AGENDA
SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER PATTY BERG, CHAIR

MONDAY, MAY 21, 2007
STATE CAPITOL, ROOM 4202
UPON ADJOURNMENT OF SESSION

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CONSENT CALENDAR

ACROSS DEPARTMENTS

CONSENT ISSUE 1: PRICE ADJUSTMENTS - SFL

BACKGROUND

The Governor submitted a spring finance letter to the Legislature on March 29, 2007, requesting a 50 percent reduction in the previously proposed price increase for state support of health and human services departments. The following departments are subject to the proposed General Fund reduction:

- 4140 Office of Statewide Planning and Development: -$2,000
- 4170 Department of Aging: - $14,000
- 4200 Department of Alcohol and Drug Programs: -$47,000
- 5160 Department of Rehabilitation: -$630,000
- 5176 Department of Child Support Services: -$426,000
- 5180 Department of Social Services: -$539,000

Staff Recommendation:

Approve the requested adjustments.

5180 DEPARTMENT OF SOCIAL SERVICES

CONSENT ISSUE 2: LOCAL ASSISTANCE: CASELOAD ADJUSTMENTS AND ADJUSTED BASELINE FUNDING - SFL

BACKGROUND

The May Revision proposes adjustments in funding to reflect caseload updates for CalWORKs, Foster Care, Adoptions Assistance, IHSS, SSI/SSP, Food Stamps Administration, and Child Welfare Services. The May Revision proposes a net increase of $7,512,000 (increases of $4,046,000 General Fund, $69,648,000 Reimbursements, and $9,000 Emergency Food Assistance Fund, partially offset by decreases of $65,478,000 Federal Trust Fund and $713,000 Child Support Collections Recovery Fund), due to the impact of caseload changes since the Governor's Budget. The May Revision reflects the following average monthly caseload in 2007-08, compared to 2006-07 caseload:

- **CalWORKs:** 459,000 cases (0.6 percent decrease)
- **Non-Assistance Food Stamps:** 577,000 cases (5.5 percent increase)
- **SSI/SSP:** 1,250,000 cases (1.8 percent increase)
- **In-Home Supportive Services (IHSS):** 389,000 cases (5.1 percent increase)
- **Foster Care:** 74,000 cases (0.2 percent increase)
- **KinGAP:** 14,000 cases (2.5 percent decrease)
- **Adoptions Assistance Program (AAP):** 77,000 cases (6.0 percent increase)
- **Child Welfare Services:** 160,000 cases (0 percent change)

Program	Item	Change Since Governor's Budget
CalWORKs / Kin-GAP	5180-101-0001	$11,862,000
	5180-101-0890	-$51,100,000
	5180-601-0995	$51,000
Foster Care	5180-101-0001	$21,210,000
	5180-101-0890	-$9,870,000
	5180-101-8004	-$713,000
	5180-141-0001	-$316,000
	5180-141-0890	-$116,000
Adoption Assistance Program	5180-101-0001	-$8,897,000
	5180-101-0890	-$11,588,000
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	5180-111-0001	-$45,570,000

In-Home Supportive Services (IHSS)	5180-111-0001 5180-611-0995	$37,310,000 $69,217,000
Child Welfare Services (CWS)	5180-151-0001 5180-151-0890 5180-651-0995	$8,261,000 -$39,674,000 -$550,000
Other Assistance Payments	5180-101-0001 5180-101-0122 5180-101-0890	-$2,516,000 $9,000 $1,647,000
County Administration and Automation Projects	5180-141-0001 5180-141-0890 5180-641-0995	-$764,000 -$6,854,000 $735,000
Title IV-E Waiver	5180-153-0001 5180-153-0890	-$15,984,000 $49,795,000
Remaining DSS Programs	5180-151-0001 5180-151-0890 5180-651-0995	-$550,000 $2,282,000 $195,000

Staff Recommendation:

Approve the May Revision adjustments in funding due to caseload updates (adjusted as appropriate for actions taken elsewhere in the agenda and previously by this Subcommittee), and adopt $5.4 million General Fund savings in the Cash Assistance Program for Immigrants and $3.4 million General Fund savings in Child Welfare Services due to revised caseload estimates identified by the Legislative Analyst's Office.

CONSENT ISSUE 3: *CONLAN V. SHEWRY* (ISSUE 037) - SFL

BACKGROUND

The May Revision requests an increase of $110,000 ($55,000 General Fund and $55,000 Reimbursements) for the establishment of 1.0 two-year limited term position to comply with the Conlan v. Shewry court decision. This position is expected to provide continuity in such tasks as policy development, claims processing procedures, county oversight, and technical assistance for In-Home Supportive Services recipients.

This request also includes the following Budget Bill language:

Amend Provision 4 of Item 5180-111-0001:

"4. The Director of Finance may authorize the transfer of amounts from this item to Item 5180-001-0001 in order to fund increased costs due to workload associated with the retroactive reimbursement of Medi-Cal services for the IHSS program to comply with the Conlan v. Shewry court decision. The Department of Finance shall report to the Legislature the amount to be transferred pursuant to this provision. The transfer shall be authorized at the time the report is made. <u>The State Department of Social Services shall review workload associated with Conlan during 2007-08 and may administratively establish positions as needed based on workload.</u>"

Staff Recommendation:

Approve the Finance Letter with the LAO-recommended amendment in the proposed budget bill language to require the Department of Finance to report to the Legislature on the amount to be transferred and the number of positions established.

CONSENT ISSUE 4: FREEZE RESPONSE IMPACT ON CALWORKS AND THE CALIFORNIA FOOD ASSISTANCE PROGRAM (ISSUE 125) - SFL

BACKGROUND

The May Revision requests an increase of $6,482,000 ($1,080,000 General Fund and $5,402,000 Federal Trust Fund) is requested to reflect an increase in CalWORKs and California Food Assistance Program (CFAP) benefits related to last winter's freezing conditions. The establishment of regional emergency intake centers allowed families affected by the freeze to timely apply for cash and food assistance. This resulted in additional families entering the CalWORKs, federal Food Stamp, and CFAP programs.

Staff Recommendation:

Approve the request.

CONSENT ISSUE 5: UPDATE COST OF SSI/SSP COST-OF-LIVING ADJUSTMENT (ISSUE 204) - SFL

BACKGROUND

The May Revision requests a decrease of $32,013,000 General Fund to update the cost to provide the January 2008 state SSI/SSP cost-of-living adjustment (COLA), as proposed in the Governor's Budget. Primarily, this decrease is due to updated escalation factor projections on which the COLA is based.

At the May 2, 2007 hearing, the Subcommittee approved $171.6 million to fund an SSP COLA of 3.7 percent and approved the pass through of $34.4 million for the federal SSI COLA of 1.2 percent. The Subcommittee has already taken the action that is proposed in the May Revision to reduce the SSP COLA to 3.7 percent to reflect the final calculation of the COLA index. However, the amount needed to fully fund the SSI/SSP COLAs will need to be revised to reflect the May Revision caseload numbers.

Staff Recommendation:

Amend the requested adjustment to conform to the Subcommittee's previous action to approve the 3.7 percent SSP COLA and the 1.2 percent SSI COLA. In addition, adopt the LAO's projected effect of the underestimation of the CPI, which reduces the General Fund cost avoidance, and therefore the price of restoring the state statutory COLA, to $148 million, or $37 million less than the administration's estimate.

CONSENT ISSUE 6: PROVISIONAL LANGUAGE FOR CONLAN V. SHEWRY (ISSUE 207) - SFL

BACKGROUND

The May Revision requests an increase of $110,000 ($55,000 General Fund and $55,000 Reimbursements) for the establishment of 1.0 two-year limited term position to comply with the Conlan v. Shewry court decision. This position is expected to provide continuity in such tasks as policy development, claims processing procedures, county oversight, and technical assistance for In-Home Supportive Services recipients. The May Revision also requests that Budget Bill language in Item 5180-111-0001 authorizing the transfer of funds to state operations to address the Conlan v. Shewry lawsuit be amended to allow the Department of Social Services (DSS) to administratively establish positions to manage resulting workload.

Staff Recommendation:

Approve the requested fiscal adjustment. Amend the budget bill language to also require the Department of Finance to report to the Legislature on the amount to be transferred and the number of positions established.

CONSENT ISSUE 7: FREEZE RESPONSE IMPACT ON FOOD STAMP ADMINISTRATION (ISSUE 255) - SFL

BACKGROUND

The May Revision requests an increase of $158,000 ($108,000 General Fund and $50,000 Federal Trust Fund) is requested to reflect increased county administration costs resulting from caseload growth in the federal Food Stamp and CFAP programs due to the statewide response to last winter's freezing conditions. Refer to Item 5180-101-0001, Issue 125 for a corresponding component in CalWORKs and Other Assistance Payments.

Staff Recommendation:

Approve the request.

CONSENT ISSUE 8: ELECTRONIC BENEFIT TRANSFER REPROCUREMENT (ISSUE 277) - SFL

BACKGROUND

The May Revision requests an increase of $1,462,000 ($559,000 General Fund and $903,000 Federal Trust Fund) for Electronic Benefit Transfer reprocurement planning and implementation activities. The Subcommittee also approved the Governor's Budget request for $863,000 ($278,000 General Fund) for reprocurement activities at the May 3, 2007. Although staff does not have particular concerns with this request, the Administration needs to work towards complying with the appropriate January and April deadlines for submission of these types of requests, which are inappropriate changes to be making at the May Revision. Future late submissions of these changes may not be able to be approved due to the lack of time for review.

Staff Recommendation:

Approve the requested adjustment.

CONSENT ISSUE 9: CWS/CASE MANAGEMENT SYSTEM FEDERAL COST ALLOCATION PLAN (ISSUE 326) - SFL

BACKGROUND

The May Revision requests an increase of $799,000 (increases of $1,552,000 Federal Trust Fund and $3,386,000 Reimbursements, partially offset by a decrease of $4,139,000 General Fund) to reflect a change to the Cost Allocation Plan (CAP) budgeting methodology as required by the federal Department of Health and Human Services' Division of Cost Allocation. This required CAP change also results in an increase of $12,345,000 federal Temporary Assistance for Needy Families (TANF) funding and a corresponding decrease in federal Title IV-E funding.

Staff Recommendation:

Approve the requested adjustment.

CONSENT ISSUE 10: TITLE IV-E WAIVER ADJUSTMENT (ISSUE 323) - SFL

BACKGROUND

The May Revision requests a decrease of $19,114,000 ($3,994,000 General Fund and $15,120,000 Federal Trust Fund) due to the budgeting methodology reflecting updated data for the Title IV-E Waiver. The Title IV-E Waiver uses a "capped allocation" strategy to block grant federal Title IV-E foster care funds for the participating counties of Los Angeles and Alameda. This strategy permits the flexible use of these funds on early intervention and prevention services in order to reduce the reliance on out-of-home care, promote reunification, and address required state and federal outcomes for child safety, permanence, and well-being.

Staff Recommendation:

Approve the requested adjustment. Adopt budget bill language to require the Department of Social Services (DSS) to collaborate with stakeholders on the Title IV-E waiver evaluation timeline, components, and execution effective upon enactment of the Budget Act.

CONSENT ISSUE 11: REAPPROPRIATION AUTHORITY FOR CALWORKS PERFORMANCE INCENTIVES (ISSUE 492) - SFL

BACKGROUND

The May Revision requests that Item 5180-492 be added to authorize the reappropriation of unspent CalWORKs performance incentive funds previously allocated to counties in 2002-03. The reappropriation is necessary to ensure that the funds provided to counties pursuant to Welfare and Institutions Code Section 10544.2 continue to be available for expenditure.

Staff Recommendation:

Approve the requested adjustment and associated budget bill language.

CONSENT ISSUE 12: HUMAN RESOURCES REQUEST (BCP), MEDI-CAL DISABILITY CLAIMS WORKLOAD (BCP), AND MEDI-CAL DISABILITY TRANSLATION SERVICES (SFL)

BACKGROUND

The Subcommittee has heard these requests at prior hearings and held them open pending the May Revision. They are:

- Human Resources Staffing BCP, heard May 9: The budget requests $1.1 million ($457,000 General Fund) and nine positions for the Department of Social Services' (DSS) human resources office to support workforce management, payroll and benefits, and consultation to supervisors and managers. Included in the total is $395,000 in ongoing workforce development funding.

- Medi-Cal Disability Claims Workload (BCP) and Medi-Cal Disability Translation Services (SFL), heard May 2: The budget includes two requests related to workload in the Department of Social Services (DSS) related to Medi-Cal disability claims. One request is a budget change proposal for $2.333 million ($1.167 million General Fund) and 11 limited-term positions to process a backlog of Medi-Cal medically needy disability applications and to avoid future backlogs. The other request is an April finance letter for $650,000 ($325,000 General Fund) and four permanent positions to obtain needed information from Limited English Proficiency (LEP) Medi-Cal medically needy disability applications via telephone translation service.

Staff Recommendation:

Approve as budgeted and approve the Spring Finance Letter.

CONSENT ISSUE 13: STATE SUPPORT FOR CALWORKS - BCPS

BACKGROUND

The budget includes two requests for resources for the Department of Social Services (DSS) to support TANF reauthorization and AB 1808 activities. The Subcommittee originally discussed these requests at the May 9, 2007 hearing.

1) **Support for TANF Reauthorization.** The budget requests $2.2 million in federal fund authority and 20 positions for DSS to support data collection for federal work participation in each county, including verification of data and reporting procedures, and to perform oversight and field monitoring of county procedures and case documentation for verification of recipient participation hours at the county level. These positions are intended to improve monitoring and measurement of the performance of counties to meet new federal data quality assurance mandates.

2) **Support for AB 1808 Activities.** The budget requests $832,000 in federal fund authority and seven limited-term positions for DSS to hold regular performance outcome measurement meetings with the counties to highlight best practices and identify obstacles to performance, and conduct county peer/state reviews to assist counties in improving work participation rates and implementation of the CalWORKs program. The DSS request also includes $250,000 to fund a contract with a consultant to design, develop, and implement a statewide performance indicator system for the CalWORKs program in the counties.

Staff Recommendation:

Reject the requested positions and funding.

CONSENT ISSUE 14: CHILD WELFARE SERVICES – BCPS

BACKGROUND

The Department of Social Services has four requests for state operations funding to support adoption-related activities that the Subcommittee heard on April 18, 2007.

1. **Mutual Consent Program** – Siblings (AB 2488, Leno, Chapter 386, Statutes of 2006): AB 2488 reduces the age from 21 years to 18 years that the Department of Social Services or an adoption agency may release the names and addresses of siblings to one another. It also permits an adoptee or sibling under 18 years of age, with permission from his or her adoptive parent or legal parent or guardian, to waive confidentiality of contact information for release to a sibling. In cases where there is no waiver on file, AB 2488 authorizes the court to appoint a confidential intermediary, which could be the Department of Social Services, to search for one sibling on behalf of the other.

   The DSS has submitted a request for $274,000 ($187,000 General Fund) and three positions to handle the duties of the confidential intermediary. Although the DSS currently handles post-adoption inquiries, they anticipate increased numbers of these inquiries and that most will petition the court to appoint a confidential intermediary to facilitate contact. It is reasonable to expect that there will be increased workload as a result of this bill; however, the DSS acknowledges that it has no concrete basis for knowing what that increase ultimately will be.

2. **Intercountry Adoptions** (SB 1393, Florez, Chapter 809, Statutes of 2006): SB 1393 provides for an expedited re-adoption process in California with fewer requirements for a foreign-born child adopted by California residents in the child's country. The expedited process is available if DSS has certified that the laws of the foreign country where the child was originally adopted meet or exceed California's adoption laws. SB 1393 requires DSS to certify five specified countries, China, Guatemala, Kazakhstan, Russia, and South Korea, and allows the expedited re-adoption process for any other countries that DSS has certified.

   The DSS has submitted a request for $381,000 General Fund and three positions to implement SB 1393. It is clear that there is additional workload to certify the five countries; however, much of this workload consists of one-time, up front activities related to the certification. It is not clear how much workload will be on an on-going basis. According to DSS, about 90 percent of the intercountry adoptions in California are from the five specified countries. Therefore, it is not known how many additional countries will need to be certified.

3. **Adoption Facilitator Registry** (SB 1758, Figueroa, Chapter 754, Statutes of 2006): SB 1758 requires the DSS to establish and adopt regulations for a statewide registration process, including an appeal process, for adoption facilitators. It also requires the DSS to establish and adopt regulations to require adoption facilitators to post a bond.

   The DSS has submitted a request for $237,000 General Fund and two positions to implement SB 1758. There is clearly additional workload for DSS to establish and adopt regulations for the registration and appeal process and for the bond. Although there will be on-going workload to handle new applicants and appeals, much of the work is one-time in nature. Furthermore, the justification for the on-going need for the requested legal position is to provide legal and litigation support without any justification or prior experience to support that workload.

4. **Hague Convention on Intercountry Adoption**. The Hague Convention on International Adoption is an international treaty to establish standards for intercountry adoptions focused on preventing child abduction and child trafficking. In February 2006, the U.S. State Department issued new federal regulations implementing the treaty and the treaty took effect in March of 2006. One of the federal requirements is that agencies providing intercountry adoptions be accredited by the Council on Accreditation if they are involved in adoptions in one of the 47 countries that are signatories to the treaty.

   The DSS has submitted a request for $92,000 General Fund and one position to implement policy letters, regulations and forms, and provide training and technical assistance to adoption agencies. The DSS cites a tripling in the rate of intercountry adoptions over the last decade and an (unspecified) increase in the number of adoption agencies providing intercountry adoptions. The DSS also indicates that they have legislation (SB 703, Ducheny) to conform state statute to federal law in this area, with new regulations and adoption reporting requirements to follow.

The Senate actions on these BCPs were:

1) For AB 2488 implementation, one position on a permanent basis and two positions for two-year limited-term;

2) For SB 1393 implementation, one Staff Counsel and one analyst position on a two-year limited-term basis;

3) For SB 1758 implementation, one analyst position on a permanent basis; and

4) For implementing the Hague Convention treaty, the one requested analyst position on a two-year limited-term basis.

In addition, there are two BCPs that were not previously heard by the Subcommittee:

1) The proposed Governor's Budget includes $702,000 ($351,000 General Fund) and five positions to establish a new unit to support federally required Children and Family Services Reviews (CSFRs). Based on federal statute, these reviews will occur every three years. The budget also includes a request to make two limited-term positions related to AB 636 implementation permanent (see DSS Issue 2 for a description of AB 636).

2) The DSS request includes $941,000 ($198,000 General Fund) and seven positions to provide state leadership, oversight, and technical support to counties who are working to improve children's programs. The DSS notes that a significant investment in local child welfare services was made in 2006-07, but no commensurate increase in state support for these local activities was provided. The positions would be used for the following activities:

   - Increase Child Safety – Two positions would assist counties in the implementation of the Standardized Safety Assessment System and Differential Response, monitor counties' performances, and assist counties in improving these outcomes.

   - Improve Permanency – Four existing limited-term positions would be made permanent to provide on-going leadership, oversight, and program expertise to social services and mental health partners at both the state and local levels in order to assure that counties meet the requirements of the Mental Health Services Act (MHSA). The DSS also requests $300,000 in MHSA funds to contract for wraparound training and technical support to counties.

   - Improve Well-Being – One position would develop and disseminate, in collaboration with the Department of Mental Health, mental health and developmental screening tools for use by physicians to see foster children, provide instruction and consultation to county staff to ensure accurate and adequate documentation of the results of mental health and developmental screens, assessments, and treatment services, and provide on-site county consultation and technical assistance.

The Senate approved both of these BCPs as budgeted.

Staff Recommendation:

Conform with the Senate's actions on all BCPs included in this item.

CONSENT ISSUE 15: SEMI-ANNUAL REPORTING AUTOMATION COSTS (ISSUE 271)

BACKGROUND

The May Revision requests an increase of $17,151,000 ($3,664,000 General Fund and $13,487,000 Federal Trust Fund) to reflect one-time automation costs necessary to implement a semi-annual reporting (SAR) system for the CalWORKs, federal Food Stamp, and CFAP programs in 2008-09. To minimize disruption to recipients, automation efforts necessary to transition from the current quarterly reporting system to a SAR system would need to begin at least one year prior to the effective date of implementation, which is scheduled to be January 1, 2009.

Staff Recommendation:

Approve the requested adjustment and the following budget bill provisional language in Item 5180-141-0001:

Of the funds appropriated in this item, $17,151,000 is for automation changes in the four Statewide Automated Welfare System (SAWS) consortia for the purpose implementing a semi-annual reporting system. These funds may not be expended unless all of the following conditions are met: (1) the Legislature enacts a program of semi-annual reporting for the CalWORKs, Food Stamps, and California Food Assistance programs; (2) related automation project documents, as required by the state administrative manual, are approved by the Department of Finance; and (3) the Department of Finance notifies the Legislature of its approval.

CONSENT ISSUE 16: DIRECT DEPOSIT

BACKGROUND

At both the April 11 and May 9, 2007 hearings, the Subcommittee received an update from the Department of Social Services (DSS) on the implementation of direct deposit to all In-Home Supportive Services (IHSS) caregivers. Although IHSS is a county-administered program, the State Controller makes the payment for IHSS providers by issuing individual checks to each provider. Currently, only a small number of IHSS clients who receive "advance pay" receive their funds through a direct deposit payment.

The 2006-07 Budget Act requires DSS to expand its direct deposit system to all IHSS caregivers. Although progress is being made, this expansion has taken significantly longer than originally projected.

Staff Recommendation:

Adopt:

- Supplemental Reporting Language requiring the DSS submit a schedule by August reflecting monthly progress tasks and then a monthly status letter against that schedule with a representative from the Legislative Analyst's Office and the Department of Finance, if desired, attending a quarterly status meeting.

- Placeholder trailer bill language to do the following:

  Amend WIC §12304.4. (a) The department, <u>and the Office of the State Controller,</u> shall establish a program of direct deposit by electronic transfer for payments to in-home supportive services providers. A provider may choose to receive payments via direct deposit at his or her option. The State Department of Social Services, the Controller, and the California Health and Human Services Agency shall make all necessary automation changes to allow for payment by direct deposit<u> no later than May 1, 2008</u>.

CONSENT ISSUE 17: FOOD BANK FUNDING FOR FREEZE (ISSUE 205)

BACKGROUND

The May Revision requests an increase of $4,445,000 General Fund to fund local food banks and Foodlink, a private organization that stores and delivers food during emergencies, to provide relief to Californians from the effects of last winter's severe weather conditions. This funding will enable these entities to pay the storage and distribution costs for the more than 1,500 truck loads of anticipated federal commodities. The May Revision also requests that Budget Bill language be added to Item 5180-101-0001 to allow this funding to reimburse food banks and Foodlink for costs incurred in 2006-07 responding to the freeze, along with any costs incurred in 2007-08.

Staff Recommendation:

Adopt the requested adjustment and budget bill language. Adopt placeholder trailer bill language that would permit any of these funds that are unused for their stated purpose to be used for other emergency food needs in the state.

CONSENT ISSUE 18: EROSION OF IN-HOME SUPPORTIVE SERVICES QUALITY ASSURANCE SAVINGS (ISSUE 203)

BACKGROUND

The May Revision requests an increase of $149,222,000 ($48,497,000 General Fund and $100,725,000 Reimbursements) to reflect a lower level of Quality Assurance savings due to a revised methodology based on actual implementation data.

Staff Recommendation:

Approve the requested adjustment. Adopt Supplemental Report Language to require the Department of Social Services (DSS) to report to the Legislature quarterly on IHSS utilization data by county, task, and client level. The data will also report the number of exceptions by county, task, and client level. Adopt budget bill language to require the DSS to report at budget hearings on the impact of the IHSS QA regulations.

CONSENT ISSUE 19: TEMPORARY ASSISTANCE PROGRAM

BACKGROUND

The budget proposes trailer bill language that would delay implementation of the Temporary Assistance Program (TAP) indefinitely at the discretion of the Director of the Department of Social Services (DSS).

The 2006-07 budget trailer bill established TAP as a non-MOE state-funded program that would provide CalWORKs-level grants and supportive services to CalWORKs clients who are exempt under state law from work participation requirements. The trailer bill established April 1, 2007 as the implementation date for TAP, but allowed DSS to request an extension of the implementation date with a letter to the Joint Legislative Budget Committee (JLBC). On January 19, 2007, DSS notified the JLBC that TAP implementation will be indefinitely delayed due to federal child support distribution rules and their effect on CalWORKs benefits.

Staff Recommendation:

Revise the proposed trailer bill language to delay the implementation date from the current October 1, 2007 to April 1, 2009.

0530 HEALTH AND HUMAN SERVICES AGENCY – OFFICE OF SYSTEM INTEGRATION

CONSENT ISSUE 20: OUTSTANDING BCPS HEARD ON APRIL 16

BACKGROUND

In the April 16, 2007 hearing, the Subcommittee discussed funding for the Statewide Automated Welfare System (SAWS), which is comprised of five automation systems and a project management office.

The Statewide Automated Welfare System (SAWS) automates the eligibility, benefit, case management, and reporting processes for a variety of health and human services programs operated by the counties: CalWORKs, Food Stamps, Foster Care, Medi-Cal, Refugee Assistance, and County Medical Services Program. SAWS includes four primary systems managed by local consortia, a statewide time-on-aid tracking system, and a statewide project management and oversight office.

Program	Region
LEADER	Los Angeles County (37% of caseload)
LEADER Replacement	
ISAWS	35 counties (13% of caseload)
ISAWS Migration	Migration of 35 ISAWS counties to C-IV
C-IV	4 counties (13% of caseload)
CalWIN	18 counties (36% caseload)
WDTIP	Statewide time on aid tracking
Statewide Project Mgmt	Statewide project management and oversight

BCPs in this area include:

Child Welfare Services/Case Management System (CWS/CMS). The proposed Governor's budget requests funding for two Child Welfare Services/Case Management System (CWS/CMS) issues: 1) $1.549 million ($774,000 General Fund) in the current year and $5.0 million ($2.4 million General Fund) in the budget year for on-going maintenance and operations of the existing CWS/CMS; and 2) $343,000 ($171,000 General Fund) in the budget year for updated planning costs for the new CWS/CMS project.

Interim Statewide Automated Welfare System (ISAWS): The Governor's budget requests $36.7 million ($14.3 million General Fund) for ongoing maintenance and operations of the ISAWS system. The budget also includes $2.3 million ($1 million General Fund) in 2007-08 for planning costs to migrate the 35 ISAWS counties to C-IV. The ISAWS system was completed in the early 1990's. Due to technology and functionality problems, including manual workarounds and a proprietary mainframe architecture, the ISAWS counties have evaluated options to migrate to another SAWS system. They have chosen to migrate to C-IV. Planning activities for ISAWS migration will began in July 2006, and will continue through April 2008. One-time transition costs to migrate the ISAWS counties to C-IV are roughly estimated at $136 million. Funding for transition costs will be requested as part of the May Revision. Once the transition to C-IV is complete, ongoing maintenance and operations costs for the 35 ISAWS counties are expected to decline by $10.8 million. Counties included are listed below:

Alpine	Imperial	Mendocino	Shasta
Amador	Inyo	Modoc	Sierra
Butte	Kern	Mono	Siskiyou
Calaveras	Kings	Monterey	Sutter
Colusa	Lake	Napa	Tehama
Del Norte	Lassen	Nevada	Trinity
El Dorado	Madera	Plumas	Tuolumne
Glenn	Marin	San Benito	Yuba
Humboldt	Mariposa	San Joaquin	

Consortium IV (C-IV): The Governor's budget includes $48.7 million ($17.5 million General Fund) for ongoing maintenance and operations of the C-IV system in 2007-08. C-IV began system development in 2001, and completed implementation in 2004. The budget reflects savings of $128,000 for 2006-07 for services supporting the C-IV Joint Powers Authority. The budget request for 2007-08 is $60,000, essentially flat from the current year. The C-IV counties are Merced, Riverside, San Bernardino, and Stanislaus.

CalWORKs Information Network (CalWIN): The Governor's budget requests $117.5 million ($44.3 million General Fund) to continue implementation and operations of the CalWIN system. Implementation of this system began in Sacramento County in March 2005 and was completed in July 2006. Current year funding for CalWIN reflects savings of $4.6 million due largely to one-time reduced print charge costs. Funding for 2007-08 includes one-time implementation costs of $33.0 million, and ongoing maintenance costs of $84.5 million. These counties are:

Alameda	San Mateo
Contra Costa	Santa Barbara
Fresno	Santa Clara
Orange	Santa Cruz
Placer	Solano
Sacramento	Sonoma
San Diego	Tulare
San Francisco	Ventura
San Luis Obispo	Yolo

Staff Recommendation:

Approve the Jan. 10 BCPs as outlined in the item above.

CONSENT ISSUE 21: ELECTRONIC BENEFIT TRANSFER (EBT) (ISSUE 002) - SFL

BACKGROUND

The May Revision requests that Item 0530-001-9732 be augmented by $872,000 and 12.0 limited-term positions to ensure that a new system is in place by the current system's August 2010 contract expiration date. Of the 12.0 requested positions, 4.0 will begin in March 2008 and 8.0 will begin in May 2008. These resources are needed to facilitate the completion of the planning phase and begin system implementation activities. Although staff does not have particular concerns with this request, the Administration needs to work towards complying with the appropriate January and April deadlines for submission of these types of requests, which are inappropriate changes to be making at the May Revision. Future late submissions of these changes may not be able to be approved due to the lack of time for review.

Staff Recommendation:

Approve the requested adjustment.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

CONSENT ISSUE 22: FEDERAL DISPUTE RESOLUTION GRANT (ISSUE 006) - SFL

BACKGROUND

The May Revision requests that Item 5175-101-0890 be increased by $200,000 and that Item 5175-101-0001 be amended to reflect an updated schedule for the federal dispute resolution grant. Although there is no net change to the total expenditures for this grant program, this change represents a shift in federal authority of unspent 2006-07 funds to 2007-08 and 2008-09. This change is the result of pilot counties taking longer than anticipated to implement dispute resolution programs.

Staff Recommendation:

Approve the requested adjustment.

CONSENT ISSUE 23: CCSAS STATE DISBURSEMENT UNIT (SDU) (ISSUE 013) - SFL

BACKGROUND

The May Revision requests that Item 5175-101-0001 be decreased by $3,033,000 and that Item 5175-101-0890 be decreased by $3,874,000 to reflect changes in costs related to the CCSAS SDU. This includes a decrease of $7,008,000 ($3,033,000 General Fund) for Service Provider payments to reflect lower than estimated transaction volume and an increase of $101,000 federal funds for reimbursement to the Franchise Tax Board for increased staff costs.

Staff Recommendation:

Approve the requested adjustments.

CONSENT ISSUE 24: CCSAS CHILD SUPPORT ENFORCEMENT (CSE) SYSTEM (ISSUE 014) - SFL

BACKGROUND

The May Revision requests that Item 5175-101-0001 be decreased by $640,000 and that Item 5175-101-0890 be decreased by $1,240,000. This change reflects a decrease of $1,944,000 ($662,000 General Fund) in CSE Maintenance and Operations cost for the local child support enforcement agencies (LCSAs). It also reflects an LCSA request to increase funding by $65,000 ($22,000 General Fund) due to increased costs for maintenance support.

Staff Recommendation:

Approve the requested adjustments

CONSENT ISSUE 25: PERFORMANCE INCENTIVE FUNDING

BACKGROUND

The proposed budget includes $68 million ($23 million General Fund) for Local Child Support Agencies (LCSAs) to backfill for lost Federal Financial Participation (FFP). Beginning October 2007, the federal Deficit Reduction Act (DRA) of 2005 eliminated states' ability to utilize federal performance incentives funds as eligible matching dollars for FFP. In order to retain the current funding level for LCSA administration, $68 million ($23 million General Fund) is needed for 2007-08. This represents nine months of backfill funding. For 2008-09, the Department of Child Support Services (DCSS) will request $90 million ($31 million General Fund) to replace the lost federal match of performance incentives. The Subcommittee originally discussed this request on March 7, 2007 and left the item open pending the May Revision.

Staff Recommendation:

Approve as budgeted.

CONSENT ISSUE 26: OUTSTANDING SPRING FINANCE LETTERS

BACKGROUND

The Department of Child Support Services (DCSS) submitted the following April Finance Letter requests, which the Subcommittee discussed on May 9, 2007. The Subcommittee held the items open pending receipt of contract information from the DCSS. That information was submitted to and analyzed by Subcommittee staff.

1) **California Child Support Automation System (CCSAS) Functionality.** DCSS submitted an April Finance Letter requesting position authority for nine permanent positions and 2 one-year limited-term positions to address workload associated with implementation of the California Child Support Automation System (CCSAS). The DCSS proposes to redirect savings of $1,161 million ($394,000) from existing contracts to fund the positions.

2) **Recovery of Non-Sufficient Funds (NSF).** DCSS has submitted an April Finance Letter requesting position authority for seven permanent positions and 3 one-year limited-term positions for the research, analysis, and processing of Non-Sufficient Funds (NSF) returned items. The DCSS proposes to redirect $872,000 ($296,000 General Fund) in savings from existing contracts to fund the positions and administrative funds currently provided to Local Child Support Agencies (LCSAs).

3) **State Distribution Unit (SDU) Bank Exceptions.** DCSS has submitted an April Finance Letter requesting position authority for two permanent positions and 1 one-year limited-term position to perform increased accounting activities for analyzing and processing bank exceptions. The DCSS proposes to redirect $288,000 ($98,000 General Fund) in savings from existing contracts to fund the positions.

4) **Information Security Office.** DCSS has submitted an April Finance Letter requesting position authority for six permanent positions to expand the Information Security Program. The DCSS proposes to redirect $677,000 ($230,000 General Fund) in savings from existing contracts to fund the positions.

5) **Centralized Financial Worker.** DCSS has submitted an April Finance Letter requesting position authority for 3 two-year limited-term positions to manage, maintain, and resolve suspended collections to financial data. The DCSS proposes to redirect $250,000 ($85,000 General Fund) in savings from existing contracts to fund the positions.

Staff Recommendation:

Approve the requested adjustments in 1 through 5 above with a permanent redirection of funds from Items 5175-002-0001 and 5175-002-0890 to Items 5175-001-0001 and 5175-001-0890.

CONSENT ISSUE 27: OUTSTANDING BCPS

BACKGROUND

1) **Employer Data File Maintenance.** The proposed Governor's Budget requests authority for 6.5 new positions in the Department of Child Support Services (DCSS) to manage and support a centralized statewide Employer Data File (EDF). California is currently developing a statewide automation system that includes a central repository for employer-related data. Although there are other statewide databases including employer information maintained by the Employment Development Department and the Franchise Tax Board (FTB) for their purposes, the DCSS' EDF will contain more information than those, as well as information on a national level. The positions requested for the workload associated with the EDF were based on an analysis of the number of staff required by FTB to maintain their central employer file (which is smaller than the EDF will be). The $249,000 needed to support the new positions will be redirected from contract savings.

2) **Transfer of General Fund Authority from the Department of Justice.** The proposed Governor's Budget transfers $348,000 General Fund from the Department of Justice (DOJ) budget to the Department of Child Support Services (DCSS) budget. This is a technical adjustment. Effective July 1, 2007, the DOJ will shift to a simply monthly billing rate method for DCSS, which will streamline the process and make it consistent with the method currently employed by the DOJ's other special fund clients. The DOJ has a companion budget change proposal that conforms to this request.

3) **Office of Audits and Compliance**. The proposed Governor's Budget includes two new positions to staff an Internal Audits Unit within the newly created Office of Audits and Compliance. The DCSS was audited in January 2006 by the Department of Finance for compliance with Fiscal Integrity and State Managers Accountability Act (FISMA) standards. The audit findings presented a clear need for an internal audit and compliance function to monitor, manage, and improve department policies and procedures by which it oversees its handling of $2 billion in child support collections. The $154,000 needed to support the new positions will be redirected from contract savings.

4) **Mandatory Parental Fees.** The proposed budget includes $1.8 million to cover the costs of the $25 application fee that the federal Deficit Reduction Act of 2005 (DRA) requires states to charge “never-assisted” families whose collections exceed $500. Never-assisted families are those who have never received CalWORKs cash aid. Beginning in January 2008, in accordance with the Deficit Reduction Act, the federal government will assess an annual fee on the state of $25 for each never-assisted child support case for which $500 or more is collected. The state may choose to recover this fee from: (1) the custodial parent; or (2) the noncustodial parent. Alternatively, the state can choose to absorb this cost, thereby paying it out of state funds. For 2007-08, the fee would be $1.8 million. Because California has never collected a fee related to child support, there are significant automation reprogramming costs associated with attempting collection from the custodial or noncustodial parents.

   The DCSS is currently operating the two legacy subsystems, and the single replacement system (Version 2) will not be completed until October 2008 at the earliest. As a result, collecting the fee in the budget year would require the reprogramming of three separate systems. According to the department, it is not cost-effective to make reprogramming changes at this time.

   Since the fee will not be assessed until January 2008, the 2007-08 budget includes $1.8 million General Fund to cover the fee for six months. In 2008-09, the General Fund cost to cover this fee is estimated to be about $3.5 million.

   In order to avoid reprogramming costs for three separate systems, the LAO concurs with the decision to use state funds to cover the mandatory fee in 2007-08. However, in the long run, the LAO contends that collecting a fee may have merit. The LAO recommends that the Legislature adopt supplemental report language (SRL) requiring DCSS to provide a report to the Legislature in 2008 on the costs and benefits of collecting a fee.

   The following SRL is consistent with this recommendation:

   > *Report on the Costs and Benefits of Collecting a Fee. The Department of Child Support Services shall provide a report no later than March 1, 2008 on the costs and benefits of assessing an annual fee of $25 for never assisted child support cases for which $500 or more is collected.*

Staff Recommendation:

Approve the budget requests and adopt the LAO SRL for the mandatory parental fees.

CONSENT ISSUE 28: CONTINUE SUSPENSION OF HEALTH INSURANCE INCENTIVES AND IMPROVED PERFORMANCE INCENTIVES PROGRAMS - TBL

BACKGROUND

The budget proposes trailer bill language to continue the suspension of two programs, the Health Insurance Incentives and the Improved Performance Incentives programs, through 2007-08. These programs were part of the Child Support reform legislation passed in 1999. The Health Insurance Incentives program paid LCSAs $50 for each case for which they obtained third-party health insurance coverage or insurance for child support applicants or recipients. The Improved Performance Incentives program provided the ten best performing LCSAs with five percent of the amount they collected on behalf of the state for public assistance payment recoupments. The funding received by the LCSAs was required to be reinvested back into the Child Support Program. These programs were suspended for four years beginning 2002-03. The Department of Finance notes that LCSAs are required by DCSS regulations to seek third-party health insurance coverage as part of their normal business processes.

Staff Recommendation:

Approve the proposed trailer bill language.

4170 DEPARTMENT OF AGING

CONSENT ISSUE 29: ALZHEIMER'S DEMONSTRATION PROJECT GRANT BUDGET BILL LANGUAGE (ISSUE 278) - SFL

BACKGROUND

The May Revision requests that language be added to Item 4170-101-0890 and that Item 4170-101-0001 be amended to reflect this change. This request would authorize expenditure of up to $320,000 Federal Trust Fund to continue the support of home and community-based services for persons afflicted with Alzheimer's disease and their caregivers, upon the approval of the Department of Finance. The California Department of Aging (CDA) has received this grant for 15 years. Although the 2007-08 Governor's Budget assumes continuation of the grant, the CDA expects official notification of receipt of the grant in July 2007.

Staff Recommendation:

Amend the requested budget bill language to require notification of the Joint Legislative Budget Committee within 10 days of approval by Department of Finance to the Department of Aging to expend the funds.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

CONSENT ISSUE 30: CALIFORNIA METHAMPHETAMINE INITIATIVE - BCP

BACKGROUND

The Governor's Budget redirects $197,000 General Fund from existing funding provided for the California Methamphetamine Initiative (CMI) to provide two limited-term positions to the Department of Alcohol and Drug Programs (DADP) to provide state support to the CMI. The requested positions would work with the consultant to develop the media campaign and conduct additional activities to coordinate, support, and disseminate to counties best practices on the prevention and treatment of methamphetamine abuse.

The Subcommittee originally discussed this request in its March 14, 2007 hearing and held the item open pending submission of a statutorily required methamphetamine prevention plan to the Legislature by April 1, 2007. This report was submitted in early April and is generally consistent with the activities described in this budget request.

Staff Recommendation:

Approve as budgeted.

CONSENT ISSUE 31: PRISON INMATE AFTERCARE TREATMENT

BACKGROUND

The Governor's Budget proposes $519,000 General Fund and six positions (two half-time limited-term) to license and certify additional drug treatment providers as a result of enactment of Senate Bill (SB) 1453 (Speier, Chapter 875, Statutes of 2006).

SB 1453 requires non-violent prison inmates who participated in drug treatment in prison to enter a 150-day residential aftercare drug treatment program upon their release from prison. Based upon estimates from the California Department of Corrections and Rehabilitation (CDCR), the Department of Alcohol and Drug Programs (DADP) expects that 5,500 parolees annually will be required to participate in an aftercare treatment program. The Subcommittee discussed this request in the March 14, 2007 hearing and held the item open pending updated estimates from the CDCR at the May Revision. CDCR has not changed their projections for participation in this program.

Staff Recommendation:

Approve as budgeted.

CONSENT ISSUE 32: DRUG MEDI-CAL (ISSUE 603)

BACKGROUND

The May Revision requests that Item 4200-103-0001 be increased by $8,044,000 and Reimbursements be increased by $7,924,000 to reflect revised caseload and utilization estimates, as well as a correction to reimbursement rates for the Narcotic Treatment Program (NTP) modality proposed in the Governor's Budget. The Administration determined that a formula component used to develop the 2007-08 NTP rates undercounted the number of NTP clients in the maintenance phase of treatment. This erroneous client count was then applied against cost components of the rate, and as such, understated the appropriate rate reimbursement level. The rate correction represents $5.3 million General Fund of the requested increase.

The Regular Drug Medi-Cal population is projected to be 193,502 in 2007-08, an increase of 11,876, or 6.5 percent, from the Governor's Budget. In addition to caseload adjustments, the May Revision Estimate projects a net increase in units of service for the program. These increases are a result of expanded treatment capacity and an increase in the number of substance abuse treatment and recovery providers over the last several years.

The May Revision further requests that Item 4200-102-0001 be increased by $620,000 and Reimbursements be increased by $620,000 to reflect revised caseload estimates for the Perinatal Drug Medi-Cal population, and increased provider reimbursement rates for the NTP modality. Revised caseload and utilization projections account for $590,000 of the requested change, and the rate correction represents $30,000 General Fund. In addition to the rate correction, this change reflects a minor increase in caseload and an increase in average units of service. Caseload is projected to be 9,644 in 2007-08, an increase of 535, or 5.9 percent, from the Governor's Budget.

Staff Recommendation:

Approve the BCP for Drug Medi-Cal and the requested adjustments in the May Revision letter.

CONSENT ISSUE 33: LICENSING REFORM PHASE II - BCP

BACKGROUND

The Subcommittee heard this item at its March 14 hearing. The budget requests $1.2 million General Fund and 12.5 positions (4.5 limited-term) in DADP to conduct biennial compliance visits of licensed and/or certified programs, and federally required monitoring reviews and complaint investigations of Drug Medi-Cal (DMC) providers. The budget also calls for statutory language to permit the collection of fees from all providers to fund these activities and would establish a new fund for the fee revenues. The fees would initially be set at $2,150 biennially, which is what current law requires for-profit providers be charged, and DADP would convene a stakeholder group to determine a permanent fee schedule.

Staff Recommendation:

Approve as budgeted.

5160 DEPARTMENT OF REHABILITATION

CONSENT ISSUE 34: OFFICE BUILDING (OB) 10 RELOCATION SUPPORT - BCP

BACKGROUND

The Subcommittee heard this item at its April 16 hearing. The budget proposes an increase of $4.0 million ($2.0 million General Fund) for the Department of Rehabilitation (DOR) to furnish, occupy, and operate from OB 10 (721 Capitol Mall) in the summer of 2007. Of the total, $851,000 is one-time.

In fiscal year 2001-02, DOR began discussions with the Department of General Services (DGS) regarding options for DOR to move from their current location at 2000 Evergreen Street back to the downtown area. In May 2003, DOR received formal notification from DGS (with confirmation from the Department of Finance) that DOR would become the occupant of OB 10. The DOR agreed to become the tenant contingent on an augmentation to their budget to cover any increased facilities and moving costs. Without a budget augmentation, DOR will not be able to fund the relocation to and increased rent for OB 10 without redirecting federal Vocational Rehabilitation (VR) funds from services to consumers.

Staff Recommendation:

Approve as budgeted.

CONSENT ISSUE 35: OFFICE BUILDING 10 LEASE RATE REDUCTION (ISSUE 002) - SFL

BACKGROUND

The May Revision requests that Item 5160-001-0001 be decreased by $1,749,000 and Item 5160-001-0890 be decreased by $136,000. As a result of a decrease in bond payments scheduled for fiscal year 2007-08, the rent costs charged to the Department of Rehabilitation will decrease by $2,609,000 ($1,903,000 General Fund). However, the overall reduction will be partially offset by $724,000 ($154,000 General Fund) for four months of dual rent payments required as a result of unanticipated moving delays.

The budget proposes an increase of $4.0 million ($2.0 million General Fund) for the Department of Rehabilitation (DOR) to furnish, occupy, and operate from OB 10 (721 Capitol Mall) in the summer of 2007. Of the total, $851,000 is one-time.

Staff Recommendation:

Approve the requested adjustment.

CONSENT ISSUE 36: REQUIREMENTS IN THE STATUTORY SUBVENTION PROCESS

BACKGROUND

In the April 16, 2007 hearing, the Subcommittee discussed a Senate proposal to revise the documents that the Department of Rehabilitation (DOR) provides as part of the statutory subvention process. The Subcommittee directed staff to monitor the Senate process with the Department of Finance, the DOR, and the Legislative Analyst's Office (LAO) to revise the budget documents DOR is statutorily required to submit and develop trailer bill language implementing those revisions.

The LAO convened all parties to discuss alternatives for DOR to the existing subvention process and DOR has submitted new tables as a part of the May Revision. However, how to revise the trailer bill language is still being discussed.

Staff Recommendation:

Adopt placeholder trailer bill language that reflects the revised information submitted by the Department of Rehabilitation at the May Revision, conforming with pending Senate action.

CONSENT ISSUE 37: MAY REVISION CASELOAD ADJUSTMENTS

BACKGROUND

The May Revision caseload estimates from the Department of Rehabilitation (DOR) reflected no growth in funding between 2006-07 and 2007-08. In large part, this is due to the fact that the large majority of DOR's funding is from the federal Vocational Rehabilitation (VR) grant, which is not expected to change from this year to next.

In addition, DOR funds services for persons with developmental disabilities through the Supported Employment Program (SEP) and Work Activity Program (WAP). The SEP and WAP were provided a rate increase in 2006-07, which led to increased costs and caseloads in the current year. These costs did not reflect a full-year of implementation costs because the rate increases were phased in to providers as new cases came in. In 2007-08 all providers will be receiving the higher rates. However, the DOR estimate does not reflect any increase in SEP or WAP caseloads as a result of the 2006-07 changes and does not reflect the increased costs of full year implementation of the higher rates.

The 2007-08 estimate may be deficient by as much as $4.4 million due to the flat funding and caseload. Without additional General Fund, the Administration will cover this shortfall by cutting existing services to, and funding used for, DOR VR consumers, and redirecting those funds to the SEP and WAP. However, rather than acknowledge the need to make that difficult choice due to the fiscal situation of the State, it appears that the Administration has chosen simply not to update SEP and WAP caseload information.

Staff Recommendation:

Approve the Department of Rehabilitation estimate as budgeted. Adopt placeholder trailer bill language that requires the Department of Rehabilitation to track the exact number of SEP and WAP consumers for 2007-08, how much it costs to serve them, and from what other programs funds were redirected to serve them if the costs exceed the budgeted amount. The DOR shall submit this information to the Legislature on January 10, 2008 and May 15, 2008. The Department of Rehabilitation shall also submit to the Legislature a proposed methodology for projecting caseload and funding growth in the SEP and WAP for 2008-09 and beyond by April 1, 2008.

VOTE-ONLY ITEMS

5180 DEPARTMENT OF SOCIAL SERVICES

VOTE-ONLY ISSUE 1: CALWORKS REFORM SAVINGS EROSION (ISSUE 122) - SFL

BACKGROUND

The May Revision requests an increase of $9,915,000 Federal Trust Fund to reflect a reduction in the savings assumed to result from the proposed CalWORKs reform measures included in the Governor's Budget that would implement on November 1, 2007. This increase consists of the following adjustments:

- A $16,291,000 increase to reflect reduced grant and administrative savings primarily due to a revised methodology for the modified safety net proposal, which would limit grant payments to timed-out families who meet federal work participation requirements.

- A $2,587,000 increase in grants related to the proposal to impose time limits on families containing ineligible adults, resulting from an overall decrease in projected caseload.

- A $9,137,000 decrease to reflect reduced grant and services costs, partially offset by increased administrative costs, primarily due to a methodology correction in determining the caseload impact of the full family sanction proposal.

- A $174,000 increase in administration to reflect one-time mailing costs to notify recipients of the reform measures at least 90 days prior to implementation.

Staff Recommendation:

Approve the requested adjustments and conform these changes to the Subcommittee's previous action on this item (to reject the proposals on safety net grants and full-family sanctions).

VOTE-ONLY ISSUE 2: REGIONAL MARKET RATE ADJUSTMENT FOR CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CALWORKS) CHILD CARE (ISSUE 120) - SFL

BACKGROUND

The May Revision requests an increase of $36,542,000 Federal Trust Fund for CalWORKs Stage 1 child care to reflect increased child care provider costs resulting from the revised regional market rate ceilings implemented in 2006-07. Recent data provided by counties indicates an overall increase in the cost per case primarily due to increased provider rates.

Staff Recommendation:

Approve the requested adjustment.

VOTE-ONLY ISSUE 3: CALWORKS UPDATE AND PLACEHOLDER TRAILER BILL LANGUAGE

BACKGROUND

This subcommittee heard and rejected the Governor's CalWORKs limiting families' access to support and services, and directed staff to meet and hear feedback regarding other ideas and options to further the goals of CalWORKs as well as facilitate meeting the federal work participation rate. Feedback has been substantial and varied but requires significant review and discussion. Ongoing work continues with the department and stakeholders. Substantial feedback regarding counties' current efforts in implementing 2006 reforms with additional resources indicates extensive county assessment and innovative strategies.

Given the ongoing work and county focus, the Subcommittee will adopt placeholder trailer bill language requiring the department to review and elicit best practice strategies from the counties' work.

Staff Recommendation:

Adopt placeholder trailer bill language: 1) requiring the Department of Social Services to review the county plans for promising practices in the areas of upfront engagement and re-engagement of sanctioned families; gather information on implementation and results of these proposals; and disseminate that information; and 2) require DSS, in conjunction with the County Welfare Director's Association, to review the county plans and work with counties to determine what activities and strategies counties are using to encourage participation among time-limited families, gather information about the characteristics of the time-limited population, and report that information. The information in both cases should be submitted to the Legislature and counties. The Legislature would like to work with the Administration to develop an appropriate time frame for submission of those reports.

VOTE-ONLY ISSUE 4: SEMI-ANNUAL REPORTING IN CALWORKS AND THE FOOD STAMP PROGRAM

BACKGROUND

In the March 28 hearing, the Subcommittee discussed the Administration's proposed trailer bill language to move from the current quarterly reporting system to semi-annual reporting. Including moving to semi-annual reporting, the trailer bill language requires that recipients report at any time during a semi-annual reporting period of a cumulative increase or decrease in monthly income of $100 or more.

CalWORKs and Food Stamp advocates and the County Welfare Directors Association have expressed significant concerns regarding the impact of the $100 income reporting threshold. Department estimates indicate that the $100 threshold would result in more than a thousand new reports each month, mostly from families who would not have to report under today's rules. These families would lose benefits more quickly because they have to report much more frequently than they do under the current quarterly reporting rules, lowering the incentive for CalWORKs recipients to work and resulting in increased administrative duties for county staff. Under the current quarterly reporting system, the only CalWORKs income reporting threshold is the point at which a family would no longer be eligible for CalWORKs benefits ($1,671 for a family of three in a high cost county). Advocates and counties suggest that the State seek to minimize reporting requirements, thus minimizing negative impacts to recipients and ensuring the lowest possible increase to county workload. Under a semiannual reporting system, the CalWORKs income reporting threshold that is cost-neutral to the State relative to the existing reporting threshold is $1,100.

Staff Recommendation:

Reject the Administration' trailer bill language and adopt replacement placeholder trailer bill language that will: 1) require counties to redetermine eligibility for recipients of CalWORKs and food stamp benefits on a semiannual basis; 2) establish an income reporting threshold where families must report within the six month period if their income increases by $1,100 or increases above the CalWORKs or Food Stamp eligibility thresholds; and 3) prohibit the recoupment of projected Cal-WORKS administrative savings as long as county human services departments do not have sufficient funding to cover the cost of doing business and require settle-up of actual CalWORKs administrative savings with any projected CalWORKs administrative savings.

VOTE-ONLY ISSUE 5: CALWORKS RESERVE FOR CONTINGENCIES (ISSUE 403) - SFL

BACKGROUND

The May Revision requests that language in Item 5180-403 be modified to decrease the total TANF reserve from $150,103,000 to $140,336,000. The TANF reserve is available for unanticipated needs in any program for which TANF Block Grant funds are appropriated, including CalWORKs benefits, employment services, county administration, and child care costs. The decrease in the TANF reserve reflects a net increase in 2006-07 and 2007-08 in TANF expenditures. These expenditures, which are partially offset by a decreased CalWORKs caseload projection, primarily consist of increased CalWORKs child care costs due to revised regional market provider rates implemented in 2006-07; the revised CAP budgeting methodology for CWS/CMS as required by the federal government; and proposed semi-annual reporting automation costs.

Staff Recommendation:

Approve the requested adjustment and associated budget bill language, again conforming these changes to the Subcommittee's previous action on this item (to reject the proposals on safety net grants and full-family sanctions).

VOTE-ONLY ISSUE 6: ENHANCED KIN-GAP

BACKGROUND

The Enhanced Kin-GAP program was established in the 2006 budget trailer bill as a voluntary alternative to the existing Kin-GAP program. The goals of the Enhanced Kin-GAP are the same as those of the "regular" Kin-GAP Program, but the eligibility is expanded to include certain probation youth who have been living with a relative for at least twelve months. As with "regular" Kin-GAP, the Enhanced Kin-GAP rates are also equal to 100 percent of the basic foster care rate for children placed in a licensed or approved home, but are increased by a clothing allowance and, if eligible, by a specialized care increment. These rate adjustments provide relative caregivers parity with the amounts that foster families receive.

There are two issues requiring legislative clean-up.

1) County Sharing Ratio for the Clothing Allowance: The trailer bill lacked sufficient clarity on the 100 percent General Fund share of the state clothing allowance add-on to Kin-GAP.

2) Statutory Exclusion from Clothing Allowance: Three counties, Tehama, Plumas, and Colusa, are excluded by statute from providing the state clothing allowance. Adding these counties would cost less than $15,000 General Fund per year.

Staff Recommendation:

Provide $1 million General Fund to fund the state clothing allowance at 100 percent and to permit the three counties to receive the clothing allowance. Adopt placeholder trailer bill language to effect these changes as follows:

Section 11367 of the Welfare and Institutions Code is amended to read:
11367. Kin-GAP, in an amount equal to the applicable regional per-child CalWORKs grant, shall be paid by the state. ***The supplemental clothing allowance shall be paid pursuant to Section 11461 (f) (4).*** The balance of Kin-GAP shall be paid in equal portions by the state and the counties. The state share of benefits and administration of the Kin-GAP program shall be funded with General Fund resources that do not count toward the state's maintenance of effort requirements under Section 609(s)(7)(B)(i) of Title 42 of the United States Code.

Section 11461 (f) of the Welfare & Institutions Code is amended to read:
(f) (1) As used in this section, "clothing allowance" means the amount paid with state participation in addition to the basic rate for the provision of additional clothing for an AFDC-FC child, including, but not limited to, an initial supply of clothing and school or other uniforms.
(2) Any county that, as of the effective date of this section, has in effect clothing allowances, shall continue to receive the same level as it received on the effective date of this section. ***<u>For</u>***

children whose foster care payment is the responsibility of Colusa, Plumas and Tehama counties, the amount may be up to two hundred and seventy-four ($274) per child per year.

> ***(A) Within 60 days of the effective date of this section, these three counties shall submit to the department a Clothing Allowance Program Notification.***
>
> ***(B) The Clothing Allowance Program Notification shall identify the specific amount(s) to be paid and the disbursement schedule for these clothing allowance payments.***

(3) Beginning January 1, 1990, except as provided in paragraph (4), clothing allowances shall be adjusted annually in accordance with the methodology for the schedule of basic rates described in subdivision (c) and (d). No county shall be reimbursed for any increases in clothing allowances, which exceed the adjustments, made in accordance with this methodology.

(4) For the 2000-01 fiscal year and each fiscal year thereafter, without a county share of cost, notwithstanding subdivision (c) of Section 15200, each child shall be entitled to receive a supplemental clothing allowance of one hundred dollars ($100) per year subject to the availability of funds. The clothing allowance shall be used to supplement, and not supplant, the clothing allowance specified in paragraph (1).

VOTE-ONLY ISSUE 7: CWS BUDGET METHODOLOGY

BACKGROUND

On May 11, 2007, the Department of Social Services (DSS) released its Child Welfare Services (CWS) Budget Methodology proposal. This report was due to the Legislature on February 1, 2007, with the intent of the Legislature that the budget methodology be implemented in the Budget Act of 2007. This issue was originally discussed by the Subcommittee on April 18, 2007.

Child Welfare Services Workload Study (SB 2030) Findings: There has been an ongoing effort in the Child Welfare Services (CWS) program to determine how many cases a social worker can carry and still effectively do his or her job. In 1998, the Department of Social Services commissioned the SB 2030 study of counties' caseloads. At the time, the study concluded that for most categories the caseloads per-worker were twice the recommended levels. According to the study, it was difficult for social workers to provide services or maintain meaningful contact with children and their families because of the number of cases they were expected to carry. The report also found that the 1984 standards used by the state were based on outdated workload factors, and did not reflect any additional responsibilities that had been placed on social workers by the state and federal governments. These findings and the minimal and optimal social worker standards proposed by the report have been included in budget discussions regarding staffing standards since the report's release.

Child Welfare Services (CWS) Budget Methodology: As part of the budget process last year, discussions occurred about whether to place the SB 2030 standards in statute with a timeline for achieving them. Instead, the final Budget Act of 2006 required the Department of Social Services to lead a workgroup, including the California Welfare Director's Association, legislative staff, and members of organizations representing social workers, to develop a methodology for budgeting the child welfare services program to meet statutory program requirements and outcomes taking into account the SB 2030 standards.

The proposed budget methodology was due to the Legislature by February 1, 2007, and it was the intent of the Legislature that the budget methodology be implemented in the Budget Act of 2007. The Subcommittee expressed concern in several of its hearings that delay in the release of the budget methodology proposal would be problematic because the Legislature would not have time to thoroughly analyze and discuss the proposed methodology at the May Revision. However, that concern proved to be unfounded as the report offered no budget methodology proposal.

Instead, the report offered four recommendations:

- Work with the California Welfare Director's Association (CWDA) to establish a stable and predictable funding methodology.
- Work with the CWDA to develop an allocation methodology that addresses funding inequalities caused by the "hold harmless" policy.
- Share all CWS Program costs on a consistent basis with current sharing ratio.
- The DSS should begin to study the linkages between populations, poverty, and related demographics and the CWS caseloads.

Essentially, the Administration has recommended that they do what last year's language required them to do. Additionally, the report includes numerous contradictory and unfounded conclusions.

The report concludes that minimum SB 2030 standards are already funded, implying that the standards have merit as a benchmark of funding adequacy. However, the current staffing levels are overstated in the report and the report's calculation of current statewide funding levels includes funding for items that are not core child welfare services activities. The report also points to the counties' investment of $409 million of local funding beyond the required levels from 2001-02 and 2005-06 as evidence that the minimum standards are funded, rather than recognizing that counties may be backfilling for inadequate state funding levels for a state responsibility. The report is highly critical of the policy to hold counties harmless for reductions in foster care because it has created inequities across counties. However, the "hold harmless" policy is a core component of the Title IV-E waiver demonstration project, which the Administration touts in the report. The report also fails to consider that funding inadequacies may be more of a cause of the inequities than the hold harmless policy.

As part of the work of developing the budget methodology report, the DSS consulted with the Center for Public Policy Research at the University of California, Davis, to conduct an independent review of research including other states' caseload standards. The research showed that California's caseloads are higher than most other states, and it found that the SB 2030 study to be the most extensive and highly regarded effort to date to measure appropriate workload in child welfare. Given the Administration's implicit acceptance of the standards as a benchmark of funding adequacy and rejection of the opportunity to propose an alternative methodology, it seems appropriate to move forward in 2007-08 to implement the SB 2030 standards.

Staff Recommendation:

Adopt placeholder trailer bill language that would enact over five years the optimal standards reflected in the SB 2030 study as updated to reflect changes in practice to be implemented July 1, 2008.

VOTE-ONLY ISSUE 8: LICENSING REFORM AUTOMATION - BCP

BACKGROUND

The budget requests $1.7 million ($1.5 million General Fund) and ten positions for the Department of Social Services (DSS) to begin a project to upgrade its information technology systems supporting the licensing program. Although already identified as a need in DSS' IT Strategic Plan, this proposal also responds to findings of deficiencies in enforcement and inadequate program oversight and accountability in an audit of DSS' efforts to rebuild the child care program completed in May 2006 by the Bureau of State Audits (BSA). This IT project is expected to take two years to complete.

The Subcommittee originally heard this request in the April 25, 2007 hearing but held the item open pending the provision of a report from DSS due on April 1, 2007, on the cost to track key information related to enforcement activities with noncompliant facilities. The Subcommittee also requested information be provided to legislative staff and the LAO on the estimated time and cost to complete each of the components of the IT Strategic Plan. The DSS still has not submitted the April 1 report to the Legislature, but did respond to Subcommittee staff with high level cost information related to the IT Strategic Plan.

Staff Recommendation:

Approve the budget request. Reduce Item 5181-001-0001 by $1.675 million and add the following provision:

In addition to the amount appropriated in this item, the Department may spend up to $1,675,000 to implement its Licensing Reform Automation proposal, subject to the following condition. The Community Care Licensing public website pages which display individualized licensing information about providers, shall display, in addition to existing information, any adverse administrative actions pending against a provider's license. These funds may not be expended until the Department of Social Services notifies the Legislature of how they intend to display this new information.

VOTE-ONLY ISSUE 9: ADULT PROTECTIVE SERVICES

BACKGROUND

At the March 7 and May 2, 2007 hearings, the Subcommittee discussed the Adult Protective Services (APS) Program, demand for APS services, and the underfunding of the program. The proposed budget includes $123.6 million ($61.3 million General Fund) for 2007-08, an increase of five percent reflecting higher federal fund levels. The state funding level for APS has remained unchanged since 2002-03, while demand for services increases.

Staff Recommendation:

Provide a $12 million General Fund augmentation to the Adult Protective Services Program and placeholder trailer bill language to do the following:

Section 15765 of the Welfare and Institutions Code is amended to read:

15765. ~~This chapter shall become operative on May 1, 1999. Commencing with the 1999-2000 fiscal year, Sections 15760 to 15764, inclusive, shall be implemented only to the extent funds are provided in the annual Budget Act.~~ Commencing with the 2008-09 fiscal year, the department shall present a budget to the Legislature based on a methodology that is reflective of program requirements and objectives.

VOTE-ONLY ISSUE 10: CASH ASSISTANCE PROGRAM FOR IMMIGRANTS

BACKGROUND

At its May 2 hearing, the Subcommittee discussed the Cash Assistance Program for Immigrants (CAPI) and the issue of a gap in benefits for those applying for federal SSI upon naturalization.

Staff Recommendation:

Adopt placeholder trailer bill language to permit CAPI recipients who naturalize to continue to receive benefits as they participate in the application and administrative appeal process of the Social Security Administration.

VOTE-ONLY ISSUE 11: COMMUNITY CARE LICENSING – BCP AND SFL

BACKGROUND

At its April 24, 2007 hearing, the Subcommittee rejected a spring finance letter that sought to reduce the BCP to increase the number of inspections in community care licensing due to a calculation error. The request was to reduce the original request by $2.4 million ($2.3 million General Fund) and 30.5 positions.

Staff Recommendation:

Approve the BCP as budgeted and reject the spring finance letter, allowing the dollars to stay in the item with the adoption of placeholder budget bill language for the entire item to state that the additional appropriation made therein is for the purpose of increasing the number of community care facility inspections and follow-up visits.

VOTE-ONLY ISSUE 12: FOSTER CARE PAYMENT METHODOLOGY

BACKGROUND

Over the past five years, subject to rising costs and outdated methodologies, foster caregivers of all types (foster family homes, foster family agencies, and group homes) have found that they cannot afford to continue. The current Rate Classification Level (RCL) system for group homes, as an example, includes only $7.83 per hour for the wages of entry-level child care workers, less than the $8.00 minimum wage that will go into effect on January 1, 2008. Group homes find it impossible to recruit and retain qualified and dedicated staff at those payment levels

The fiscal and staffing problems faced by group homes and other foster caregivers that force them to leave the field are of particular concern as it relates to juvenile offenders. A large number of counties do not have adequate local options to address the needs of their juvenile offenders. This is not only a deficiency in infrastructure, but there is also a lack of resources and current capacity to provide certain specialized services to juvenile offenders. As a result, counties are forced to rely upon the state juvenile justice facilities for residential placements.

Group homes play a critical role in the continuum of options available for juvenile offenders. A proposal by the California Alliance of Child and Family Services to update foster care payment methodologies would address the needs of foster care providers, including group homes. This proposal would:

1) Provide a 5 percent increase to county foster family home base rates and specialized care increments.
2) Provide a 5 percent increase to each component of the FFA rate, including the basic rate, child increment, social work services, and recruitment, training and administration.
3) Increase the amount built into the group home RCL system for entry level child care workers by 5 percent from $7.83 per hour to $8.22 per hour and increasing the percentage included for payroll taxes and employer paid benefits from 20 percent and 24 percent.

The updated payment methodology is estimated to cost $22 million General Fund for the full year.

Staff Recommendation:

Provide $11 million General Fund for a partial year increase, starting January 1, 2008, and adopt placeholder trailer bill language updating the foster care methodology for all types of foster care providers (foster family homes, foster family agencies, and group homes) to address cost increases associated with caregiver recruitment and retention, minimum wage changes, payroll tax increases, higher benefit costs, and specialized care requirements.

0530 HEALTH AND HUMAN SERVICES AGENCY – OFFICE OF SYSTEM INTEGRATION

VOTE-ONLY ISSUE 13: OUTSTANDING BCPS

BACKGROUND

The Subcommittee heard the following two automation BCPs at its April 16 hearing:

- **Leader Replacement:** The Governor's budget includes $12.6 million ($2.9 million General Fund) for the LEADER system, used by Los Angeles County. This amount is for maintenance and operations (M&O) of the existing system. LEADER system implementation was completed on April 30, 2001. The initial contract term for LEADER M&O expired on April 30, 2005. A contract amendment for a 24-month extension was executed and expires April 30, 2007. Los Angeles County negotiated another contract amendment to extend that contract for five years, through April 2012, with three optional one-year extensions.

  The Governor proposes that $2.0 million of additional funds be used for planning activities for replacing LEADER. The planning phase for a replacement system began in 2005-06 and had an original completion date of 2006-07. The planning phase has now been extended to 2007-08 to account for more realistic workload and review time estimates. In addition, the procurement scope has been expanded. Initially, the procurement approach would have resulted in the release of an RFP requiring vendors to propose the transfer of a California-based SAWS system that would meet the county's requirements to take advantage of the significant investment already made to develop systems appropriate for California's social services programs. Once planning activities began, DSS, OSI, and Los Angeles County concluded that a procurement strategy based on the County's business and technical requirements could result in other viable proposals. At the conclusion of the planning phase, Los Angeles County will have completed and released a request for proposals, evaluated the proposals received, selected a vendor, and negotiated a contract with the selected vendor.

- **CMIPS:** The Governor's budget proposes $25.0 million (11.6 million General Fund) for a new automation system to replace the existing Case Management, Information, and Payrolling System (CMIPS). Development of the new system, known as CMIPS II, is necessary to meet state and federal program requirements for IHSS.

  The existing CMIPS provides client case management and provider payrolling functions for the In-Home Supportive Services (IHSS) program. CMIPS is a 20 year-old system. Maintenance and operating costs for CMIPS are $11.9 million ($4.1 million General Fund) annually.

Staff Recommendation:

Approve the two BCPs as budgeted.

VOTE-ONLY ISSUE 14: VARIOUS AUTOMATION SFLS

BACKGROUND

The May Revision proposes significant changes to four automation systems.

Issue 1A: Child Welfare Services/Case Management Systems (CWS/CMS) Technical Change

It is requested that $117,000 be redirected within Item 0530-001-9732 to continue 5.0 limited-term positions for three months. The authorization for these positions currently expires on March 31, 2008. This technical adjustment is necessary in order to evaluate the ongoing need for these limited-term positions during the 2008-09 budget process. All costs associated with the positions will be redirected from within existing resources.

Although this request does appear to be technical, staff did not have sufficient time to analyze the request. It should be noted that the Administration knew about this situation in time to request the adjustment in both the Governor's Budget in January and spring finance letter process in April. There is no apparent reason for the Administration to have waited until the May Revision to submit this request.

Issue 1B: Case Management, Information, and Payrolling Systems II (CMIPS II)

The May Revision requests that item 0530-001-9732 be reduced by $1,622,000 to transfer this funding and associated position authority to the Department of Social Services (DSS), as DSS will need these positions for implementation of the system. In addition, the May Revision requests that language be added to Item 0530-001-9732, to allow the Department of Finance to augment the amount available for expenditure in this item to pay for new contract costs and other costs associated with CMIPS II implementation, subject to legislative notification. These costs are currently unknown, as contract negotiations will not be completed until at least July 2007. The proposed language would allow negotiations to continue, while not further delaying planning and implementation activities. Although this language was included in the 2006 Budget Act, it was not proposed in the 2007-08 Governor's Budget because not enough information was available at the time to confirm the authority would be needed again in 2007-08. Further, the May Revision requests that 6.0 limited-term positions be extended for one additional year for the purpose of continuing system planning activities and cost negotiations. All costs associated with the positions will be redirected from within existing resources.

The May Revision also requests an increase of $412,000 ($206,000 General Fund and $206,000 Reimbursements) and 4.0 one-year limited term positions for the Department of Social Services to continue planning and procurement activities for the Case Management Information and Payrolling System II (CMIPS II) project. It is requested that resources be transferred from local assistance to fund this effort.

The Subcommittee originally discussed the CMIPS II system in the April 19, 2007 hearing and held the item open pending updated information resulting from the contract negotiations. Instead of having complete information upon which to build the 2007-08 budget, however, the contract negotiations are taking longer than was indicated in the April 19 discussion. While the delay in this case may be beyond the Administration's control, the Legislature is left in the position, due to the timing, of having to provide authority to the Administration to make project decisions mid-year without more direct input of the Legislature.

Issue 1C: CalWORKs Information Network/Welfare Client Data System

The May Revision requests a decrease of $40,472,000 ($15,252,000 General Fund, $16,760,000 Federal Trust Fund, and $8,460,000 Reimbursements) to reflect a change from implementation to maintenance and operations for the CalWORKs Information Network/Welfare Client Data System.

This is a significant change in the maintenance and operations of this system. The Administration did not provide any indication to the LAO or legislative staff at the Governor's Budget or during the spring finance letter process that this reduction would be coming. While it is good that the changes result in General Fund savings rather than costs, it is disturbing that such large swings in project costs could go unanticipated.

Issue ID: Interim Statewide Automated Welfare System Migration

The May Revision requests an increase of $36,574,000 ($16,039,000 General Fund, $11,638,000 Federal Trust Fund, and $8,897,000 Reimbursements) to complete Interim Statewide Automated Welfare System Migration planning and to begin implementation activities.

As with many of the previous requests, the timing of this proposal has made it impossible for legislative staff and the LAO to meaningfully review the proposal. This is particularly important in this case because of the magnitude of the cost increases. Neither the LAO nor legislative staff was given an indication that these costs would be coming so late in the year.

Staff Recommendation:

Approve as budgeted, but on the condition and with the understanding that the May Revision requests outlined above will be conference items per the Senate's pending action to approve an increase of $1,000 for all of these items. Placing these items into conference committee will provide staff an opportunity to analyze the request.

4170 CALIFORNIA DEPARTMENT OF AGING

VOTE-ONLY ISSUE 15: SENIOR LEGAL HOTLINE

BACKGROUND

The statewide Senior Legal Hotline (SLH) efficiently handles a large volume of cases using phone, mail, fax and Internet, freeing time and resources at overburdened local programs to help more of the neediest with representation and to conduct community education. Its statewide perspective has also led the hotline to assume a central role in coordination, training, and communication among the state's 38 local senior legal providers. It is quick to notice and respond to trends affecting large numbers of California seniors.

Even without state funding until now, California's SLH has become the largest in the country and is considered a national model and leader in quality, efficiency, and innovation. It handled nearly 20,000 cases in 2005-06. With sufficient resources, these numbers would be much higher, but instead they are falling due to lost federal funding, and California seniors are at risk of losing the program altogether.

Staff Recommendation:

Provide $250,000 General Fund to the Senior Legal Hotline. Add a schedule to Item 4710-101-0001 as follows:

(4.5) 97.20.004 Local Projects…....$250,000
(a) Legal Services of Northern California: Senior Legal Hotline

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

VOTE-ONLY ISSUE 16: FUNDING FOR PROPOSITION 36, THE SUBSTANCE ABUSE AND CRIME PREVENTION ACT (SACPA) AND THE OFFENDER TREATMENT PROGRAM

BACKGROUND

The Governor's Budget reduced funding for the Substance Abuse and Crime Prevention Act (SACPA) by $60 million General Fund in 2007-08. Of this $60 million, $35 million is proposed to be redirected to provide an increase to the Substance Abuse Offender Treatment Program (OTP). The remaining $25 million would be one-time General Fund savings. Originally, the Administration stated that it would revise its budget proposal in the May Revision to move the remaining $60 million in General Fund for SACPA to OTP if the program reforms are not implemented. However, the Administration reversed that position in light of recent legislation regarding prison reform. Nonetheless, the budget continues to reduce overall funding for community substance abuse treatment by $25 million.

Researchers at the University of California, Los Angeles (UCLA) released a report on the effectiveness of SACPA in April 2006. The UCLA report included three studies that each documented costs and savings in eight areas: prison, jail, probation, parole, arrest and conviction, treatment, health, and taxes. CalWORKs and Child Welfare/Foster Care costs and savings were not included in the study. The researchers used administrative data from state databases for SACPA and non-SACPA participants to measure state and local savings.

Overall, UCLA found a benefit-cost ratio of nearly 2.5 to 1, indicating that $2.50 was saved for every $1 in SACPA expenditures. Across the 8 areas assessed, SACPA led to a total cost savings of $2,861 per offender over the 30-month follow up period. For drug treatment completers, SACPA reflected a benefit-to-cost ratio of about 4 to 1, despite higher treatment costs for this group, indicating that approximately $4 was saved for every $1 spent on a treatment completer in SACPA. Total savings across eight areas was $5,601 per offender for completers.

Based on the latest survey of counties, the total estimated amount needed to fully fund Proposition 36 is $265 million.

Staff Recommendation:

Appropriate $25 million General Fund to Proposition 36 to restore funding to the current year level. Maintain the total $60 million that the Administration has proposed for the Offender Treatment Program.

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

VOTE-ONLY ISSUE 17: NATURALIZATION SERVICES PROGRAM

BACKGROUND

The budget includes $3.0 million for the Naturalization Services Program (NSP). This program assists legal permanent residents in obtaining citizenship. The Urban Institute estimates that approximately 2.7 million Californians are eligible but have not applied for citizenship. The Subcommittee originally discussed this issue at the May 2, 2007 hearing.

The NSP funds local organizations that conduct outreach, intake and assessment, citizenship application assistance, citizenship testing and interview preparation. In 2006, the program is expected to assist an average of 12,000 individuals in the completion of citizenship applications. Total funding for the program in 2006-07 is $3.0 million General Fund. Positive outcomes as a result of NSP and citizenship include improved employment opportunities for citizens, and reduced caseload for state-only programs such as the Cash Assistance Program for Immigrants (CAPI), as citizens may quality for the federally-funded Supplemental Security Income (SSI) program.

Staff Recommendation:

Provide an additional $2.0 million General Fund for the Naturalization Services Program. In light of the bipartisan immigration bill that was introduced last week in the U.S. Senate that would enable more than 12 million illegal immigrants to live and work in the United States legally, it is even more critical than ever to ensure that California's immigrant residents have a path to citizenship

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

VOTE-ONLY ISSUE 18: CALIFORNIA CHILD SUPPORT AUTOMATION SYSTEM (CCSAS) FEDERAL CERTIFICATION (ISSUE 001) - SFL

BACKGROUND

The May Revision proposes that Item 5175-490, which was requested to be added in a Finance Letter dated March 29, 2007, be revised to increase the proposed reappropriation authority by $9.9 million, for total authority of $49,702,000. These funds would be reappropriated from unspent 2005-06 appropriations. The funds would be used for various CCSAS changes related to federal certification of the system. The language also would allow the Department of Child Support Services to reappropriate additional unspent funds from 2004-05, 2005-06, and 2006-07 to cover further costs associated with implementation of the CCSAS and obtaining federal certification, after a 30-day notification to the Legislature.

Staff Recommendation:

Approve the reappropriation of unspent funds from the 2004-05 and 2005-06 appropriations, but delete the reappropriation language for 2006-07. The amount of the 2006-07 funds that will be unspent is unknown and the reappropriation request is premature.

ITEMS TO BE HEARD

5180 DEPARTMENT OF SOCIAL SERVICES

DISCUSSION ISSUE 1: FOSTER CARE OVERPAYMENTS (ISSUE 321)

BACKGROUND

The May Revision proposes $3.4 million General Fund in 2006-07 and $906,000 General Fund in 2007-08 to reflect costs to conform to federal regulations that require immediate repayment of the federal share of foster care overpayments as soon as payments have been verified. The May Revision estimates that the county share to conform to these regulations will be $5.1 million in 2006-07 and $1.4 million in 2007-08.

The current practice is to repay the federal share of foster care overpayments upon recoupment from foster care providers. The federal government has clarified that it requires repayment of all state and county overpayments currently verified, whether or not the overpayment has been recollected. The proposal by the Administration to comply with the new federal requirement is to share the cost of the repayment with the counties according to the foster care sharing ratio, which is 40 percent state General Fund and 60 percent county funds. The Administration also proposes to retroactively apply that sharing ratio to foster care overpayments dating back to October 2003. Because the 40:60 sharing ratio is already in statute, the Administration asserts it does not need legislation to apply the ratio to repayments or to require repayments according to the ratio retroactively.

The County Welfare Directors Association (CWDA) has expressed concerns with the Administration's proposal. There is no current obligation to collect overpayments retroactively and most prior overpayments are uncollectible. The Administration's authority to administratively require retroactive repayments from the counties is dubious. The process by which CWS/CMS systems changes that would minimize foster care provider overpayments are approved is lengthy and counties do not have access to existing CWS/CMS data that would help minimize overpayments. Furthermore, although they agree conceptually with sharing the cost of the repayments with the State, they object to being required to repay overpayments from which they are prohibited from collecting due to a lawsuit or existing statute.

Questions:

Department, please explain the Administration's proposal.
Department, what is your authority for imposing a county share of retroactive repayments?

Staff Recommendation:

Reject the May Revision proposal. Adopt placeholder trailer bill language that: 1) rejects any retroactive cost-sharing of foster care overpayments; 2) requires DSS to work with the CWDA to develop a fair approach to state/county cost sharing of overpayments on a prospective basis, including repayment for legally uncollectible overpayments; 3) requires DSS to clarify policy and adopt regulations where lacking for the collection of overpayments; 4) requires DSS to gather and disseminate information and support county best practices for the prevention and recovery of overpayments; and 5) requires DSS and the Office of System Integration to work with CWDA to complete expedited approval of county requests to modify or implement automation systems designed to minimize overpayments and to provide counties with needed data from the CWS/CMS system to minimize overpayments.

Although a sharing between the state and county of repayments of foster care overpayments is reasonable, the authority to do should be explicitly provided in statute and only on a prospective basis. While the Administration argues that counties are responsible for making the overpayments and should share in the repayment in all situations, it is unfair to not provide counties with the assistance and tools that they need to prevent the overpayments from occurring in the first place.

DISCUSSION ISSUE 2: ESTABLISH FIXED RATE FOR DUAL AGENCY CHILDREN (ISSUES 324 AND 325) - SFL

BACKGROUND

The May Revision includes a new proposal to clarify the rate structure for children who are regional center consumers and in receipt of either Aid to Families with Dependent Children-Foster Care (AFCD-FC) or Adoption Assistance Payments (AAP) benefits (call "dual agency" children). The proposal is estimated to avoid costs of $25 million ($7 million General Fund) in 2007-08 and an additional $130 million ($42 million General Fund) in 2008-09.

Under current law, the care and supervision rate provided to children who are eligible for regional center services and who are receiving AFDC-FC or AAP rates is linked to the ARM rate provided by regional centers to vendorized group home facilities servicing children with developmental disabilities. During the past few years there has been increased confusion regarding the process for determining an appropriate rate for the cost of care and supervision received by dual agency children, leading to a series of lawsuits throughout the state. Increasing numbers of foster parent and adoptive parents have requested administrative hearings to resolve rate disputes and have postponed finalization of adoptions pending resolution. Due to decisions from Administrative Law Judges increasing the rates originally set by the regional center for dual agency children to the maximum allowable, $5,139. As a result, there is pressure to initially set the rates at the maximum allowable, regardless of the individual needs of the child.

The May Revision proposal would fix the amount that dual agency children could receive for board and care under AFDC-FC and AAP to $2,006 per month for dual agency children three years of age or older and $898 per month for dual agency children under three years of age. Existing foster and adoptive families currently at rates above $2,006 per month would be permitted to maintain their higher rate and existing families currently below $2,006 per month would be raised to that rate. Dual agency children would continue to be eligible for all regional center services to which they are statutorily entitled.

The proposal would provide clarity in the rate setting process and the roles of county welfare departments and regional centers, provide statewide consistency in the setting of rates for dual agency children, facilitate the finalization of adoptions, and assist in resolving pending litigation. Furthermore, it protects the State from potentially significant repayment of Title IV-E funds to the federal government. Title IV-E funds are prohibited from being used for purposes other than board and care and current rate setting process in California is based on treatment and other needs of the child beyond board and care. The regional center system is the required and appropriate entity to all other necessary services and supports. The federal government has recently increased the scrutiny of the general use of Title IV-E funds by California.

Although the Administration's proposal was developed in conjunction with the California Welfare Directors Association (CWDA) and the Association of Regional Center Agencies (ARCA), the Alliance for Children's Rights, Public Counsel, and Protection and Advocacy, Inc., are opposed. They argue that the proposal excluding an examination of each child's needs in the setting of the rate violates federal and state law, the proposed $2,006 rate would cut in half the funding received by children with the most severe disabilities and would be a disincentive for families to adopt these hard-to-place children, and the proposal has had no public discussion and was not developed in conjunction with advocacy organizations.

The advocacy organizations are rightly concerned about the timing of this policy. Regardless of perspectives on the appropriateness of the proposed policy, it is a significant change to current policy and should have been discussed through the policy and budget processes. It is unclear why this proposal and the associated caseload estimates were not included in the January budget given that it is virtually identical to one that the Administration tried to enact at the end of the last legislative session, but ultimately withdrew in large part because of the lack of time to completely vet the proposal with stakeholders. The timing of the proposal puts the Legislature in a difficult position: either adopt the proposal with virtually no review and public discussion or face large fiscal consequences.

It is true that these dual agency children are among the most challenging to place in foster care and adoptive families and that the higher rate would be a benefit to those families. It is also important to remember that the rate at issue is for board and care only. Dual agency children are still entitled to an individual evaluation of their needs by a regional center and are entitled to receive all the services identified as part of the individual evaluation. The State needs to ensure that the regional center system is fully accessible to dual agency children and that they receive needed services in a sufficient and timely manner.

Questions:

Department, please describe the May Revision proposal.
Department, what is your response to questions regarding the legality of the proposal? What did your legal analysis conclude?
Department, why did the Administration wait until the May Revision to introduce this proposal?

Staff Recommendation:

Approve as budgeted and amend trailer bill language to: 1) strengthen the grandfather provisions; 2) require DSS to collect information on the number of adoptions of dual agency children prior to and after implementation of the proposal; 3) require DDS to collect information over a corresponding period of time on how services provided by regional centers changed for these dual agency children and whether there was an increase in the number of appeals related to dual agency children; and 4) require DSS and DDS to submit a joint report with this information back to the Legislature. The Legislature would like to work with the Administration to develop an appropriate time frame for submission of those reports.

DISCUSSION ISSUE 3: GOMEZ V. SAENZ (ISSUE 322) - SFL

BACKGROUND

The May Revision proposes $6.8 million ($4.3 million) to reflect the settlement of the Gomez v. Saenz court case, which requires counties to enact a grievance process to provide due process to any persons wishing to challenge their listing on the Child Abuse Central Index (CACI).

The recently settled Gomez v. Saenz court case establishes a grievance process that includes timelines and requirements for notification to individuals listed on the CACI, hearing procedures, opportunity to inspect files, and a requirement that the social worker conducting the investigation be present at the grievance hearing so that the person grieving the listing on the CACI can cross-examine the social worker. This proposed grievance process will result in new workload and is a significant practice change for local child welfare agencies.

The California Welfare Directors Association (CWDA) is concerned, based on their examination of counties that already conduct internal reviews when CACI complaints are filed, that the Administration's estimate understates the staff time for hearings by as much as 42 percent. The CWDA estimates the amount of the resulting funding shortfall could be $3.6 million ($1.8 million General Fund).

Questions:

Department, please describe the Gomez v. Saenz court case settlement.
Department, what are the assumptions behind your estimate of the additional costs?

Staff Recommendation:

Adopt the May Revision funding level as budgeted. Adopt placeholder trailer bill language to require DSS, in consultation with the County Welfare Director's Association, to track actual county costs to implement the Gomez v. Saenz court settlement agreement in the 2007-08 fiscal year. To the extent that actual costs differ from the amount estimated in the budget, the actual costs shall be used to update the premise commencing with the 2008-09 budget.

DISCUSSION ISSUE 4: HUMAN SERVICES COST OF DOING BUSINESS

BACKGROUND

The May Revision includes a proposal to enact a budgeting methodology for funding county human services administrative costs tied to the salary and benefit increases provided to state employees and subjected to an annual Budget Act appropriation beginning in 2008-09.

During the April 19, 2007 hearing, the Subcommittee discussed the cost of doing business for counties administering social services programs. During the 1990s, most budgets for county administration of health and social services programs were set through the Proposed County Administrative Budget (PCAB) process. Under PCAB, counties submitted proposed budgets and staffing levels for their programs based on estimated costs, caseload, and workload. These requests included adjustments for inflation. State departments such as the Department of Social Services (DSS) or the Department of Health Services (DHS) then reviewed these proposed budgets to determine if the requests were "reasonable" and "consistent" with current state law and made any necessary adjustments. Under PCAB, administrative budgets reflected increased costs due to workload and inflation.

Since 2001-02, there have been no adjustments to county administrative allocations to account for inflation in any DSS programs. In contrast to the social services programs operated by DSS, county administrative allocations for Medi-Cal have been adjusted annually for inflation through 2006-07.

Assembly Bill (AB) 1808 (Chapter 75, Statutes of 2006), the 2006-07 budget trailer bill, requires DSS to estimate the costs for county administration using county-specific cost factors in the programs' budget methodology and requires county certification of "reasonable" costs for specified county social services programs. AB 1808 requests DSS to develop, in consultation with CWDA, a survey process to collect reasonable county specific costs data. Commencing with the 2007-08 May Revision, DSS is required to identify in its budget documents the estimates developed and the difference between these estimates and proposed funding levels.

Governor's May Revision Proposal: The May Revision did include the estimated difference between the funding identified on the counties' surveys and the funding levels proposed in the May Revision, which is $835.8 million ($459.7 million General Fund). In addition, the Administration proposed a budgeting methodology for funding county human services administrative costs. Beginning in 2008-09, an annual adjustment to county administration funding would be provided equivalent to the salary and benefit increases provided to state employees, subject to an appropriation in the annual Budget Act. The proposal would also pass on a share of federal penalties in various social services programs as an incentive for counties to improve services and performance.

While it is positive that the Administration has a proposal to address the unfunded county costs of operating social services programs, there are problems with these specific proposals. The proposed index is unpredictable and making it subject to a budget act appropriation makes it an unstable funding base, contrary to the Administration's claims. State employee wage increases are not related to individual counties' costs of administering social services programs, and therefore, are an inappropriate index. Furthermore, there may be legal issues in linking county cost increases to state employee wage increases.

Staff Recommendation:

Reject the proposed trailer bill language. Adopt placeholder trailer bill language to restore the process of budgeting human services programs based on reasonable current costs to deliver services. Increases should be based on a process for estimating reasonable, actual costs; will ensure that county accountability is commensurate with resources provided; and will be sufficient to meet program requirements and objectives.