Contract Code in order to expedite this process in order to meet federal timelines. DHCS also is requesting one new position (\$51,000 General Fund) associated with this proposal.

While acknowledging that this proposal implements a new federal requirement, advocates have expressed concerns with the Administration's proposed trailer bill language.

Staff recommendation: Approve proposal with "placeholder" trailer bill language

ISSUE 4: STATE OWNED HOSPITALS – OPEN HEALTH FACILITY PLANNING AREAS – RATE REDUCTION***Proposal:***

This proposal is to adopt trailer bill to clarify the intent and understanding by both the Legislature and Administration of language included in last year's trailer bill related to a rate reduction to non-contract hospitals intended to encourage hospitals to contract with the State.

Background:

Last year's Health Budget Trailer Bill, AB 1183, contained a rate reduction intended to encourage hospitals to participate in the state's Selective Provider Contracting Program (SPCP). This reduction limits Medi-Cal rates paid to non-contract hospitals to no more than the regional average SPCP contract rate (or tertiary hospital contract rate, if applicable) less 5 percent. The trailer bill included an exemption to the rate reduction for non-contract hospitals in Health Facility Planning Areas (HFPAs) with less than three general acute care hospitals.

The purpose of the exemption in areas with less than three hospitals was to exempt hospitals in areas in which there is not a competitive contracting opportunity for the California Medical Assistance Commission (CMAC), which administers the SPCP. State hospitals that are not available to the general Medi-Cal population do not provide any competitive contracting opportunity to the SPCP; therefore, they should not be included in determining whether three hospitals are potentially available within any specific HFPA. Acute care beds that are operated as part of a state veterans home, state psychiatric hospital, or a state developmental center serve only their own institutional population and are not available to the general public. These state facilities do not contract with CMAC, and, under Section 14086(b) of the Welfare and Institutions Code are excluded from participation in the SPCP, as follows:

14086. (a) The provisions of this article relating to contracts with hospitals, to be negotiated or let out to bid by the negotiator, shall apply only to hospitals and shall not apply to hospital inpatient services rendered by health maintenance organizations and other organized health systems, contracting with the department under this chapter or Chapter 8 (commencing with Section 14200).

(b) The provisions of this article shall also not apply to state hospitals or out-of-state hospitals. These hospitals shall continue to be eligible for reimbursement in accordance with the state plan adopted by the department under Section 14105.1.

Nevertheless, the DHCS has interpreted the statute to not exclude state-owned hospitals when counting the number of general acute care hospitals in an open area. Hence, the following six hospitals in three "open" HFPAs have been notified by DHCS that they are subject to the AB 1183 Medi-Cal payment reduction because of the

existence of a third facility located in the same HFPA that is a state hospital with licensed acute care beds:

HFPA 403, Petaluma

1. Sonoma Valley Hospital
2. Petaluma Valley Hospital
3. ***Sonoma Developmental Center (state hospital)***

HFPA 407, Napa

1. St. Helena Hospital
2. Queen of the Valley Hospital
3. ***Nelson M. Holderman Memorial Hospital (state hospital—Yountville Veterans Home)***

HFPA 1016, Newport Beach

1. Hoag Memorial Hospital Presbyterian
2. College Hospital Costa Mesa
3. ***Fairview Developmental Center (state hospital)***

The Administration provided last year's draft trailer bill language which was ultimately enacted in AB 1183. The DHCS also provided legislative staff with a list of non-contract hospitals that would be subject to the payment reduction. All six non-state hospitals noted above were listed as open HFPA hospitals that would be exempt from the trailer bill language payment reduction. It is clear that neither the Administration nor the Legislature contemplated or intended that restricted acute care facilities within state institutions should be included in the determination of whether at least three potential hospital contract opportunities exist within an area.

Budget Impact:

There would be no budget impact from this because both the 2008-09 and 2009-10 budgets were based on the intended interpretation of the language, which was to not count state-owned hospitals. The proposed trailer bill language simply clarifies the original intent of current statute enacted last year. The identical language is contained in AB 75 (Huffman), sponsored by the Administration.

It should also be noted that the actual rate reduction to these non-contract hospitals has been suspended by a court injunction; however, should the state ultimately prevail in the courts, this rate reduction would be implemented and it would be necessary to have this statute clarified to ensure implementation as both the Legislature and Administration originally envisioned.

Staff Recommendation: Adopt proposed trailer bill language.

4265 DEPARTMENT OF PUBLIC HEALTH

ISSUE 1: PROP 99 FUNDING FOR EMERGENCY PHYSICIANS
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Proposal:

For the past approximately ten years, the Legislature and Administration annually adopt trailer bill legislation to provide up to \$24.8 million (Cigarette and Tobacco Produce Surtax Funds—Proposition 99 Funds) for uncompensated physician emergency medical services within the California Healthcare for Indigent Persons Program (CHIP) and the Rural Health Services Program (RHS). These funds are used to reimburse physicians for uncompensated emergency medical services to persons who cannot afford to pay for such services.

This proposal would allocate \$24.8 million appropriated in the 2009-10 Budget Act of Emergency Medical Services funding from the CHIP and RHS Prop 99 funds and provides the CDPH with the authorization to allocate these funds to counties. Without this amendment, the CDPH will be unable to allocate the Emergency Medical Services funds to counties. The proposed language is identical to language which was adopted in last year's Omnibus Health Trailer bill (AB 1183, Statutes of 2008).

Staff Recommendation: Adopt proposal with trailer bill language

ISSUE 2: LEAD-RELATED CONSTRUCTION PROGRAM

This issue was heard by the Subcommittee on April 27th, 2009, and a more detailed write-up can be found in the April 27th agenda.

Proposal:

The DPH is requesting \$500,000 General Fund to support five new positions for the Lead-Related Construction Program (LRC) within the Childhood Lead Poisoning Prevention Program. This would restore half of the General Fund that was eliminated in the Budget Act of 2008. The LRC was recognized by the U.S. Environmental Protection Agency as an authorized state program in 1999, which makes California eligible to receive federal funds. The LRC is a fee supported program, however the fee revenue is deposited into the General Fund, thereby resulting in this request. California receives two different federal grants as a result of having the LRC, and will lose these funds if the LRC stops operating:

1. The LRC, within DPH, typically receives between \$300,000 and \$600,000 annually; and
2. The Department of Community Services and Development receives \$2-3 million annually.

Staff recommendation: Approve proposal

5160 DEPARTMENT OF REHABILITATION

ISSUE 1: ELECTRONIC RECORDS SYSTEM – BCP

This BCP requests an increase of \$4.4 million in Federal Fund authority in FY 2009-10 to fund the third year activities, which include system development and integration, related to the Electronic Records System (ERS) project. The ERA will replace the Department of Rehabilitation (DOR) Field Computer System and improve the accessibility, effectiveness, and efficiency of the Vocational Rehabilitation Services Program for Californians with disabilities. In FY 2008-09, the DOR received DOF approval and a pending legislative appropriation to complete the procurement and initial development activities for the new ERA and this BCP represents a continuation of that same project. Identified staffing needs will be covered by existing DOR staff and no positions or personal service funds are requested.

Staff Recommendation:

No issues have been raised with this BCP, which was included in the 2009-10 Budget without prejudice. Staff recommends approval of the BCP.

ISSUE 2: DOR/MHSA PARTNERSHIP – BCP

This BCP requests an augmentation of \$221,000 (100% MHSA Funds) and 2.0 two-year limited term AGPA positions. These positions provide the administrative support necessary for the DOR to plan and implement the provisions of the MHSA that relate to assisting persons with severe psychiatric disabilities obtain employment and necessary independent living skills. The Department of Mental Health (DMH) is in full support of funding the positions through MHSA administrative dollars.

Staff Recommendation:

No issues have been raised with this BCP, which was included in the 2009-10 Budget without prejudice. Staff recommends approval of the BCP.

ITEMS TO BE HEARD

4170 CALIFORNIA DEPARTMENT OF AGING

ISSUE 1: PROGRAM AND BUDGET REVIEW

BACKGROUND

The Department of Aging's (CDA's) mission is to promote the independence and well-being of older adults, adults with disabilities, and families to improve quality of lives by offering access to information and services, opportunities for community involvement, and support to family members providing care.

As the designated State Unit on Aging, CDA administers the Older Americans Act programs that provide a wide variety of community-based supportive services as well as congregate and home-delivered meals. It also administers the Older Californians Act including, but not limited to, the Health Insurance Counseling and Advocacy Program, the Linkages program, and the Alzheimer's Day Care Resource Center program. CDA also contracts directly with agencies that operate the Multipurpose Senior Services Program, and certifies Adult Day Health Care centers for the Medi-Cal program.

The CDA administers most of these programs through contracts with the state's 33 local Area Agencies on Aging (AAAs). At the local level, AAAs contract for, and coordinate this array of community-based services to older adults, adults with disabilities, family caregivers, and residents of long-term care facilities.

The CDA was reduced from \$217 million (\$62.2 million General Fund) in 2007-08 to \$212 million (\$49 million General Fund) in 2008-09. The proposed budget for 2009-10 prior to the federal stimulus funds is slightly modified from the current year and holds at total funds of \$212 million.

RECENT BUDGET ACTIONS

In the 2008-09 Budget, the Legislature took the following actions for CDA:

- Rejected a \$629,000 GF reduction to the following senior nutrition programs: Home-Delivered Meals (\$316,000 GF); Congregate Nutrition (\$253,000 GF), and the Brown Bag Program (\$60,000 GF). Governor vetoed the restorations.
- Rejected a \$416,000 GF reduction to the Alzheimer's Day Care Resource Center (ADCRC) Program. The ADCRC Program provides day care to persons 18 years or older with Alzheimer's disease and other related dementias who are often unable to

be served by other programs due to their advanced dementia. Governor vetoed the restoration.

- Rejected a \$5.05 million (\$2.53 million GF) reduction to the Multipurpose Senior Services Program (the \$2.53 million GF was in CDA's budget, the corresponding \$2.53 million in FF was in DHCS's budget). Governor vetoed the restorations.

The Legislature adopted the following proposed reductions:

- \$294,000 GF reduction to the Linkages Program. Governor reduced the program further by \$250,000, for a total reduction of \$544,000.
- \$125,000 GF reduction to the Long-Term Care Ombudsman Program. The Governor further reduced Program 30 GF, including the Long-Term Care Ombudsman Program and the Supportive Services Program by an additional \$5.428 million, for a total reduction of \$5.553 million. This eliminated all GF support for the programs, or a total of \$3.846 million for Ombudsman and \$1.707 million for Supportive Services. Additionally, there was an overveto for these items of \$550,000 that was ultimately restored in the February 2009 Special Session actions.
- \$99,000 GF reduction to the Area Agencies on Aging funding for administration.
- \$35,000 GF reduction to the Respite Purchase of Service Program.
- \$35,000 GF reduction to the Senior Companion Program.
- \$50,000 GF reduction to the Senior Legal Hotline. Governor reduced the program further by \$200,000, eliminating all support.
- \$1.5 million GF reduction to the Senior Community Services Employment Program (SCSEP) to reflect a \$1.5 million increase in federal funding received for the program. The Governor further reduced the program by \$1,790,000, for a total reduction of \$3,290,000. This eliminated all GF support for the Program. Additionally, there was an overveto for this item of \$1.375 million that was ultimately restored in the February 2009 Special Session actions.
- Adopted a \$791,000 (\$130,000 GF) reduction to the Senior Farmer's Market Program.
- Adopted a \$222,000 (\$76,000 GF) reduction to the administration and operating expense and equipment funding of the CDA and eliminated 2.5 positions.
- Approved \$514,000 in additional federal fund authority for the existing Health Insurance Counseling and Advocacy Program to enable the CDA to implement additional program elements added by the federal Centers for Medicare and Medicaid Services.

FEDERAL STIMULUS

The Subcommittee is in receipt of a Section 28.00 letter regarding federal stimulus funds for the CDA. Section 28 letters inform the Legislature of additional, unanticipated funds with a 30-day notice before the administration implements changes to the approved 2008-09 budget. The CDA received notification of the availability of federal funds for the Nutrition Programs (Home-Delivered and Congregate Meal Services) and for the Senior Community Employment Program. Specifically, the American Recovery and Reinvestment Act (ARRA) signed by the President on February 17, 2009 provides \$9.8 million to the Nutrition Programs and \$2 million for the Senior Community Employment Service Program. The requested \$3,847,000 represents the amount CDA believes can be distributed and spent in 2008-09. No additional state funds are required, as all match requirements will be funded by local entities. Nutrition requires a 15% match and Senior Employment requires a 10% match.

The chart below displays both the effects of the reductions taken in the 2008-09 Budget and the effects of the stimulus increases.

2008-09 GF Local Assistance Reduction Recap and Stimulus Funding

Program	07/08 GF Authority	2008/09 GF Reductions			Federal Funds Lost	2008/09 Federal Stimulus Impacts		2009/10 Federal Stimulus Impact	
		Leg	Vetoed	Total GF Reductions		08/09 Federal Stimulus Funds	GF Lost due to Fed. Stim.	09/10 Federal Stimulus Funds	GF Lost due to Fed. Stim.
Congregate Nutrition	3,939,000	0	-253,000	-253,000	0	2,305,000	0	4,281,000	0
Home Delivered Meals	4,936,000	0	-316,000	-316,000	0	1,135,000	0	2,107,000	0
Senior Community Employment	3,290,000	-1,500,000	-1,790,000	-3,290,000	0	407,000	0	1,628,000	0
Supportive Services	1,707,000	0	-1,707,000	-1,707,000	0	0	0	0	0
Ombudsman & Elder Abuse	3,846,000	-125,000	-3,721,000	-3,846,000	0	0	0	0	0
MSSP*	25,258,000	0	-2,526,000	-2,526,000	-2,526,000	3,952,000	-3,952,000	5,269,000	-5,269,000
ADHC**	0	0	0	0	0	0	0	0	0
ADCRC	4,193,000	0	-416,000	-416,000	0	0	0	0	0
Brown Bag	789,000	0	-60,000	-60,000	0	0	0	0	0
Linkages	8,264,000	-294,000	-250,000	-544,000	0	0	0	0	0
Respite	426,000	-35,000		-35,000	0	0	0	0	0
Sr. Companion	398,000	-35,000		-35,000	0	0	0	0	0
CBSP Admin.	951,000	-99,000		-99,000	0	0	0	0	0
Senior Legal Hotline	250,000	-50,000	-200,000	-250,000	0	0	0	0	0
Total	58,247,000	-2,138,000	-11,239,000	-13,377,000	-2,526,000	7,799,000	-3,952,000	13,285,000	-5,269,000

*MSSP federal funds reside in the Department of Health Care Services budget, while the General Fund is budgeted in CDA. The MSSP General Fund Local Assistance in CDA's budget is transferred to DHCS upon enactment of the Budget Act. For MSSP stimulus, the CDA General Fund amount was reduced to offset increased FMAP in DHCS budget obtained thru the ARRA.

**ADHC Local Assistance Funds do not reside in the Department of Aging's Budget.

PANELISTS

- California Department of Aging
- Department of Finance
- Legislative Analyst's Office
- Public Comment

Testimony Request and Possible Questions:

Department, please provide an overview of the reductions taken in the 2008-09 Budget and your assessment of the impact of these program changes. What have the AAAs conveyed on these service reductions? How is the department responding to the increased needs of older adults in communities?

Department, please review the federal stimulus dollars and provide an overview on how these dollars will be spent and the interaction with General Fund. Have the locals expressed any concern regarding the match requirements? Please review what these are and which specific entities will be drawing down the funds.

Department and Agency, please provide an oral update on compliance with California's Olmstead Plan.

Staff Recommendation:

No action is required on these issues and the Department's budget will be reviewed again with any new proposals that may be seen in the May Revise.

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

ISSUE 1: PROGRAM AND BUDGET REVIEW

BACKGROUND

The mission of the Department of Community Services and Development (CSD) is to administer and enhance assistance and community services programs that result in an improved quality of life for the poor.

CSD's budget for 2007-08 included a total of \$175 million (\$3 million General Fund) and for 2008-09 is \$321 million (no General Fund). The 2009-10 Budget included \$167 million, with no General Fund, for CSD prior to the inclusion of any federal stimulus dollars.

RECENT BUDGET ACTIONS

In the 2008-09 Budget, the Legislature took the following actions for CSD:

- Adopted a proposed \$300,000 GF budget balancing reduction to the Naturalization Services Program as proposed by the Administration. Governor deleted \$2,565,000 for this program, and eliminated the \$154,000 in state operations, for a complete phase-out of the program.
- Approved \$957,000 (\$19,000 GF) to provide funding for expenses associated with the Department of Community Services and Development's (CSD's) anticipated move.
- Shifted \$50,000 in federal fund authority from 2007-08 to 2008-09 to reflect delayed implementation of the Prisoner Reentry Initiative Program, a federal grant to provide services to probationers and parolees to ensure their successful reentry into society.

NATURALIZATION SERVICES PROGRAM PHASE-OUT

CSD has administered the State Naturalization Services Program (NSP) with varying levels of general fund funding since 1995. In recent years until SFY 2007/08, the State budget has included annual appropriations of \$3 million. Neither current year nor budget year includes appropriations for NSP.

CSD distributed \$2.85 million in local assistance to 23 community based organizations in a program contract beginning January 2008. Those contracts are structured as performance-based contracts, and reimburses local providers as follows:

- Outcome #1: Local providers are reimbursed \$150 per client after proof of submittal of the citizenship application.
- Outcome #2: Local providers are reimbursed \$100 per client after proof of receipt of the certificate of naturalization.

Because the U.S. Citizenship and Immigration Service (USCIS) announced that it was extending the time it takes to review and approve applications, CSD extended the program contracts through December 31, 2009.

As of April 16, 2009 the program outcomes-to-date are as follows:

Outcome	Clients Served To Date
#1: Application	7,572
#2: Certificates of Naturalization	3,123

Funds for SFY2006/07 are fully expended, and the outcomes included:

Outcome	Clients Served
#1: Application	11,880
#2: Certificates of Naturalization	4,226

FEDERAL STIMULUS

The Subcommittee is in receipt of two Section 28.00 letters regarding federal stimulus funds for the CSD, described below.

Weatherization Assistance Program (WAP). CSD requests an increase of \$18.581 million in federal expenditure authority in order to spent recently approved federal funds for the WAP. ARRA provides California with \$185.8 million in federal WAP funding. California has been awarded an initial disbursement of 10 percent (this \$18.6 million) in FY 2008-09. Specifically, \$1.5 million will be used for State Operations and \$17 million in Local Assistance. For State Operations, the federal Department of Energy (DOE) authorized the use of these funds toward the development of State Recovery Act Plan and Comprehensive Application Packages. In addition, CSD will develop the training curriculum, technical policies and standards, guiding the delivery of weatherization services and expanding venues for training to include on-line and mobile training units. At the local level, funding will be used for ramp-up training for existing weatherization staff and sub-contractors on DOE Weatherization Standards, acquisition of weatherization equipment, including, but not limited to, vehicles, diagnostic equipment, insulation blowers, and weatherization material goods.

Lead Hazard Control Program (LHCP). CSD requests an increase of \$3 million in federal expenditure authority in order to spend recently approved federal funds for the LHCP. Specifically, \$500,000 will be used for State Operations and \$2.5 million in Local Assistance. The funds were authorized as part of the ARRA and will be received in 2008-09. The funds will be used to identify and control lead-based paint hazards in eligible pre-1978 privately owned housing for rental or owner occupants. Priority will be given to low-income units occupied with children under the age of six and units that are occupied by children with identified elevated blood lead levels referred by the local Childhood Lead Poisoning Prevention Program. CSD plans to provide lead services to 250 pre-1978 low-income units contracting with four community-based organizations to deliver LHCP services in Fresno, Humboldt, Los Angeles, and San Bernardino. Under this new funding proposal, CSD will extend its lead services in Fresno County, which is the county with the highest percentage of children with lead elevated blood levels.

PANELISTS

- Department of Community Services and Development
- Department of Finance
- Legislative Analyst's Office
- Public Comment

Testimony Request and Possible Questions:

Department, please provide an overview of the reductions taken in the 2008-09 Budget and your assessment of the impact of these program changes. In particular, please provide an oral overview of the phase-out of the Naturalization Services Program.

Department, please review the federal stimulus dollars and provide an overview on how these dollars will be spent, your process in choosing providers, and any other implementation updates that the Legislature should be aware of.

Department, please provide an overview of federal Community Services Block Grant (CSBG) funds received since 2007-08 and the anticipated increase for 2009-10. Please review the possible uses of these funds and any expansion in the scope of uses with additional funds received. What are the implications of the ARRA on CSBG?

Staff Recommendation:

No action is required on these issues and the Department's budget will be reviewed again with any new proposals that may be seen in the May Revise.

5160 DEPARTMENT OF REHABILITATION

ISSUE 1: PROGRAM AND BUDGET REVIEW

BACKGROUND

The California Department of Rehabilitation (DOR) works in partnership with consumers and other stakeholders to provide services and advocacy resulting in employment, independent living and equality for individuals with disabilities.

DOR's budget for 2007-08 included a total of \$368 million (\$55.4 million General Fund) and for 2008-09 is \$393 million ((\$56.4 million General Fund). The 2009-10 Budget included \$405 million (\$58 million General Fund) for DOR.

RECENT BUDGET ACTIONS

In the 2008-09 Budget, the Legislature took the following actions for DOR:

- Authorized \$1.1 million of increased federal fund authority to support the second year procurement, system development, and system integration activities related to the Electronic Records System project to replace the existing field computer system.
- Adopted the following budget balancing reductions as proposed by the Administration for savings of \$6.8 million (\$3.22 million GF):
 - \$4.2 million (\$638,000 GF) to DOR's operating expenses and equipment budget by reducing expenditures on printing, postage, travel, training, consultant services, data center services, and equipment. As part of this action, rejected the closure of district offices in 2009-10.
 - \$728,000 GF reduction to the Supported Employment Program to reflect a ten percent rate reduction. The \$2.7 million in federal funds associated with this GF cut will be redirected to cooperative programs where the partner agencies will provide the required matching funds.
 - \$700,000 (\$150,000 GF) reduction to the Department of Rehabilitation's headquarters budget by eliminating \$4.5 positions and associated operating expenses.
- \$416,000 GF reduction (\$1.7 million GF annualized) to base program case services by shifting consumers to cooperative programs for services.

- \$350,000 GF reduction (\$700,000 GF annualized) to contract funding to service providers by shifting services to a fee-for-service basis.
- \$350,000 GF reduction (\$700,000 GF annualized) to cases services expenditures by eliminating the purchase of non-federally mandated services and reducing expenditures for other services by using comparable and no cost services. The \$4.1 million in federal funds associated with this and the previous two GF cuts will be redirected to cooperative programs where the partner agencies will provide the required matching funds.
- \$40,000 GF reduction to the Independent Living Centers by eliminating one-half a position and associated operating expenses.
- Rejected \$884,000 GF in rate reductions to Community Rehabilitation Providers, Individual Service Providers, and Contract Providers as these providers have not received rate increases in over six years.

PANELISTS

- Department of Rehabilitation
- Department of Finance
- Legislative Analyst's Office
- Public Comment

Testimony Request and Possible Questions:

Department, please provide an overview of the reductions taken in the 2008-09 Budget and your assessment of the impact of these program changes. What have providers conveyed on the effect of these reduction on service levels? What are the priority program areas being funded at DOR in 2009-10?

Department, please provide an oral update on caseload in the Supported Employment Program (SEP) and the Work Activity Program (WAP).

Staff Recommendation:

Staff recommends that the Subcommittee request updated caseload information and any program considerations given the recent reductions in SEP and WAP at May Revision. No other action is required at this time.