

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

Part I

Assemblymember Hector De La Torre, Chair

**THURSDAY, MAY 19, 2005
STATE CAPITOL, ROOM 4202
UPON ADJOURNMENT OF SESSION**

VOTE-ONLY ITEMS

| ITEM | DESCRIPTION | PAGE |
|---|--|----------|
| 5180 6110 | DEPARTMENT OF SOCIAL SERVICES CALIFORNIA DEPARTMENT OF EDUCATION | 2 |
| VOTE ONLY ISSUE 1 | CHILD CARE | 2 |
| VOTE ONLY ISSUE 2 | QUARTERLY STATUS REPORTING | 3 |
| VOTE ONLY ISSUE 3 | CHILD WELFARE IMPROVEMENT PROPOSALS | 4 |
| VOTE ONLY ISSUE 4 | CALWORKS PERFORMANCE DATA VALIDATION SYSTEM | 6 |
| VOTE ONLY ISSUE 5 | CALWORKS | 6 |
| 5180 0530 4130 | DEPARTMENT OF SOCIAL SERVICES HEALTH AND HUMAN SERVICES AGENCY HEALTH AND HUMAN SERVICES AGENCY DATA CENTER | 8 |
| VOTE ONLY ISSUE 6 | HEALTH AND HUMAN SERVICES DATA CENTER OFFICE OF SYSTEM INTEGRATION | 8 |
| 5175 | DEPARTMENT OF CHILD SUPPORT SERVICES | 11 |
| VOTE ONLY ISSUE 7 | CHILD SUPPORT COUNTY ALLOCATIONS | 11 |
| VOTE ONLY ISSUE 8 | CHILD SUPPORT AUTOMATION PENALTY | 11 |
| 5180 | DEPARTMENT OF SOCIAL SERVICES | 12 |
| | | |

| | | |
|--------------------------|--|----|
| VOTE ONLY ISSUE 9 | FEE EXEMPT LIVESCAN | 12 |
| VOTE ONLY ISSUE 10 | CASH ASSISTANCE PROGRAM FOR IMMIGRANTS | 12 |
| 4200 5180 | DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS DEPARTMENT OF SOCIAL SERVICES | 13 |
| VOTE ONLY ISSUE 11 | PROPOSITION 63 FUNDING IN DSS AND DADP | 13 |

ITEMS FOR VOTE-ONLY

ITEM 5180 **DEPARTMENT OF SOCIAL SERVICES**
ITEM 6110 **CALIFORNIA DEPARTMENT OF EDUCATION**

VOTE-ONLY ISSUE 1: CHILD CARE

The Assembly Child Care plan restores all funding for proposed changes in child care, but adopts some trailer bill language.

HOW FUNDING IS RESTORED:

The proposed reform would be restored with \$123.8 million in TANF, \$115,000 GF (MOE) and \$39 million Prop. 98. All Stage 1 and Stage 2 child care savings would be restored with TANF funding.

STAFF CHILD CARE PLAN:

- Restore all cuts.
- Reject proposal to shift Stage 3 cases to Alternative Payment Program.
- Reject waiting list proposal.
- Adopt placeholder TBL on in-and-out of market rates—score no savings.
- Rejected tiering proposal for licensed providers.
- Reject tiering proposal for licensed exempt and delete set-aside of quality money for "raters".
- Adopt placeholder TBL for a modified 11 and 12 year old proposal—score no savings.
- Reject Income adjustment proposal.
- Adopt Centralized Eligibility Lists (CEL), but modify BBL to give to AP's that also do RMR (except in Madera and Santa Cruz).
- Adopt placeholder TBL to require CDE to report demand for child care statewide on waiting lists in 2007.
- Adopt placeholder SRL to establish a working group to evaluate the impact of the new market survey and consider future rate reform.
- Make conforming technical changes.

VOTE-ONLY ACTION:

- Adopt Staff Child Care Plan.

VOTE-ONLY ISSUE 2: QUARTERLY STATUS REPORTING

The Subcommittee will adopt a Quarterly Status Reporting revision.

BACKGROUND:

At the May 16, 2005 hearing counties testified that they believe 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.

VOTE-ONLY ACTION:

- Adopt placeholder Trailer Bill Language to allocate unspent prior-year TANF funding to counties for CalWORKs administration.
- Allocate \$10 million General Fund for Food Stamp administration.

VOTE-ONLY 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)

STAFF ALTERNATIVE PROPOSAL:

Adopt May Revision proposal with an additional \$3.5 million General Fund (\$3.1 million for additional CWS Outcome Improvement Project funding and \$400,000 for a Point of Engagement model expansion evaluation).

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 given the State's recent performance.

VOTE ONLY ACTION:

- Adopt May Revision with an additional \$3.5 million General Fund for additional CWS Outcome Improvement Project funding and funding for a Point of Engagement model expansion evaluation.
- Adopt May Revision letter to reappropriate unspent PSSF and SCTF funding allocated to Cohort 1 counties for specified CWS PIP initiatives, to support specified CWS program improvement and AB 636 activities. (Issue 170)

VOTE-ONLY ISSUE 4: CALWORKS PERFORMANCE DATA VALIDATION SYSTEM

The Subcommittee will restore funding for a budget proposal to monitor CalWORKs data.

BACKGROUND:

The Governor's Budget includes a Budget Change Proposal for \$794,000 of federal TANF funds and 7.5 positions for a web-based computer system to monitor county work participation data.

At the May 11, 2005 hearing the Subcommittee eliminated funding for the proposal. The Subcommittee directed the Department and the counties to discuss how this proposal would be implemented. Counties have proposed Trailer Bill Language that should address their concerns with this proposal.

VOTE-ONLY ACTION:

- Rescind prior action
- Approve as budgeted and adopt placeholder Trailer Bill Language.

ISSUE 5: CALWORKS

Several May Revision proposals affect the CalWORKs program.

BACKGROUND:

The actions below would restore the CalWORKs grant reduction and fully restore all child care savings reflected in the CalWORKs portion of the budget (see previous issue on child care) the Assembly version of CalWORKs would be at the Maintenance of Effort and would have a TANF reserve of \$169 million.

STAFF PROPOSAL:

- Reject CalWORKs grant reduction.
- Adopt Pay for Performance proposal, but use placeholder Trailer Bill Language proposed by the counties.
- Adopt placeholder Trailer Bill Language to clarify that activities currently counted toward the 20 hours of core welfare-to-work (WTW) activities not be excluded because a client is engaged in other activities that are not clearly designated as either core or non-core activities and adds hours spent making satisfactory progress in a secondary school as an allowable WTW activity under specified conditions.
- Reject Trailer Bill Language regarding Guillen case contingencies.

- Recommend to Subcommittee 4 use \$201.4 million General Fund to fund Juvenile Probation funds at the Board of Corrections.
- Make conforming technical changes as needed to update budget bill to reflect current caseload.

VOTE-ONLY ACTION:

- Adopt Staff Proposal.

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.

OTHER BUDGET BILL ISSUE:

The Senate is adopting budget bill language:

Amend Provision 1 of 0530-001-9732 as follows: "Notwithstanding any other provision of law, the Department of Finance may adjust this item of appropriation to correct any technical errors related to the Data Center reorganization plan not sooner than 30 days after notification in writing of the necessity therefore to the chairperson of the committee in each house of the Legislature that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the committee, or his or her designee, may in each instance determine."

VOTE-ONLY ACTION:

- Adopt May Revision Proposal Budget Bill Language with proposed additional reporting language and adopt placeholder Trailer Bill Language that incorporates LAO's recommendation.
- Also adopt conforming language in Department of Social Services.
- Adopt May Revision proposal to re-establish 4130 budget item.

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES**ISSUE 7: CHILD SUPPORT COUNTY ALLOCATIONS**

The Subcommittee will adopt funding for county child support funding.

BACKGROUND:

The Subcommittee has considered local assistance funding for counties on May 4, 2005.

VOTE-ONLY ACTION:

- Adopt \$1 million to supplement county administration of child care programs in Los Angeles, San Bernardino, and Imperial Counties.

ISSUE 8: CHILD SUPPORT AUTOMATION PENALTY

The Subcommittee will direct savings from the Child Support Automation penalty.

BACKGROUND:

On May 11, 2005, the Subcommittee adopted \$128 million in savings from the enactment of federal legislation to relieve California of a portion of its federal child support penalty.

On Tuesday May 17, 2005, Rep. Matsui introduced HR 2409 to enact these changes at the Federal level.

The savings assumed in the Department of Child Support Services budget will be reflected in a different budgetary item in the Assembly version of the budget. Therefore the savings in Child Support should be restored.

VOTE-ONLY ACTION:

- Rescind prior action on Child Support Automation Penalty relief.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 9: FEE-EXEMPT LIVESCAN**

The Subcommittee will adopt funding for county child support funding.

BACKGROUND:

California requires persons working or volunteering at community care facilities and family day care facilities to be fingerprinted and have criminal background checks. Generally, licensees are required to pay for the fingerprinting process, although certain providers have been historically exempted or partially exempted from the required fees. These exemptions include providers in any small home that serves 6 or fewer children, including family day care homes, certified family homes, or foster family homes. The fees that have been exempted include a \$16 LiveScan fee and a \$24 FBI fee, for a total of \$40 per applicant.

In 2003-04 and 2004-05 the Legislature suspended this exemption, and those providers were required to pay fees of \$40 for their fingerprinting and background checks.

VOTE-ONLY ACTION:

- Amend the proposed trailer bill language to suspend the exemption for one additional year.

ISSUE 10: CASH ASSISTANCE PROGRAM FOR IMMIGRANTS

The Subcommittee will adopt caseload savings in the CAPI program

BACKGROUND:

In February, the LAO recommended a reduction in funding for the Cash Assistance Program for Immigrants (CAPI) because the caseload was overstated. The May Revision recognizes this caseload overestimate and reduces funding for CAPI by \$5 million. However, the LAO's review of the most recent actual data indicates that the caseload is still overstated by about 3 percent as of February 2005. Accordingly, the LAO recommends reducing funding for CAPI, beyond the Governor's May Revision, by \$2,450,000 in 2005-06 to account for this caseload reduction.

VOTE-ONLY ACTION:

- Adopt LAO revised caseload savings.

ITEM 4200 **DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS**
ITEM 5180 **DEPARTMENT OF SOCIAL SERVICES**

ISSUE 7: PROPOSITION 63 FUNDING IN DSS AND DADP

The DSS and the Department of Alcohol and Drug Programs have both issued April 1 proposals for staffing and budgetary authority for Proposition 63 implementation.

BACKGROUND:

The Department of Social Services and the Department of Alcohol and Drug Programs have both issued April 1 proposals for staffing and budgetary authority for Proposition 63 implementation.

In the May Revision included a proposal to make the DADP positions three-year limited term positions.

VOTE-ONLY ACTION:

- Conform to Senate.