

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

Assemblymember Hector De La Torre, Chair

MONDAY, MAY 16, 2005, 3PM
STATE CAPITOL, ROOM 4202

CONSENT CALENDAR

ITEM	DESCRIPTION	PAGE
4170	DEPARTMENT OF AGING	3
CONSENT ISSUE 1	ADULT DAY HEALTH CENTERS BUDGET BILL LANGUAGE	3
4200	DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS	4
CONSENT ISSUE 2	DRUG MEDI-CAL ESTIMATES	4
5175	DEPARTMENT OF CHILD SUPPORT SERVICES	5
CONSENT ISSUE 3	CALIFORNIA CHILD SUPPORT AUTOMATION SYSTEM	5
CONSENT ISSUE 4	FEDERAL MATCH FOR COUNTY FUNDS	5
CONSENT ISSUE 5	CHILD SUPPORT RECOVERY FUND	6
0530	HEALTH AND HUMAN SERVICES AGENCY	7
CONSENT ISSUE 6	MAY REVISION LETTERS	7
5180	DEPARTMENT OF SOCIAL SERVICES	8
CONSENT ISSUE 7	ADOPTION ASSISTANCE TRAINING	8
CONSENT ISSUE 8	NURSING EDUCATION INITIATIVE	8
CONSENT ISSUE 9	FOOD STAMP SIMPLIFICATION	9
CONSENT ISSUE 10	CAPI ADVOCACY EFFORTS	10
CONSENT ISSUE 11	IHSS SHARE OF COST BUYOUT	10
CONSENT ISSUE 12	CASE MANAGEMENT INFORMATION AND PAYROLLING SYSTEM ENHANCEMENTS	11
CONSENT ISSUE 13	CMIPS II CONTRACT PROCUREMENT	11
CONSENT ISSUE 14	LOS ANGELES ELIGIBILITY, AUTOMATED DETERMINATION, EVALUATION, AND REPORTING (LEADER) PROJECT VENDOR RATE REDUCTION	12
CONSENT ISSUE 15	CALWIN/WCDS	12

CONSENT ISSUE 16	ELECTRONIC BENEFIT TRANSFER	13
CONSENT ISSUE 17	COMMUNITY CARE LICENSING TRIGGER LANGUAGE	13
CONSENT ISSUE 18	KINSHIP/FOSTER CARE EMERGENCY FUNDS	14

VOTE-ONLY ITEMS

ITEM	DESCRIPTION	PAGE
5180	DEPARTMENT OF SOCIAL SERVICES	15
VOTE ONLY ISSUE 1	CASELOAD ESTIMATE CHANGES	15
VOTE ONLY ISSUE 2	CALWORKS COLA TRAILER BILL LANGUAGE	16
4220	CHILD DEVELOPMENT POLICY ADVISORY COMMITTEE	16
VOTE ONLY ISSUE 3	CHILD DEVELOPMENT POLICY ADVISORY COMMITTEE	17
4700	DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT	18
VOTE ONLY ISSUE 4	NATURALIZATION SERVICES PROGRAM	18

ITEMS TO BE HEARD

ITEM	DESCRIPTION	PAGE
5180	DEPARTMENT OF SOCIAL SERVICES	19
ISSUE 1	SUBSTITUTE EMPLOYMENT REGISTRY	19
ISSUE 2	GRESHER V. ANDERSON	20
ISSUE 3	CHILD WELFARE IMPROVEMENT PROPOSALS	21
4200	DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS	23
5180	DEPARTMENT OF SOCIAL SERVICES	23
ISSUE 4	DEPENDENCY DRUG COURTS	23
5180	DEPARTMENT OF SOCIAL SERVICES	25
ISSUE 5	CALWORKS	25
0530	HEALTH AND HUMAN SERVICES AGENCY	29
4130	HEALTH AND HUMAN SERVICES AGENCY DATA CENTER	29
5180	DEPARTMENT OF SOCIAL SERVICES	29
ISSUE 6	HEALTH AND HUMAN SERVICES DATA CENTER OFFICE OF SYSTEM INTEGRATION	29

ITEMS FOR CONSENT

ITEM 4170 DEPARTMENT OF AGING

CONSENT ISSUE 1: ADULT DAY HEALTH CENTERS BUDGET BILL LANGUAGE

The Subcommittee will consider conforming to Senate Budget Bill Language (BBL) on a Spring Finance letter regarding Adult Day Health Care (ADHC) centers.

BACKGROUND:

On April 20, 2005, the Subcommittee adopted a Spring Finance Letter to add three positions to oversee a new State plan amendment regarding ADHC centers.

On May 4, 2005 the Senate also adopted the proposed Spring Finance Letter, but added the following BBL:

Of the amount available for expenditure in this item, \$267,000 for 2.0 positions for the Adult Day Health Care (ADHC) Program shall not be expended until the federal Centers for Medicare and Medicaid Services (CMS) specifies the requirements to maintain federal financial participation for the ADHC as a Medicaid program. These 2.0 positions shall not be established until the Department of Finance has approved the workload necessary to comply with requirements set forth by the CMS.

STAFF COMMENT:

The Senate action reflects recent developments in the State's discussions with the federal government about the status of future ADHC center federal funding.

CONSENT ACTION:

- Rescind Previous Action
- Conform to Senate

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

Department of Drug and Alcohol Programs(ADAP) has issued two May Revision proposals to adjust Drug Medi-Cal estimates to reflect the most recent caseload trends.

BACKGROUND:

Each year the Department uses data collected in November to estimate the Budget Year costs for caseload-driven programs that is included in the January Budget. In the May Revision, these estimates are updated to reflect more recent data and more accurately depict the expected costs for these programs.

The Department has issued two proposals:

Issue 052—Drug Medi-Cal Estimates: Reflects a higher caseload but lower cost-per-case in Drug Medi-Cal and a higher caseload and higher cost-per-case in the Perinatal Drug program for a net savings of 1.1 million General Fund.

Notification of Finance Approval of Drug Medi-Cal fund transfers: Reflects a current year transfer of Drug Medi-Cal funds to the Perinatal program to reflect actual expenditures this year.

STAFF COMMENT:

These proposals are technical in nature.

CONSENT ACTION:

Adopt May Revision Letters

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES**CONSENT ISSUE 3: CALIFORNIA CHILD SUPPORT AUTOMATION SYSTEM**

The May Revision moves some funding for the California Child Support Automation System (CCSAS) from the current year to the budget year.

BACKGROUND:

The May Revision proposes to shift some current year Department of Child Support Services (DCSS) automation costs into the budget year to reflect the current CCSAS project timeline. In the current year, two project deliverables that were scheduled to be completed in 2004-05 have been delayed until the budget year. These deliverables are: 1) the conversion of a local automation system to one of the two systems included in the implementation of Version I of CCSAS, and 2) the purchase of software and software licensing agreements for the CCSAS project. The local system conversion was delayed due to the need to complete a modification to the local child support automation system to increase the efficiency of the interface it has with other social services systems prior to conversion. The software and software licensing purchases were delayed due to the need for further evaluation of the software needed by the State and vendor for the project. (NOTE: DCSS Issue 101)

STAFF COMMENT:

According to DCSS, the delay of these deliverables will not jeopardize the project schedule as a whole, and specifically, the implementation of CCSAS Version I by September 2006.

CONSENT ACTION:

Adopt May Revision Letter

CONSENT ISSUE 4: FEDERAL MATCH FOR COUNTY FUNDS

The May Revision requests additional expenditure authority for federal child support funds to match county funding but includes BBL that requires counties to be liable for additional federal child support automation penalties if certain conditions are not met.

BACKGROUND:

The May Revision requests \$20 million in expenditure authority allowing DCSS to accept federal funds to match county funds for child support administration. A number of counties have requested to use county general funds to provide for cost of doing business increases incurred over the past two years for the Child Support Program, and to draw down a federal match on these funds. The aggregate amount of county funds that the counties have proposed to use is approximately \$10 million. Because the federal government provides a \$2 match for each dollar that state or local governments invest into the Child Support Program, the state can draw an additional \$20 million Federal Trust Fund on the proposed county investment into the program. (NOTE: DCSS Issue 102)

The May Revision proposal also proposes the following BBL:

Provisions:

X. Of the amount appropriated in this item, \$20,000,000 is for the purpose of providing a federal match to voluntary county contributions to the Child Support Program. Any county requesting an augmentation of federal funds for local assistance must enter into an agreement with the Department of Child Support Services that sets forth the amount of augmented federal funds to be received and payment terms, including a provision holding the State harmless for any additional federal penalty costs that might result from this increased spending.

STAFF COMMENT:

The BBL proposed discourages counties from using their own funding to invest in the Child Support program. Given that the State anticipates federal certification next year, the language would likely not lead to much of a county cost. However, the risk of such a cost could discourage counties from funding child support at a time when system wide change due to the new automation system may require more of an investment to facilitate successful implementation.

CONSENT ACTION:

- Reject May Revision Letter.
- Increase expenditure authority by \$20 million without the Budget Bill Language provision.

CONSENT ISSUE 5: CHILD SUPPORT RECOVERY FUND

The May Revision transfers Child Support Recovery Funds.

BACKGROUND:

Based upon most recent collection estimates, federal collections transferred to the Child Support Recover Fund will decrease by \$1,937,000 in 2004-05, creating a need for additional Federal Trust Fund expenditure authority of the same amount. Pursuant to federal guidelines, the DCSS transfers the federal portion of Child Support Assistance Collections (collections that reimburse the government for the costs of providing public assistance) into a separate account called the Child Support Recovery Fund. The DCSS must first use the federal child support collections for administrative program costs before drawing down Title IV-D funds. The DCSS annually estimates during the fall and the spring the amount of federal child support collections it will receive and adjusts its Federal Trust Fund and Recovery Fund authority accordingly. (NOTE: DCSS Issue 103)

STAFF COMMENT:

This proposal is a technical adjustment that reflects current caseload projections in Child Support Services.

CONSENT ACTION:

Adopt May Revision Letter

ITEM 0530 SECRETARY FOR HEALTH AND HUMAN SERVICES**CONSENT ISSUE 6: MAY REVISION LETTERS**

The Secretary for Health and Human Services has two computer project changes in the May Revision.

BACKGROUND:

The May Revision has two proposed changes to the Health and Human Services Agency budget for computer system projects:

1. Electronic Benefits Transfers Reprocurement (HHS Issue 005). The current contract for the Electronic Benefits Transfer (EBT) system expires in 2008. This request is for additional expenditure authority to begin a three-year reprocurement project to obtain a new EBT solution prior to contract expiration. Specifically, the expenditure authority would be used to contract for 4.0 consultants and pay for associated overhead. The consultants will develop technical requirements for a Request for Proposal and oversee implementation of a new EBT system.

2. Case Management Information and Payrolling System Reprocurement (HHS Issue 007). The Governor's Budget included \$12.9 million for the reprocurement of the Case Management Information and Payrolling System (CMIPS). However, the Design Development and Implementation (DDI) phase of the project has been delayed by approximately four months. This request is to align expenditure authority with the project schedule. This request includes an augmentation of \$222,000 in expenditure authority to contract for 9.0 consultants needed for the DDI phase. It also includes an offsetting reduction of \$461,000 of expenditure authority to reflect the project delay. The net change is a decrease in expenditure authority of \$239,000.

STAFF COMMENT:

There are no issues with the proposed changes to the two computer projects.

CONSENT ACTION:

Adopt May Revision Letters.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**CONSENT ISSUE 7: ADOPTION ASSISTANCE TRAINING**

The Subcommittee will adopt funding for adoptions assistance training.

BACKGROUND:

The Adoption Assistance Program (AAP) was established in 1982 to provide monthly cash grants to parents who adopt difficult to place children. Adoption Assistance grants are limited to the amount of the foster family home rate that the child would have received if she or he had remained in foster care. The foster family home rate ranges from \$425 to \$597 per month depending on the age of the child. Also, if the child has specialized care needs that would have been covered had the child remained in foster care, the adoptions worker can set the grant as high as the foster family home rate plus a specialized care increment. This increment can be up to \$2,097 per month. As with foster care grants, the AAP grants are not subject to state or federal income tax.

At the May 11, 2005 Subcommittee hearing, the Subcommittee heard a proposal to conduct Adoptions Assistance Training in the Budget Year. The proposal would allocate \$100,000 General Fund to provide training to county staff administering the AAP program. The intent of the training is to standardize the administration of the program, which would help control the increasing utilization of it.

The proponents of the training believe that it could result in at least \$87,000 in General Fund savings from lower grant levels and reduced utilization of the program.

STAFF COMMENT:

The Subcommittee considered this issue during the May 11, 2005 hearing.

CONSENT ACTION:

Adopt \$100,000 for the provision of Statewide Adoptions Assistance Program Training.

CONSENT ISSUE 8: NURSING EDUCATION INITIATIVE

The May Revision makes a technical adjustment to Department of Social Services (DSS) to fund the Nursing Initiative.

BACKGROUND:

One of the funding sources for the proposed "Nursing Initiative" included in the May Revision is \$5 million of Employment Training Funds (ETF) at the Employment Development Department. This ETF funding is taken from the amount currently counted as part of the State's TANF

maintenance of effort in DSS. The May Revision requests the reduction of the ETF funds and the replacement of these funds with a corresponding amount of General Fund. It also proposes corresponding Trailer Bill Language to allow this transfer to occur. (NOTE: DSS ISSUE 130)

STAFF COMMENT:

The Nursing Initiative funding will be considered as part of the Employment Development Department's budget.

CONSENT ACTION:

Adopt May Revision Proposal.

CONSENT ISSUE 9: FOOD STAMP SIMPLIFICATION

The May Revision proposes changes to the Food Stamp Simplification effort contained in the January Budget.

BACKGROUND:

The May Revision proposes a reduction of \$594,000 (\$176,000 General Funds) to the Food Stamps Simplification efforts proposed in the January Budget. These savings result from further modifications required to comply with federal eligibility determination criteria, updating cost projection methodology, and a decreased need for system reprogramming resources. (NOTE: DSS Issue 190)

STAFF COMMENT:

The proposed change is needed to implement the simplification proposal contained in the January budget. The Subcommittee heard this issue on April 20, 2005.

CONSENT ACTION:

Adopt May Revision Proposal

**CONSENT ISSUE 10: CASH ASSISTANCE PROGRAM FOR IMMIGRANTS (CAPI)
ADVOCACY EFFORTS**

The May Revision reflects an erosion of CAPI Advocacy efforts in the current year.

BACKGROUND:

The May Revision includes an increase of \$1.6 million General Fund to reflect erosion due to delayed implementation of the CAPI Advocacy program. The Governor's Budget assumed a December 1, 2004 implementation date, which has been delayed to March 2005 as a result of county staffing and workload issues, as well as delays in Supplemental Security Income eligibility decisions. (NOTE DSS 5180-111 Issue 160)

STAFF COMMENT:

The CAPI Advocacy effort was included in last year's Human Services Trailer Bill, SB 1104.

CONSENT ACTION:

Adopt May Revision Proposal.

CONSENT ISSUE 11: IHSS SHARE OF COST BUYOUT

The May Revision includes \$10,586,000 General Fund to mitigate an unintended impact of the application of Medi-Cal share of cost rules to some In-Home Supportive Services (IHSS) recipients.

BACKGROUND:

Last year, the Legislature adopted SB 1104, the 2004-2005 Budget Human Services Trailer Bill, which included the "IHSS Plus" waiver that made almost all IHSS residual cases eligible for federal PCSP Medi-Cal funding. One of the provisions of the law protected recipients' access to the same level of services they received before last year's federal waiver. However, under PCSP rules, some of the Residual cases would have had to pay more of a share of cost for their IHSS services under the terms of the IHSS Plus waiver than they did under the terms of the Residual program. The proposed funding in the May Revision pays for this increased share of cost, so that these individuals are held harmless from the impact of the waiver. (NOTE DSS 5180-111 Issue 165)

STAFF COMMENT:

This proposal is consistent with the legislative intent of the IHSS Plus Waiver provision of SB 1104.

CONSENT ACTION:

Adopt May Revision Proposal.

CONSENT ISSUE 12: CASE MANAGEMENT INFORMATION AND PAYROLLING SYSTEM ENHANCEMENTS

The May Revision proposes to change the timing of the Case Management Information and Payrolling System (CMIPS) enhancements.

BACKGROUND:

The May Revision requests a Budget Year increase of \$789,000 (\$493,000 General Fund and \$296,000 Reimbursements) due to the delay of CMIPS enhancement activities associated with the IHSS Quality Assurance (QA) Initiative, the federal IHSS Waiver, and the Share-of-Cost Buyout. This augmentation is a carryover of 2004-05 funding and does not result in an increase of the overall costs of CMIPS enhancements. The delay is not expected to affect QA savings or the receipt of federal funds for the waiver. (NOTE DSS ISSUE 175)

STAFF COMMENT:

This proposal reflects the timing of the projects implementation, but does not change the scope of the project.

CONSENT ACTION:

Adopt May Revision Proposal.

CONSENT ISSUE 13: CMIPS II CONTRACT PROCUREMENT

The May Revision reduces funding for CMIPS II to reflect a delay in the project.

BACKGROUND:

The May Revision requests a decrease of \$466,000 (\$233,000 General Fund and \$233,000 Reimbursements) to reflect the delay in the CMIPS II project. This delay is not expected to affect federal funding for the project. This reduction corresponds to a May Revision proposal in the Health and Human Services Agency budget. (NOTE DSS ISSUE 180)

STAFF COMMENT:

This proposal reflects the timing of the projects implementation, but does not change the scope of the project.

CONSENT ACTION:

Adopt May Revision Proposal.

CONSENT ISSUE 14: LOS ANGELES ELIGIBILITY, AUTOMATED DETERMINATION, EVALUATION, AND REPORTING (LEADER) PROJECT VENDOR RATE REDUCTION

The May Revision reflects savings for a reduction to the vendor rate for LEADER.

BACKGROUND:

The May Revision includes a decrease of \$3,179,000 (decreases of \$891,000 General Fund and \$2,324,000 Federal Trust Fund, and an increase of \$36,000 in reimbursements) to reflect reduced LEADER costs resulting from a negotiated rate reduction in the latest vendor contract extension. (NOTE DSS 5180-141 Issue 160)

STAFF COMMENT:

Good job!

CONSENT ACTION:

Adopt May Revision Proposal.

CONSENT ISSUE 15: CALWIN/WCDS

The May Revision makes several changes to the budget to account for the implementation of the CalWIN system.

BACKGROUND:

Welfare Client Data System (WCDS) is one of the four statewide welfare computer systems transitioning to a new system in the Budget Year called CalWIN. The May Revision proposes two letters that increase funding for these activities:

1. **Welfare Client Data System Project Caseload and Conversions (DSS Issue 165) -** An increase of \$15,370,000 (\$6,151,000 General Fund, \$5,346,000 Federal Trust Fund, and \$3,873,000 Reimbursements) is requested to reflect increased WCDS costs due to increased caseload and conversion of closed cases from the previous Legacy system.
2. **WCDS Project Implementation Support (Issue 166) -** An increase of \$9,748,000 (\$3,901,000 General Fund, \$3,391,000 Federal Trust Fund, and \$2,456,000 Reimbursements) is requested to mitigate implementation difficulties for the bulk of remaining counties yet to convert to the WCDS system. These resources would fund a vendor support team, increased training and coaching time for county expert coaches and a higher ratio of 1 coach per 15 caseworkers. For those counties that feel extended support for transition activities is necessary for an additional month following implementation, the state will make available additional funding, for which participating counties would have a 40 percent share-of-cost for the non-federal portion.

STAFF COMMENT:

Sacramento County, the first county to implement CalWIN, has experienced several problems in implementing the system while continuing the operations of its programs. These problems have been blamed on a lack of training resources. The additional resources should help the other CalWIN counties experience a smoother CalWIN implementation than Sacramento.

CONSENT ACTION:

Adopt May Revision Proposals.

CONSENT ISSUE 16: ELECTRONIC BENEFIT TRANSFER

The May Revision includes funding to begin reprocurement of the EBT system.

BACKGROUND:

The May Revision requests an increase of \$739,000 (\$246,000 General Fund and \$493,000 Federal Trust Fund) to reflect activities associated with the EBT reprocurement. There is also a corresponding May Revision proposal in the Health and Human Services Agency budget. (NOTE: DSS Issue 197)

STAFF COMMENT:

There are no concerns with this proposal.

CONSENT ACTION:

Adopt May Revision Proposal.

CONSENT ISSUE 17: COMMUNITY CARE LICENSING TRIGGER LANGUAGE

The May Revision rescinds a January Budget proposal to eliminate the Community Care Licensing (CCL) visiting trigger.

BACKGROUND:

The May Revision proposes to rescind the Governor's Budget proposal to eliminate the statutory trigger to increase the number of random sample visits to licensed community care facilities if citations issued by the DSS exceed the previous year's total by 10 percent. Accordingly, the Administration is retracting the associated Trailer Bill language.

Continued study is necessary to collect and evaluate more comprehensive data on the number of citations issued and complaint visits conducted in 2004-05 to determine appropriate policy to

improve oversight, increase compliance, and ensure quality care for clients in licensed facilities. The Administration expects to submit a comprehensive licensing proposal to address operational efficiencies and program improvements as part of the 2006-07 Governor's Budget.

STAFF COMMENT:

The Subcommittee already rejected the proposed Trailer Bill Language at the April 27, 2005 hearing.

CONSENT ACTION:

Conform the May Revision letter to prior action of Subcommittee rejecting the proposed Trailer Bill Language.

CONSENT ISSUE 18: KINSHIP/FOSTER CARE EMERGENCY FUNDS

The May Revision increases funding for Kinship and Foster Care Emergency funds.

BACKGROUND:

The May Revision increases Kinship/Foster Care Emergency Funds by \$600,000 (Federal Trust Fund) to provide emergency one-time funds to approximately 1,400 additional relative caregivers and foster parents to assist with housing needs and short-term support services. The federal government recently provided policy clarification that certain administration costs for the Kinship/Foster Care Emergency Funds program are eligible for matching Title IV-E funds. (Note; DSS Issue 125)

STAFF COMMENT:

There are no concerns with this proposal.

CONSENT ACTION:

Adopt May Revision Proposal.

ITEMS FOR VOTE-ONLY

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

VOTE-ONLY ISSUE 1: CASELOAD ESTIMATE CHANGES

The Subcommittee will adopt the May Finance Letters that update the caseload estimates projected in the Budget

BACKGROUND:

Each year the Department uses data collected in November to estimate the Budget Year costs for caseload-driven programs that is included in the January Budget. In the May Revision, these estimates are updated to reflect more recent data and more accurately depict the expected costs for these programs.

The Department of Social Services has submitted the following May Revision Letters that make these technical adjustments.

The table below illustrates the changes:

May Revision Caseload Adjustments

Program	Item	Issue #	Change Since Governor's Budget
CalWORKs	5180-101-0001	101	\$9,744,000
	5180-101-0890	101	-\$106,536,000
	5180-601-0995	101	\$62,000
Foster Care	5180-101-0001	101	-\$18,087,000
	5180-101-0890	101	-\$6,637,000
	5180-101-8004	101	-\$532,000
	5180-141-0001	141	-\$991,000
	5180-141-0890	141	-\$1,554,000
Adoption Assistance Program	5180-101-0001	101	-\$1,033,000
	5180-101-0890	101	-\$6,443,000
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	5180-111-0001	111	-\$46,981,000
In-Home Supportive Services (IHSS)	5180-111-0001	111	-\$6,485,000
	5180-611-0995	111	-\$17,882,000
Child Welfare Services	5180-151-0001	151	-\$13,322,000
	5180-151-0890	151	\$16,145,000

	5180-151-8023	151	\$50,000
	5180-651-0995	151	-\$774,000
Other Assistance Payments	5180-101-0001	101	\$75,000
	5180-101-0890	101	-\$885,000
County Administration and Automation Projects	5180-141-0001	141	\$1,941,000
	5180-141-0890	141	\$653,000
	5180-641-0995	141	\$740,000
Remaining DSS Programs	5180-151-0001	151	\$702,000
	5180-151-0890	151	\$647,000

STAFF COMMENT:

On May 11, 2005 the Subcommittee adopted caseload savings projected by the LAO in CalWORKs, CAPI, and Foster Care, these savings are also captured in the May Revision changes.

VOTE ONLY ACTION:

- Adopt the Department's proposed May Revision caseload adjustments, as amended to reflect the specific caseload adjustments identified by the LAO at the May 11, 2005 hearing.
- Retain prior action to reinvest Foster Care Administration savings in county Foster Care Administration.

VOTE-ONLY ISSUE 2: CALWORKS COLA TRAILER BILL LANGUAGE

The Subcommittee will delete the proposed Trailer Bill Language to eliminate the CalWORKs grant COLA.

BACKGROUND:

The Governor's Budget proposes to permanently eliminate CalWORKs grant Cost of Living Adjustments (COLAs) currently guaranteed by law.

STAFF COMMENT:

The Subcommittee could reject the Trailer Bill Language prior to taking action on the COLA's. The vote only action changes the Trailer Bill Language to ensure that any action taken does not eliminate the statutory protection of the CalWORKs COLA>

VOTE ONLY ACTION:

- Reject the proposed Trailer Bill Language to eliminate the CalWORKs COLA.
- Adopt placeholder Trailer Bill Language to suspend the Budget Year COLA.

ITEM 4220 CHILD DEVELOPMENT POLICY ADVISORY COMMITTEE**VOTE-ONLY ISSUE 3: CHILD DEVELOPMENT POLICY ADVISORY COMMITTEE**

The Governor's Budget proposes to abolish the Child Development Policy Advisory Committee (CDPAC).

BACKGROUND:

Until 2003, CDPAC provided oversight and public policy support to California's multi-billion dollar child development and child care industry. The CDPAC held hearings and gathered input from a wide variety of community groups regarding child care policy changes, pre-school program requirements, and licensing issues. In 2003-2004, Governor Gray Davis vetoed all funding for CDPAC, resulting in its de facto elimination.

The May Revision proposes to eliminate the statutory provisions that authorized CDPAC to complete the elimination.

STAFF COMMENT:

The Subcommittee restored funding for CDPAC in 2003-2004 and 2004-2005. In the past, CDPAC was seen as providing the State with an impartial organization that could coordinate the views of a variety of different groups associated with child development.

VOTE-ONLY ACTION:

Reject May Revision Proposal.

ITEM 4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT**VOTE-ONLY ISSUE 4: NATURALIZATION SERVICES PROGRAM**

The Subcommittee will adjust its previous action on the Naturalization Services Program (NSP).

BACKGROUND:

On May 4, 2005, the Subcommittee took action to fund the NSP at \$5 million for the Budget year. The January budget eliminated funding for the program.

STAFF COMMENT:

The Subcommittee could restore the program at a lower rate of funding as a gesture of compromise towards the Administration and the Senate.

VOTE-ONLY ACTION:

- Rescind previous Subcommittee Action regarding the NSP.
- Appropriate \$2.5 million for the NSP.

ITEMS TO BE HEARD

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: SUBSTITUTE EMPLOYMENT REGISTRY

The Subcommittee will consider a proposal to restore the Substitute Employment Registry (SER) program.

BACKGROUND:

Between 1999 and 2002, DSS experimented with a SER program. SERs acted as temporary employment agencies for child care centers. The project was considered a great success but it was terminated due to the lack of CCL staff to supervise it.

In 2002, the Legislature passed and the Governor signed SB 646 – Ortiz (Chapter 669 of 2002) requiring the reinstatement of the SER program in specified counties but the reinstatement has been blocked by an Administration-requested Budget provision (This year, Provision 6, 5180-001-0001) which requires the program to be fee-supported. Since there are only one or two agencies continuing to provide temporary employees to centers, a fee-support requirement effectively kills the program.

STAFF COMMENT:

The Subcommittee could restore the use of SERs by deleting Provision 6 in 5180-001-0001 and adding two positions to supervise the SER program.

According to the Department of Social Services, staffing the SER program would cost \$134,000 General Fund for 2.1 positions (1 LPA, .5 AGPA, .5 OA and .1 Senior Staff Counsel).

ISSUE 2: GRESHER V. ANDERSON

The May Revision requests staff and funding to implement the requirements of a recent court decision.

BACKGROUND:

The May Revision includes an increase of \$1.4 million (\$1.2 General Fund) to comply with the recent *Gresher v. Anderson* court decision ordering DSS to revise its current criminal background check process to protect the rights of employees working in community care facilities licensed by the DSS. Of that amount \$596,000 (\$392,000 General Fund and \$204,000 Federal Trust Fund) and 6.0 limited-term positions (5.5 two-year and 0.5 one-year, limited-term) would be for State Operations and \$847,000 (\$837,000 General Fund and \$10,000 Federal Trust Fund) would be for Local Assistance. This request would provide resources to implement the specific requirements of the court ruling and ensure that other critical intake and exemption functions in the CCL Division would not be suspended or delayed. (NOTE: DSS 5180-001 and 5180-101 Issues 165)

STAFF COMMENT:

The additional funding is needed to ensure that compliance with this court decision does not detract from the existing obligations of the CCL Division.

ISSUE 3: CHILD WELFARE IMPROVEMENT PROPOSALS

The May Revisions proposes several changes to programs affecting the Child Welfare Program

BACKGROUND:

The May Revision makes several changes to programs that are designed to improve the State's Child Welfare System. Overall, the changes result in an increase in budget year funding of \$3.1 million for three different efforts. Those three efforts are the Child Welfare Improvement Pilots, providing support for continued AB 636 (Steinberg, Chapter 678, Statutes of 2001) implementation, and Dependency Drug Courts (discussed in the next issue). The additional funding for the budget year reflects \$6.2 million unspent current year federal funds that are carried over to next year. The May Revision actually reduces General Fund budgeted for the three programs by \$3.1 million.

Changes to Child Welfare Programs	January Budget		May Revision		Difference	
	All funds	GF only	All funds	GF only	All funds	GF only
Continuing 11 County Cohort in Child Welfare Improvement Pilots.	8.1	4.6	15.0	7.8	6.9	3.2
Funding for new Cohort of CWIP's	18.5	10.3	0.0	0.0	-18.5	-10.3
CWS Outcome Improvement Project (funded with Cohort II expansion funds)	0.0	0.0	12.9	3.7	12.9	3.7
Development of County Self-Assessments and System Improvement Plans	11.2	4.9	11.2	4.9	0.0	0.0
Peer Quality Case Reviews in 20 Counties	1.1	0.5	1.8	0.8	0.7	0.3
Ensure Integrity of Data on CWS/CMS	1.1	0.5	1.1	0.5	0.0	0.0
Dependency Drug Courts	0.9	0.0	2.0	0.0	1.1	0.0
Total	40.9	20.8	44.0	17.7	3.1	-3.1

CHILD WELFARE IMPROVEMENT PILOTS:

The May Revision maintains the current year level of funding for the 11 counties that are in the first cohort of the Child Welfare Improvement Pilots, which is an increase over the January Budget of \$6.9 million (\$3.2 million General Fund) for these activities. The May Revision also eliminates funding for a second cohort, due to timing constraints. Most of this reduced funding is redirected to the Child Welfare Services Outcome Improvement Project.

At the March 30, 2005 hearing, the Subcommittee heard testimony that the first cohort counties had not progressed far enough along in the current year to demonstrate that the Child Welfare Improvement Pilots were ready for additional counties to participate. The May Revision proposes to suspend expansion to the second cohort of counties pending a thorough evaluation of measurable data from the first pilot group.

The May Revision also proposes to reappropriate authority for CWS Program Improvement Funding from 2004-05 to 2005-06 of unspent Promoting Safe and Stable Families (PSSF) and SCTF funding allocated to Cohort 1 counties for specified CWS PIP initiatives, to support specified CWS program improvement and AB 636 activities. (Note: DSS Issue 170)

AB 636 EFFORTS:

The May Revision creates a new budget premise for a Child Welfare Services Outcome Improvement Project funded at \$12.9 million (\$3.7 million General Fund). This funding would be awarded to counties to implement provisions of the AB 636 System Improvement Plan (SIP). DSS intends to have counties compete for this funding. (NOTE: DSS Issue 135)

The May Revision also increases Peer Quality Case Reviews by \$575,000 (\$305,000 General Fund and \$270,000 Federal Trust Fund) to provide funding for counties to backfill and cover travel costs for probation officers to travel to other counties and participate in Peer Quality Case Reviews (PQCR) as required by AB 636. PQCRs evaluate county operations of CWS based on federal performance reviews and the state's current Program Improvement Plan (PIP). (NOTE: DSS Issue 120)

COUNTIES OBJECT TO REDUCTION IN COMMITMENT TO CHILD WELFARE IMPROVEMENT:

CWDA supports the May Revision proposal to modify the child welfare improvement approach envisioned in the January Budget. However, CWDA is concerned that the May Revision proposes a cut of \$5.9 million to the amount of funding available for these activities, leaving just \$19.6 million available for these two parallel efforts. The CWDA recommends that the Subcommittee reject this cut and provide the full amount of funding proposed in the January budget.

STAFF COMMENT:

The May Revision proposal is consistent with Subcommittee discussions during the March 16th and March 30th Subcommittee hearings. The Subcommittee may wish to consider whether a reduction to efforts to improve the Child Welfare System is appropriate give the State's recent performance.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ITEM 4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS****ISSUE 4: DEPENDENCY DRUG COURTS**

The May Revision proposes to use \$1.1 million federal Child Welfare funds to expand Drug Courts.

BACKGROUND:

Dependency Drug Courts work to reduce foster care costs and increase permanency for children by providing substance abuse treatment to parents who are involved in dependency court cases. Failure to comply with a court-ordered plan could result in termination or limitation of parental rights and placing the child or children in foster care.

The May Revision proposes to use \$1.1 million in prior-year unspent federal PSSF funds to provide a one-time augmentation to the current year allocation of \$900,000 for Dependency Drug Courts, for a total of \$2 million in the budget year. Of that amount, \$1.8 million would be used for the program and \$200,000 would be provided for an evaluation of the program's effectiveness.

The proposal is in two areas of the budget, DADP (4200 Issue 053) and DSS (5180-151-0890 Issue 136).

LAO RECOMMENDATION:

The LAO is concerned that only one year of data may produce insufficient or inconclusive results that will hinder debate on the effectiveness of the program. Therefore, the LAO recommends that this funding be provided for two years, with the intention of receiving a report of evaluation results by January 10, 2007. The LAO proposes placeholder Trailer Bill Language (provided below) to state the intent to fund this program through budget year 2006-07. This would provide time for a more complete evaluation of the program and then time to review the program evaluation outcomes to consider continued funding. In addition, the LAO is also proposing the addition of specific evaluation guidelines to the Trailer Bill language. The departments would be requested to designate a research advisory group to develop a design for the evaluation that focuses on the specific measures that will be helpful in future funding determination.

LAO PLACEHOLDER TRAILER BILL LANGUAGE:

Health Code Section 11970.2:

It is the intent of the legislature that Drug Dependency Courts be funded for both 2005-2006 and fiscal year 2006-2007. Funding subsequent to that will be contingent on the results of the outcome evaluation required by part (d).

(C) The Department of Social Services along with the Department of Alcohol and Drug Programs shall convene a research advisory group to develop a design for an evaluation of the Dependency Drug Court program. The guidelines should address requirements including but not limited to, specific measures of cost savings and program data, and methodology for use of control cases for comparison data.

(D) The department shall report to the Legislature, by January 10, 2007, on the outcomes of county Dependency Drug Court programs, including the numbers of participants served and the amount of savings realized in Foster Care out of home placement or Child Welfare Services.

STAFF COMMENT:

The Subcommittee held the issue open during the May 11, 2005 hearing at the request of the Administration.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 5: CALWORKS**

Several May Revision proposals affect the CalWORKs program.

BACKGROUND:

The May Revision restores \$146.4 million of the January proposed reductions to the CalWORKs program. The chart below illustrates the effect of the proposed changes:

CalWORKs Program Reductions	Gov Budget	Change	May Revision
CalWORKs Grant Reduction	212.3	(52.4)	159.9
CalWORKs COLA Elimination	163.8	-	163.8
CalWORKs Employment Services	50.0		50.0
Child Care Reform	62.6	-	62.6
CalWORKs Sanctions	12.0	(12.0)	-
Pay for Performance	22.2		22.2
Earned Income Disregard	82.0	(82.0)	-
CY Tribal TANF	5.0		5.0
Unexpected Savings for CY Unspent Funds	42.9		42.9
Total CalWORKs Reductions (TANF)	652.8	(146.4)	506.4

The May Revision includes the following adjustments to CalWORKs

- Reduces the savings from the proposed 6.5 percent CalWORKs Grant Reduction to account for delayed implementation of the reduction and increased Food Stamp administrative costs. The proposed reduction to the CalWORKs grant is proposed to take effect on October 1, 2005, instead of July 1, 2005. The combined effect of the two additional costs results in \$52.4 million less in savings from the proposal than assumed in the January Budget. (NOTE DSS Issue 120 and 195)
- Rescinds the CalWORKs Earned Income Disregard proposal that was proposed in the January Budget for a net cost of \$81.9 million. (NOTE: DSS Issue 135 and 196).
- Rescinds CalWORKs Sanctions savings assumed in the January Budget for a net cost of \$12 million. The sanction study report necessary to pursue this proposal has not been released by the contractor. The Administration will continue examining the state's sanction policies once the report is received. The Subcommittee rejected the savings at the May 11, 2005 hearing. (NOTE DSS Issue 125)
- Modifies the CalWORKs Pay for Performance proposal contained in the January Budget. The CalWORKs reserve includes \$30.0 million as an incentive for counties who meet specific CalWORKs program outcomes in 2005-06. The funds would be allocated to counties in 2006-07. This \$30.0 million in federal TANF Block Grant funds would be in

lieu of the Governor's Budget proposal to hold back 5 percent of the counties' single allocation in 2005-06 as an incentive. The Administration is continuing to work with stakeholders to develop the outcome measures and criteria for allocation of the funds. The Budget continues to assume that the proposal saves \$22 million in the Budget Year.

- Reduces TANF transferred to CalWORKs Stage 2 Child Care by \$34.3 million to reflect a lower projected caseload. (NOTE DSS Issue 402)
- Increases the CalWORKs Reserve by 58.1 million from 196,401,000 to \$254,468,000 (NOTE DSS Issue 403)

ADDITIONAL TRANSFERS OF TANF FUNDING:

The May Revision achieves an addition \$160.1 million in General Fund savings by increasing TANF transfers to non-CalWORKs programs and increasing the amount of CDE child care that counts in the current year as part of the State's MOE.

PAY FOR PERFORMANCE TRAILER BILL LANGUAGE:

The May Revision includes the following Trailer Bill Language for the Pay for Performance proposal:

15204.6 (a) Contingent upon a Budget Act appropriation, for the 2006-07, 2007-08, and 2008-09 fiscal years, a Pay for Performance Program shall provide additional funding for counties that meet specified goals in their welfare-to-work programs under Section 11320 et seq..

(b) The maximum funds available to each county each year under this program shall be the lesser of:

(1) The percentage of the total funds available for Pay for Performance that year which is equal to the percentage the county receives of the total funds appropriated, less the amount for child care, under Section 15204.2, or

(2) Five percent of the funds the county receives that year from the single allocation, less the amount for child care, under Section 15204.2.

(c) The funds available to the county under this program will be divided each year into as many equal parts as there are goals established for the year under this subdivision. The county will earn payment of one part for each goal that it achieves for the year. The department shall consult with the County Welfare Directors Association when developing standards for each of the following goals:

(1) The employment rate of county CalWORKs recipients, for the fiscal year prior to payment, increases over the employment rate of county CalWORKs recipients for the fiscal year two years prior to payment, by a statewide standard established by the department.

(2) The federal participation rates for the county CalWORKs recipients, calculated in accordance with 42 USC §607, but without including individuals who are exempt in accordance with Section 11320.3, increases by a statewide standard established by the department. The department may make further adjustments to this measure after consulting with the County Welfare Directors Association. If valid data do not exist to measure this outcome, the funds for this goal will be made available for the program in the following fiscal year.

(A) For fiscal year 2006-07, federal participation rates of CalWORKs recipients in the county for the period July through December, 2005, will be compared with federal participation rates in the county for the period January through June, 2006.

(B) For payment in fiscal years 2007-08 and 2008-09, federal participation rates of CalWORKs recipients in the county for the fiscal year prior to payment will be compared with federal participation rates during the fiscal year two years prior to payment.

(3) The number of county CalWORKs recipients that become ineligible for assistance under Section 11450, due to earned income, for the fiscal year prior to payment, increases over the number of county CalWORKs recipients that became ineligible for assistance under Section 11450, due to earned income, for the fiscal year two years prior to payment, by a statewide standard established by the department.

(4) Additional goals which the department establishes in consultation with the County Welfare Directors Association.

(d) The funds paid in accordance with this section must be used for the CalWORKs program only. Funds earned by a county in accordance with this section are available for expenditure in either the fiscal year that they are received or the following fiscal year. Following the period of availability, any unspent balance shall revert to the Temporary Assistance for Needy Families (TANF) Block Grant.

(e) Any funds appropriated by the Legislature for the Pay for Performance Program, but not earned by a county, shall revert to the TANF Block Grant at the end of the fiscal year for which the funds were appropriated.

SEC. 7. Notwithstanding the rulemaking provisions of the Administrative Procedure Act, Chapter 3.5 (commencing with Section 11340) of Part 1 of division 3 of Title 2 of the Government Code, the department may implement Section 6 of this act through all-county letters throughout the duration of the Pay for Performance program.

COUNTIES RECOMMENDED CHANGES TO PAY FOR PERFORMANCE:

The County Welfare Director's Association recommends two changes to the proposed Trailer Bill Language to improve the workability and effectiveness of the proposal:

First, the CWDA believes that the Trailer Bill Language remains too prescriptive with respect to the specific performance measures and how they are computed. CWDA recommends modifying the Trailer Bill Language to remove this specificity and replace it with language requiring the DSS to work with CWDA to collaboratively develop the measures and the mechanism for measuring and distributing the incentives.

Second, CWDA recommends that language governing the allowable uses of the incentive funds be modified to align it with the allowable uses for the original CalWORKs Performance Incentive program.

COUNTIES PROPOSE COMPROMISE FOR OVERSTATED SAVINGS ISSUE:

CWDA believes that the department has grossly overstated the original cost of monthly reporting, thus overstating the savings that can be expected from the change to quarterly reporting. CWDA proposes to restore half of the proposed savings to CalWORKs and Food Stamp eligibility activities. They recommend enacting Trailer Bill Language to allow counties to use a portion of any unspent current-year funds on necessary eligibility activities during the budget year, to the extent that the budget underfunds eligibility due to overstated QR savings.

STAFF COMMENT:

The Subcommittee has already restored the savings from the CalWORKs Sanction policy at the May 11, 2005 hearing.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES
ITEM 0530 HEALTH AND HUMAN SERVICES AGENCY
ITEM 4130 HEALTH AND HUMAN SERVICES AGENCY DATA CENTER

**ISSUE 6: HEALTH AND HUMAN SERVICES DATA CENTER OFFICE OF SYSTEM
INTEGRATION**

The May Revision includes a final version of the proposed transfer of the Office of System Integration (OSI) to the Health and Human Services Agency.

BACKGROUND:

The May Revision includes Budget Bill and Trailer Bill Language to transfer the Systems Integration Division of the Health and Human Services Agency Data Center to the Health and Human Services Agency. This request reflects an update to the Trailer Bill Language submitted in the Spring Finance Letter dated April 1, 2005.

The proposed BBL will replace the existing budget language. It is also requested that language be added to allow Finance to authorize the transfer of funds from the Department of Technology Services Revolving Fund to the Office of Systems Integration Fund following Data Center Consolidation. The May Revision letter would also add provisional language to various Items within DSS' budget.

The proposed language reflects the establishment of the Office of Systems Integration Fund and the transfer of funds to the Office. The source of funds includes state and federal funds in DSS' appropriation and the balance of funds for specified automation projects from the Department of Technology Services Revolving Fund.

LAO RECOMMENDATION:

The LAO does not have any issues with the proposed OSI and DSS BBL. However, the LAO does have the following issues with the proposed trailer bill language creating OSI.

Employment Development Department's Project

There are some special circumstances that need to be considered in regards to the Employment Development Department's (EDD) Unemployment Insurance (UI) Modernization Project. First, the funds need to stay encumbered consistent with the federal agreement. In addition, as we stated at budget hearings, the Legislature intended EDD to manage this project, but due to the UI fund problems, the project was placed outside of EDD. The EDD has a long history of successfully managing its own information technology (IT) projects. Once the Reed Act funds are expended, the project should be returned to EDD consistent with Legislative intent. For these reasons, the LAO recommends the following changes:

(e) Funds appropriated to the Employment Development Department in the annual Budget Act for the management, including as needed, procurement, design, development, testing, implementation, and oversight of the Unemployment Insurance Modernization Project shall be transferred to this fund upon order of the Department of Finance. The balance of Reed Act funds remaining in the Health and Human Services Agency Data Center Revolving Fund for the Unemployment Insurance Modernization Project. Upon expenditure of the Reed Act funds, the project shall be transferred to the Employment Development Department.

Require Periodic Review of Completed Projects

The LAO suggests that the Legislature consider some long-term strategies on how to view the ongoing placement of the DSS projects. Projects go through many different stages from the time they are started to the time they are completed. In the LAO's view, the most critical project stages are when systems are being developed, implemented, or undergoing major changes. After a system has been implemented, the maintenance and operation (M&O) stage focuses on operating the system and making minor modifications. There is significantly less risk of failure for those projects in the M&O stage. Since completed projects have low risks of failure, transferring such projects should not disrupt critical project activities. For this reason, the LAO recommends that the proposal include a provision that requires a periodic independent assessment to determine if completed OSI projects could be safely transferred to the program departments.

On January 10, 2007, and every two years thereafter, the office shall submit to the chairpersons of the budget committees in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee an independent assessment of the risks and costs in placing implemented information technology projects in the respective program departments. The assessment shall include, but is not limited to, (1) identification of the completed projects, (2) identification of risks by severity, (3) actions that can be taken to mitigate those risks, and (4) the costs, savings, and program benefits of placing the completed projects in the program departments. It is the intent of the Legislature that the (1) OSI acquire an independent evaluator to conduct the assessment and (2) Director of the Department of Finance review and approve the assessment prior to submission to the Legislature.

Require Legislative Authorization of Additional Projects in OSI

In the LAO's view, departments should manage their own IT projects in order to ensure program accountability for the success of the projects. The LAO recognizes, however, that there may be situations that prevent departments from successfully managing their own projects. When those situations do occur, the Legislature has an oversight role in determining how to proceed on these projects. For that reason, the LAO believes that the Legislature should be notified of the situation and then the Legislature would decide how to proceed. We recommend that the proposal include a provision that requires legislative approval of placing projects in OSI.

The Health and Human Services Agency is required to receive legislative approval of placing or transferring information technology projects in the office.

STAFF COMMENT:

This issue should be held open to allow the Subcommittee more time to examine proposed Trailer Bill Language.