AGENDA
SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER DAVE JONES, CHAIR

WEDNESDAY, MAY 26, 2010
STATE CAPITOL, ROOM 4202
9:00 A.M.

PART 2

ITEMS TO BE HEARD

VOTE-ONLY ITEMS

0530 HEALTH AND HUMAN SERVICES AGENCY

ISSUE 1: HEALTH INFORMATION EXCHANGE AND FEDERAL GRANT AWARD (SPRING FINANCE LETTER)

The Subcommittee heard this issue at its April 21, 2010 hearing and approved the Spring Finance Letter. For 2010-11, the letter requested that Item 0530-017-3163 be added to the Budget Bill to appropriate $17,229,000 from the federally supported California Health Information Technology and Exchange Fund. The proposed funds will be used to contract for a Governance Entity that will implement a statewide collaborative process for expanding capacity for electronic health information exchange ($16.5 million), and to support 3.0 new limited-term positions, through the end of the grant period, and to fund 3.0 existing positions through this federal grant rather than through state reimbursements.

California has been awarded a four-year $38.7 million federal Health and Human Services (HHS) grant, funded under the Health Information Technology for Economic and Clinical Health Act (the HITECH Act), which is part of the American Recovery and Reinvestment Act of 2009 (ARRA). This new Act authorizes HHS to enter into cooperative agreements with states in order to fund efforts to achieve widespread and sustainable health information exchange (HIE) within and among states through sharing of certified Electronic Health Records (EHRs).

Staff Recommendation:

The Senate took additional actions beyond the approval of the request and staff recommends concurrence on these actions, including:

1. Modification of the Administration's proposed Budget Bill Language as follows:

    Nothwithstanding Section 28 ~~any other provision of law~~, the Director of Finance may authorize expenditures from the California Health Information Technology and Exchange Fund for the Secretary of the California Health and Human Services in excess of the amount appropriated not sooner than 30 days after providing notification, including a comprehensive description of the request, in writing of the necessity therefore to the Chairpersons of the fiscal and policy committees of the Legislature and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine.

The modifications will maintain the Legislature's fiscal appropriation and oversight authority and will require the CHHS Agency to provide information to both the fiscal *and policy* committees of the Legislature in the event of changes being considered through current-year adjustments. (i.e., The Section 28 process of the annual Budget Act provides for federal fund adjustments, as specified, through the Joint Legislative Budget Committee.)

2. Adoption of placeholder trailer bill language to address the following key aspects of this work:

   - Providing a framework for the Operations Plan and Implementation Plan to delineate specific goals and milestones.
   - Establishing specific reporting requirements of CHHS Agency for their progress in establishing the Health Information Exchange.
   - Providing a framework regarding transparency of the process and conflict-of-interest to ensure public accountability, and transparency of public decisionmaking.
   - Defining the membership of the rest of the governance Board.

0530 OFFICE OF SYSTEMS INTEGRATION
5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: INTERIM STATEWIDE AUTOMATED WELFARE SYSTEM (ISAWS)

The Subcommittee heard the ISAWS budget as presented in the Governor's budget on April 21, 2010 and held the item open pending any changes in the May Revision.

OSI and DSS request, as part of the May Revision, to reduce the budget for ISAWS by $14.3 million in (DSS) Local Assistance funding, with a corresponding reduction of $12.2 million in OSI spending authority for project management (in Item 0530-001-9732). As a result, the budget for ISAWS in 2010-11 would include $9.6 million ($3.8 million GF). OSI also proposes a reduction of 16 positions dedicated to ISAWS in July 2010. The remaining eight staff would perform project close-out activities through December 2010. This request allows for the contingency that the final migration could be delayed for a maximum of five months.

Staff Recommendation:

Staff recommends approving the requested reductions in the 2010-11 budget pursuant to the request in the May Revision and the associated proposed staffing for ISAWS.

This action conforms to action taken in the Senate.

ISSUE 2: CHILD WELFARE SERVICES (CWS)/WEB STAFFING

The Subcommittee heard the CWS/Web budget as presented in the Governor's budget on April 21, 2010 and held the item open pending any changes in the May Revision.

OSI requests $1.8 million ($827,000 GF) for ten new positions to support the continuing development of CWS/Web, a replacement system for the existing CWS/CMS. These ten positions would be in addition to 12 existing OSI positions and up to another six OSI-contract staff currently supporting this phase of the project. The 2009-10 budget for CWS/Web is $7.1 million ($3.2 million GF).

The Governor's 2010-11 budget for DSS also requests, in a budget change proposal, $436,000 ($199,000 GF) to: 1) establish one two-year limited-term position, 2) extend an existing managerial position for another two-year limited term, and 3) augment by $240,000 DSS contracts with county consultants. Including the requested funds for OSI and DSS staff, the 2010-11 budget for the project would increase to $9.4 million ($4.3 million GF). OSI estimates a total cost of $202.8 million ($91.9 million GF) between 2012 and 2014 to complete the implementation of CWS/Web and enter into its M&O phase.

Staff Recommendation:

Staff recommends approving the requested positions and contract funding.

This action conforms to action taken in the Senate.

ISSUE 3: LEADER REPLACEMENT SYSTEM (LRS)

The Subcommittee heard the LRS budget as presented in the Governor's budget on April 21, 2010 and held the item open pending any changes in the May Revision.

OSI requests an increase of $44.3 million as the planning phase of the LRS project ends and the design, development, and implementation phase begins. Including the proposed resources, the 2010-11 budget for LRS would be $45.6 million ($23.3 million GF/TANF). This proposal also includes an additional six-month delay of the beginning of the system's development (beyond a six-month delay enacted in the 2009-10 budget). The 2009-10 LRS project planning budget is $1.3 million ($671,000 GF/TANF). OSI anticipates total average costs for LRS development and implementation of $102.2 million annually, for a total of $408.6 million over four years ($208.6 million GF/TANF, $173.3 million federal funds and $26.7 million county funds) before reaching the M&O phase of the project after December 2014.

Staff Recommendation:

Staff recommends approving the requested 2010-11 funding for LRS. Staff also recommends that the Subcommittee continue to receive updates from OSI on the progress of negotiations and anticipated costs for the overall design, development, and implementation.

This action conforms to action taken in the Senate.

ISSUE 4: WELFARE CLIENT DATA SYSTEM (CALWIN)

The Subcommittee heard the CalWIN budget as presented in the Governor's budget on April 21, 2010 and held the item open pending any changes in the May Revision.

OSI requests budget changes and technical adjustments resulting in an increase of CalWIN funding authority by $1.5 million for 2009-10 and $4.2 million for 2010-11. The total proposed 2010-11 budget for CalWIN is $74.3 million ($38.8 million GF/TANF).

Cal-WIN is the automation system that supports the Welfare Client Data System, one of four consortia within the Statewide Automated Welfare System (SAWS). CalWIN serves 18 counties with approximately 39 percent of the statewide caseload.

The requested adjustments are a result of the following factors:

- As a result of negotiations with the CalWIN vendor in anticipation of contract extension, the price per case increased from $0.67 to $.75. This change accounts for $2.3 million of the requested increase in 2010-11.
- The caseload for the consortium's counties is projected to grow more than previously anticipated (by 5.3 percent, rather than 3.5 percent in the budget year). This accounts for a $1.5 million increase in 2010-11.
- A higher amount of the 2009-10 budget cuts to the aggregate SAWS consortia system were originally allocated to CalWIN than is the case today. Another consortium, C-IV, instead experienced a greater reduction than was originally anticipated. This accounts for the $1.5 million adjustment in the current year.

Staff Recommendation:

Staff recommends approving the requested budget changes.

This action conforms to action taken in the Senate.

ISSUE 5: STATEWIDE FINGERPRINTING IMAGING SYSTEM (SFIS)

The total SFIS budget for 2009-10 includes $20.1 million ($9.5 million GF). As discussed on April 21, 2010, the Administration has requested position authority for two new state positions that would replace 1.5 contract staff currently providing training coordination and application support for the use of SFIS in the CalWORKs, Supplemental Nutrition Assistance (food stamps), and General Assistance/General Relief programs. The state has contracted these particular duties out for a decade.

SFIS is a statewide automated system that was created in response to SB 1780 (Chapter 206, Statutes of 1996) for applicants and recipients of California Work Opportunity and Responsibility to Kids (CalWORKs) and Food Stamp program benefits to be fingerprint imaged as a condition of eligibility for those programs. OSI provides state-level project management and oversight for SFIS. The fingerprint images contained in SFIS are used to verify eligibility and to check for duplicate aid applications by one individual. The Administration states that the existence of these fingerprint requirements and of the SFIS system deter an unquantifiable, but significant, amount of fraud.

A 2003 audit by the Bureau of State Audits found that DSS "implemented SFIS without determining the extent of duplicate-aid fraud throughout the State," and that "Social Services did not implement SFIS in a manner that would allow it to collect key statewide data during its implementation of SFIS." The auditor was therefore "unable to determine whether SFIS generates enough savings from deterring individuals from obtaining duplicate aid to cover the estimated $31 million the State has paid for SFIS or the estimated $11.4 million the State will likely pay each year to operate it…"

Earlier this month, the United States Department of Agriculture sent a letter to the Director of DSS that again encouraged the state to reconsider "the costs associated with finger imaging." The letter continued on to state that "there are serious concerns that finger imaging may be a barrier to participation among many of the hard to reach eligible populations who wish to enroll" in the food stamps program and that "most states satisfy the requirement to establish a system to prevent duplicate participation by matching names with social security numbers, which is far less costly than finger imaging yet is equally effective at detecting duplicate participation."

Other Mechanisms for Preventing Duplicate Aid Fraud: With the exceptions of Texas, Arizona, and the City (but not state) of New York, all other states prevent duplicate aid fraud without finger imaging. In California, other mechanisms for verifying the identities of prospective recipients and preventing duplicate aid fraud include:

1. A "file clearance" that is performed whenever an application is received for a public assistance program including Medi-Cal, CalWORKs, and Food Stamps;

2. A federally required match of the Income Eligibility Verification System (IEVS) for all applicants to the three programs; and

3. The existence of stringent work participation requirements and requirements for ongoing contacts with social workers in the CalWORKs program.

The file clearance involves a check of county and state databases to determine whether an applicant already has an active case file or has previously been a recipient of one or more of the programs. As a result, old case file information can be updated (rather than creating the need for a new, potentially duplicate case file). This process also serves the purpose of flagging any applications received for persons who already have an active case, so that the county may follow up.

The IEVS match involves a coordinated data exchange among various benefit programs using a standardized format for matching purposes. The databases used include, but are not limited to, information from the State Wage Information Collection Agency, Unemployment/disability compensation information, benefits/wage information from the Social Security Administration (SSA), Internal Revenue Service (IRS)/Franchise Tax Board (FTB) unearned income data, Social Security number (SSN) verification information from SSA, and inter/intra-county duplicate benefit matches. Counties use this information to determine eligibility and benefits levels.

Staff Comment and Recommendation:

The Subcommittee previously rejected staffing and funding requests connected to fingerprinting of In-Home Supportive Services (IHSS) recipients. Given the lack of evidence that SFIS saves the state more than it costs, staff recommends the following:

- That the Subcommittee further de-fund the remainder of the SFIS costs. Staff should be directed to work with the Administration to determine close-out costs and remaining GF savings for 2010-11.

- That the Subcommittee adopt placeholder trailer bill language to eliminate the requirements for finger imaging of CalWORKs and food stamp participants.

- Finally, consistent with this action, staff recommends rejecting the request to convert 1.5 contract staff to 2.0 permanent state staff.

This action conforms to action taken in the Senate.

4170 CALIFORNIA DEPARTMENT OF AGING

ISSUE 1: FEDERAL GRANT FOR CHRONIC DISEASE SELF-MANAGEMENT PROGRAM

CDA requests, in a May Revision Finance Letter, $620,000 (an increase of $594,000 in Item 4170-101-0890 for local assistance and a corresponding change in Item 4170-101-0001, as well as an increase of $26,000 for state operations in Item 4170-001-0890, with a corresponding change to Item 4170-001-0001) in 2010-11. The Department intends to request $380,000 ($354,000 Local Assistance and $26,000 State Operations) in 2011-12, for a total of $1.0 million in federal funding authority. These requests are based on the federal government's award of American Recovery and Reinvestment Act (ARRA) stimulus grant funding for the state to implement new or to expand existing Chronic Disease Self-Management Programs (CDSMPs). CDA also requests budget bill language to allow unspent funds (in Item 4170-101-0890) from 2010-11 to be carried over and expended through March 30, 2012, if necessary.

CDSMP is the most widely used patient empowerment program that works to engage persons with chronic conditions in behavioral changes that improve their health. Research has demonstrated that CDSMP participation leads to a reduction in emergency room visits and other acute care costs, while improving health outcomes. Local Area Agencies on Aging and health departments in Los Angeles, Napa/Solano, Orange, San Diego, San Francisco and Sonoma counties will coordinate with community partners to offer CDSMP services under this grant. Target populations will include at least 3,000 ethnically diverse older adults with low-incomes, limited/non-English speaking individuals, individuals who are eligible for Medi-Cal and/or older veterans.

Staff Recommendation:

Staff recommends approving the requested federal funds authority and budget bill language.

This action conforms to action taken in the Senate.

ISSUE 2: HEALTH INSURANCE COUNSELING AND ADVOCACY PROGRAM (HICAP)

CDA requests, in a May Revision Finance Letter, an increase of $567,000 in ongoing federal funding authority for Local Assistance costs associated with HICAP (reflected in changes to Item 4170-101-0890 and Item 4170-101-0001). The request results from an increase in the state's basic HICAP grant from the federal Centers for Medicare and Medicaid Services (CMS).

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

Staff Recommendation:

Staff recommends approving the requested increase in federal funds authority.

This action conforms to action taken in the Senate.

ISSUE 3: PROPOSED SHIFT OF FUNDING FOR THE LONG-TERM CARE OMBUDSMAN

CDA proposes, in a May Revision Finance Letter, a one-time shift of $680,000 GF from the Department of Public Health (DPH) to CDA (reflected as an increase to Item 4170-101-0001 of $680,000 and a reduction to Item 4170-103-0942 of the same amount). The request results from a deficiency in funding from the Federal Citation Penalty Account (FCPA) that was anticipated to be used for base costs of the Ombudsman program. This proposal corresponds to a related proposal by DPH to concurrently reduce its GF appropriation to divert a portion of its GF transfer to the Licensing and Certification Special Fund to offset the FCPA deficiency.

Total 2009-10 Local Assistance funding for the Ombudsman program is $5.8 million (no General Fund). Including this proposed shift of funding, the proposed 2010-11 Local Assistance budget for the program is $4.2 million ($680,000 General Fund). There are currently 147 paid staff members in the program statewide.

The Office of the State Long-Term Care Ombudsman, which oversees 35 local Ombudsman programs, is located within CDA. These local Ombudsman offices and their approximately 1,000 certified volunteers identify, investigate, and seek to resolve complaints and concerns on behalf of approximately 296,000 residents of long-term care facilities, including Skilled Nursing Facilities (SNFs), Intermediate Care Facilities (ICFs), and Residential Care Facilities for the Elderly (RCFEs).

Funding of the Long-Term Care Ombudsman: Historically, the Ombudsman program has been funded via federal funds and state GF. In 2003-04, the program also began receiving a $1.5 million appropriation from the Federal Health Facilities Citation Penalties Account (Penalties Account). DPH also receives funds from the Penalties Account to fund managers or receiverships that allow facilities to continue to operate pending corrections or closures. The Penalties Account is a special fund managed by DPH and funded by civil penalties paid by health care facilities to the federal Centers for Medicare and Medicaid Services (CMS).

In 2008-09, state budget reductions eliminated all GF resources for the Ombudsman program, a total of $3.8 million (half of the program's total funding at the time). As a result, approximately 40 percent of the total paid Ombudsman staff statewide lost their positions. In an effort to ameliorate these reductions and restore some positions in 2009-10, the Legislature passed and Governor signed AB 392 (Chapter 102, Statutes of 2009), which provided for an additional one-time appropriation of $1.6 million for local Ombudsman programs from the Penalties Account. Since that time, DPH has revised the fund condition statement for the Penalties Account to reflect a deficiency of $680,000. To make up for this deficiency in 2009-10 and reimburse local Ombudsman programs that have already provided services in anticipation of receiving the funds at issue, the Department of Finance has proposed, via a Section 28.5 letter, a transfer of $700,000 GF from DPH to CDA. To prevent additional cuts to the Ombudsman programs in 2010-11, this May Revision proposal would transfer $680,000 from DPH to CDA.

Anticipated Consequences if this 2010-11 Proposal is Not Approved: If this fund shift is not approved and no other resources are identified to backfill the $680,000 in funding for Ombudsman programs, CDA states that local Ombudsman offices will terminate approximately 25 additional staff members, cut services, and reduce their hours of operation. The Department states that the Ombudsman program's mission to advocate for and investigate complaints made by residents of long-term care facilities would be compromised.

Staff Recommendation:

Staff recommends approving the May Revise request for a 2010-11 shift of resources from DPH to CDA for the Ombudsman program.

This action conforms to action taken in the Senate.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

ISSUE 1: PROPOSED ELIMINATION OF $18 MILLION OF OFFENDER TREATMENT PROGRAM

The Governor proposes to reduce the Offender Treatment Program (OTP) by $18 million General Fund in 2010-11, removing all remaining GF for drug treatment programs for nonviolent, low-level drug offenders.

Proposition 36 passed in 2000 and changed state law so that certain adult offenders who use or possess illegal drugs are sentenced to participate in drug treatment and supervision in the community rather than being sentenced to prison or jail, supervised on probation, or going without treatment. From 2001-02 until 2005-06, Proposition 36 also provided annual appropriations of $120 million GF for related substance abuse treatment programs.

OTP was established by Chapter 75, Statutes of 2006 (AB 1808, Committee on Budget) to serve the same individuals as Proposition 36, but with some programmatic changes to improve treatment outcomes. To be eligible to receive OTP funding, counties are required to provide a ten percent local match to state funds and to meet specified eligibility requirements, including dedicated court calendars and the presence of drug courts that accept felony defendants.

The funding history for Prop. 36 and OTP is displayed below. Again, although the programs operate separately, they essentially offered the same treatment options to clients, so they should be considered in tandem and part of the same treatment safety net for non-violent drug offenders.

Fiscal Year	Prop. 36 Funding (in millions)	Offender Treatment Program Funding (in millions)	Total Funding in Both Programs (in millions)
2000-01	$60	--	$60
2001-02	$120	--	$120
2002-03	$120	--	$120
2003-04	$120	--	$120
2004-05	$120	--	$120
2005-06	$120	--	$120
2006-07	$120	$25	$145
2007-08	$100	$20	$120
2008-09	$90	$18	$108
2009-10	$0	$18	$18
20010-11	$0	As Proposed by Gov -- $0	$0

Staff Recommendation:

Staff recommends rejecting the Governor's proposal to eliminate all remaining General Fund ($18 million) for substance abuse treatment for nonviolent drug offenders in the Offender Treatment Program, restoring this amount in the 2010-11 budget.

ISSUE 2: DRUG MEDI-CAL RELATED ARRA ESTIMATES

ADP requests, as part of the May Revision, to revise its estimates of the caseload and utilization of services in the Perinatal DMC and Regular DMC programs. In comparison with the Governor's January budget proposal, the Department anticipates an additional 104 clients in the perinatal program and 9,724 in the Regular DMC program. As a result, the total Perinatal DMC caseload would include 8,916 individuals. The total Regular DMC caseload would include 277,400 individuals. (These changes would be reflected as an increase of $13,000 in Item 4200-102-0001 and of $14,000 in Reimbursements for Perinatal DMC, as well as an increase of $5.3 million in Item 4200-103-0001 and $5.7 million in Reimbursements for Regular DMC.) The total 2009-10 enacted budget for DMC was $194.8 million ($79.3 million GF) for local assistance and $7.8 million ($3.3 million GF) for state operations.

These 2010-11 estimate changes assume that the increased Federal Medical Assistance Percentage (FMAP) of 61.6 percent that is available under the American Recovery and Reinvestment Act (ARRA) will be available through the state's 2010-11 fiscal year. Due to the timing of DMC payments, ADP estimates that DMC services--as opposed to claims--would thus be eligible for enhanced FMAP until around three months prior to ARRA expiration. At this enhanced FMAP rate, the Department also estimates that the above caseload changes will result in an additional $632,000 in additional ARRA funds available to the Department. As a result, the Department requests, as part of the May Revision, to increase Item 4200-102-0001 by $2,000 and increase Item 4200-103-0001 by $630,000. The Department anticipates a corresponding GF decrease of the same total.

Since 1980, the DMC program has provided medically necessary drug and alcohol-related treatment services to Medi-Cal beneficiaries who meet income eligibility requirements (up to 250 percent of the Federal Poverty Level (FPL)). Services include Outpatient Drug-Free, Naltrexone (medication used to treat alcohol or opiod dependence), Narcotic Treatment, and Day Care Rehabilitative and Residential Treatment for eligible pregnant and postpartum women.

Staff Comment and Recommendation:

The Subcommittee acted on May 19, 2010 to approve the caseload changes in ADP as reflected in the May Revise, so further action is not needed there.

However, staff recommends action here to approve the requested changes to account for increased ARRA funds. The reflection of the corresponding GF impact will conform to actions taken regarding the proposed Control Section 8.65.

5170 STATE INDEPENDENT LIVING COUNCIL

ISSUE 1: AGING AND DISABILITY RESOURCE CONNECTION (ADRC) FEDERAL GRANT

SILC requests, in a May Revision proposal, $169,000 federal funds authority to establish a seventh Aging and Disability Resource Connection site in California (reflected by the addition of Item 5170-001-0890). No state funds are requested, as the in-kind services of SILC and its contractors can meet federal matching requirements. SILC is requesting the remaining $30,000 of the total $199,000 grant in the state's 2009-10 fiscal year through the Section 28.5 process. Contingent on the state's performance in this first year of grant funding, additional funds of up to $540,000 may be granted by the federal Administration on Aging in future years.

ADRC programs are community-based programs to assist individuals with disabilities, older adults, and caregivers as they learn about and gain access to long-term services and supports, ranging from in-home services to nursing facility care. The programs also serve as a resource to health and other professionals who provide services to these target populations.

Staff Recommendation:

Staff recommends approval of the requested 2010-11 federal funds authority.

This action conforms to action taken in the Senate.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 1: REVISION TO ESTIMATES OF FEDERAL INCENTIVE FUNDING AND STATE DISBURSEMENT UNIT COSTS

DCSS requests, as part of the May Revision, adjustments to reflect: 1) a projected reduction of $671,000 in federal performance-based incentive funds that the state will receive in 2010-11, and 2) expected growth in the volume of SDU transactions by 13.1 million transactions, at an additional cost of $6.3 million ($2.2 million GF and $4.2 million federal funds). The decrease in anticipated federal incentive funds also results in a $2.2 million GF cost to backfill the previously anticipated federal funds for local assistance. These adjustments would be reflected by a decrease of $621,000 to Schedule (1)(a) of Item 5175-101-0001, an increase by $6,348,000 of Schedule (1)(b) of Item 5175-101-0001, as well as an increase of $1,617,000 to Item 5175-101-0890 and a corresponding change to Item 5175-101-0001.

As part of the May Revision, there was also an additional reduction of $621,000 ($211,000 GF) to the Department's overall budget.

As discussed in the Subcommittee at its hearing on April 21, 2010, the federal government awards incentive funds to state child support programs based on specific performance measures, including paternity establishment, collections of child support, and overall cost effectiveness. In federal fiscal years 2009 and 2010, the total pool of incentive funds available to states is $504 million. DCSS previously estimated that California would receive incentive funds of $41.7 million in the state's 2009-10 fiscal year and $40.4 million in 2010-11. As a result of better performance by other states, the Department is now revising the 2010-11 estimate downward to $38.2 million.

Background on the SDU and California Child Support Automation System (CCSAS): The SDU is one of two components of CCSAS. With a total budget of $22.6 million ($7.7 million GF) in 2009-10 and a proposed budget of $26.3 million ($9.0 million GF) in 2010-11, the SDU provides central processing for collecting and distributing child support payments in the state. The SDU provider is paid on a per transaction (e.g., collection via credit card payment, disbursement via paper check) basis. As a result of a recent increase in the number of transactions, the Department now estimates an increased volume of SDU transactions in 2010-11.

According to the Department, collections and disbursement transactions are influenced in part by the source of the collection. For example, the number of Unemployment Insurance Benefit (UIB) intercepts has increased significantly as the unemployment rate has increased. UIB intercepts are submitted electronically to the SDU on a bi-weekly basis (two to three times per month), whereas income withholdings for some of those non-custodial parents may have been submitted by their previous employer on a monthly basis. Thus, this shift from employment to unemployment can increase the number of collection and disbursement transactions, even though the amount of child support collected may decrease.

Staff Recommendation:

Staff recommends approving these estimate changes (which will also conform, as appropriate, to other actions taken).

This action conforms to action taken in the Senate.

ISSUE 2: REVISION TO ESTIMATE OF ARRA FUNDS

DCSS requests, as part of the May Revision, to decrease by $1.9 million the anticipated ARRA stimulus funding available to the Department (reflected in Item 5175-101-0890). The corresponding GF impact of this change is not reflected in the budget bill at this time because of the Administration's proposed Control Section 8.65 of the budget bill. This proposed Control Section language would give the Department of Finance broad authority to adjust General Fund, Federal Trust Fund, and Reimbursement expenditures from Health and Human Services (HHS) programs impacted by ARRA.

Among other changes, the federal Deficit Reduction Act of 2005 tightened the rules regarding federal financial participation (FFP) in child support expenditures by restricting the ability of states to use incentive funds in order to draw down additional federal matching funds. After its passage, California chose to backfill the loss of FFP on incentives with a combination of General Fund (GF) and matching FFP to hold local assistance funding levels steady. More recently, ARRA restored the ability of states to receive federal matching funds for their use of child support incentive funding. As a result, the Governor's budget proposes to replace the prior State GF backfill with restored FFP. Specifically, given the anticipated incentive funding discussed in the prior agenda item, DCSS anticipates receiving $75.4 million in matching FFP and scoring $25.2 million GF savings. The proposed adjustment to arrive at that total is tied to the previously discussed changes in estimates of federal incentive funding the state will receive in the Budget Year.

Staff Recommendation:

Staff recommends approving the proposed reduction to Item 5180-101-0890 of the budget bill. The reflection of the corresponding GF impact will conform to actions taken regarding the proposed Control Section 8.65.

This action conforms to action taken in the Senate.

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: CASELOAD ESTIMATE CHANGES AND ADJUSTMENTS

DSS proposes, as is customary during the May Revision, to update caseload estimates based on more recent trend data than was available at the time of the Governor's January budget release. In particular, the May Revision proposes a net increase of $1.1 billion (increases to federal and other funds, with an offsetting decrease of $410.3 million GF) over the Governor's budget due to caseload changes.

The Subcommittee approved the caseload changes related to CalWORKs and IHSS at its May 19, 2010 hearing, however, these caseload changes are again reflected in this overall issue for the purposes of a comprehensive review of caseload.

January and May estimates of the average monthly caseloads associated with a number of major programs in 2010-11 include:

Program	Governor's Budget	May Revision
CalWORKs	605,542 cases	580,527 cases
Kinship Guardianship Assistance Program (Kin-GAP)	14,670 cases	13,404 cases
Child Welfare Services (including Title IV-E waiver counties)	145,834 cases	139,608 cases
Foster Care (including Title IV-E waiver counties)	59,307 cases	55,599 cases
Adoption Assistance Program	87,769 cases	86,855 cases
Food Stamp Program	1,137,766 households	1,220,101 households
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	1,279,645 cases	1,266,112 cases
In-Home Supportive Services (IHSS)	489,972 cases	466,292 cases

To reflect corresponding changes in the programs' budgets, DSS requests the following technical changes to the budget bill:

Program	Item	Change Since Governor's Budget
CalWORKs / Kin-GAP	5180-101-0001	-$311,715,000
	5180-101-0890	$451,869,000
Foster Care	5180-101-0001	-$2,922,000
	5180-101-0890	-$24,237,000
	5180-101-8004	$535,000
	5180-141-0001	-$657,000
	5180-141-0890	-$2,366,000

Program	Item	Change Since Governor's Budget
Adoption Assistance Program	5180-101-0001 5180-101-0890	$9,253,000 $5,701,000
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	5180-111-0001	-$25,628,000
In-Home Supportive Services (IHSS)	5180-111-0001 5180-611-0995	-$67,749,000 $999,653,000
Child Welfare Services (CWS)	5180-151-0001 5180-151-0803 5180-151-0890 5180-651-0995	-$13,796,000 $186,000 -$3,280,000 $33,263,000
Other Assistance Payments	5180-101-0001 5180-101-0122 5180-101-0890 5180-601-0995	$1,127,000 $36,000 $1,232,000 $2,743,000
County Administration and Automation Projects	5180-141-0001 5180-141-0890 5180-641-0995	$1,191,000 $29,025,000 -$2,890,000
Title IV-E Waiver	5180-153-0001 5180-153-0890	$1,605,000 $11,202,000
Remaining DSS Programs	5180-151-0001 5180-151-0890 5180-651-0995	-$993,000 $9,487,000 $1,209,000

Among other changes, May Revision estimates also reflect the Administration's rescission of the Governor's earlier proposals to reduce the state's participation in the wages of In-Home Supportive Services (IHSS) providers to minimum wage and to eliminate services for IHSS recipients with a functional index score of less than 4.0. These changes are reflected as increases of $271.8 million GF and $1.9 billion ($650.8 million GF), respectively. Similarly, the May Revision finance letter for DSS reflects erosions of savings associated with prior proposals that the Administration has rescinded or that did not take effect as anticipated (i.e., Proposition 10 funding shifts, redirections of county savings, and expanded eligibility for federal financial participation in foster care), updated estimates of federal stimulus funding, and technical adjustments, including budget bill language, to allow for carry-over funding for counties participating in a federal foster care waiver.

Staff Recommendation:

Staff recommends adopting these caseload and other estimate adjustments, which will conform as appropriate to other Subcommittee actions that have been or will be taken.

This action includes a correction to a current year issue, Waiver Title XX – FC 101 Impact of GH Rate Increase, to correct the technical error, accomplished by decreasing GF by $2.926 million and increasing federal funds by the corresponding amount.

ISSUE 2: TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP) FUND SHIFT

DSS proposes, as part of the May Revision, to transfer federal expenditure authority for TEFAP from state operations to local assistance. The transfer is technical and is intended to help ensure timely reimbursement to local food banks and the California Foodlink for food commodity purchases and associated administrative costs.

Under TEFAP, surplus agricultural commodities are distributed to California emergency feeding organizations. DSS expects to receive $9.6 million in 2010-11 for this 100 percent federally funded program.

Staff Recommendation:

Staff recommends approving this transfer of federal expenditure authority.

This action conforms to action taken in the Senate.

ISSUE 3: INTER-COUNTY TRANSFER PROCESS FOR FOOD STAMPS

The May Revision proposes savings of $23,000 ($6,000 GF) and trailer bill language (TBL) to establish an ICT process for food stamps clients. For an estimated 586,000 clients who also receive CalWORKs benefits ("assistance food stamps"), the simplified ICT process would be effective January 1, 2011. For an estimated 1.2 million individuals who receive Medi-Cal, but not CalWORKs benefits, or no public assistance ["non-assistance food stamps" (NAFS)], the ICT process would begin July 1, 2011. DSS estimates that 0.16 percent of all CalWORKs cases transfer to a different county in California in any given month, and that the same rate of transfer is likely to apply to assistance food stamp clients. DSS also estimates that approximately 3,800 Medi-Cal/NAFS will transfer to another county in 2010-11.

Currently, if a recipient of food stamps moves from one county to another within California, his or her benefits are terminated at the end of the month and he or she must then reapply in the new county of residence. This results in a delay or interruption in benefits, and in unnecessary administrative duplication. The CalWORKs and Medi-Cal programs already use an ICT process to prevent uninterrupted benefits for recipients of those programs who move to a different county.

Pending Policy Bill: After its passage by a 13-0 vote out of the Assembly Appropriations Committee, AB 2018 (Skinner) is currently awaiting a vote on the Assembly floor. This bill appears to be the same as this May Revision proposal, except that the effective dates differ slightly (i.e. the bill begins an ICT process for all cases on January 1, 2011, rather than having some wait until July 1, 2011).

Staff Comment and Recommendation:

Given the currently pending policy bill seeks to address this same issue, staff recommends rejecting, without prejudice, the Inter-County Transfer process and related TBL that are proposed as part of the May Revise.

This action conforms to action taken in the Senate.

ISSUE 4: COUNTY MATCH REQUIREMENTS FOR FOOD STAMPS ADMINISTRATIVE COSTS

The County Welfare Directors Association (CWDA) proposes trailer bill language (TBL) to allow counties, during 2010-11 and 2011-12, to draw down a portion of increasing food stamps administration funding without a county match above and beyond an existing Maintenance of Effort (MOE) requirement. Food stamps administrative costs are generally shared at a ratio of 50 percent federal funds, 35 percent GF, and 15 percent county funds. Apart from this county share, each county has a combined MOE for food stamps administration and CalWORKs that is tied to 1996-97 expenditure levels. Under this proposal, counties would be able to draw down up to 70 percent of the additional funding (50/50 state/federal funds) without being required to pay a match. Counties that can supply additional matching funds could draw down the remaining funds (50/50 county/federal funds).

Staff Recommendation:

Staff recommends adopting placeholder TBL to effectuate this proposal for a two-year time period.

This action conforms to action taken in the Senate.

ISSUE 5: KINSHIP-GUARDIANSHIP ASSISTANCE PAYMENT PROGRAM (KIN-GAP)/ SUBSIDIZED RELATIVE GUARDIANSHIP PROPOSAL

The 2009-10 budget for Kin-GAP includes a total of $144.9 million ($110.5 million GF). The Governor's budget for 2010-11 proposed trailer bill language (TBL) to allow the state, beginning October 1, 2010, to opt into newly available federal financial participation in the costs of a subsidized relative guardianship program that is similar to the state's existing Kin-GAP program. However, Kin–GAP is currently part of the state's CalWORKs program; and its state and county expenditures count toward the MOE requirement imposed on the state as a condition of receiving federal Temporary Assistance to Needy Families (TANF) funds for the CalWORKs welfare-to-work program. The state's Kin-GAP expenditures are also eligible for American Recovery and Reinvestment Act (ARRA) Emergency Contingency Fund (ECF) resources. Thus, the Administration has more recently confirmed that while ECF is in effect, the GF relief from continuing to include Kin-GAP in the TANF ECF calculation continues to be greater than the relief that would be achieved by implementing the federally subsidized guardianship program. As a result, the May Revision rescinds the January proposal to opt into the subsidized relative guardianship program as of October 1, 2010.

As part of the May Revision, the Administration instead proposes new trailer bill language (TBL) to allow for implementation of the federally supported subsidized relative guardianship program contingent upon a declaration by the Director of DSS that no further TANF ECF resources are available. At the time this agenda was written, the specifics of that proposed language had not yet been provided.

Staff Comment and Recommendation:

Staff recommends adopting May Revision changes to reflect the Administration's rescission of its prior proposal to implement a subsidized relative guardianship program as of October 1, 2010. Further, staff recommends rejecting the newly proposed concept for TBL. The conversion of Kin-GAP to a federally subsidized program that meets all of the newly enacted federal requirements involves a complex set of policy changes. If the state opts into this new federal program, those policy issues should be fully considered by the Legislature.

This action conforms to action taken in the Senate.

ISSUE 6: TITLE IV-E ELIGIBILITY TRAINING PROPOSAL

DSS proposes, as part of the May Revision, an increase of $1.1 million ($500,000 GF) for consultant services to develop a website containing eligibility requirements for federal financial participation under Title IV-E of the Social Security Act (IV-E) and to develop training curricula for county welfare and probation department staff. According to the Department, these services would help the state better meet federal training requirements consistent with the state's federal Program Improvement Plan and would help avoid potential federal funding disallowances in the future.

About 71 percent of the state's approximately 60,000 children in foster care are currently eligible for federal financial participation through Title IV-E in the costs of their care. To be eligible for IV-E benefits, children must come from families who meet the income tests that applied to the 1996 Aid to Families with Dependent Children (AFDC) program (which no longer exists). For children who are eligible for federal financial participation in the costs of foster care under Title IV-E, the ratio of federal/non-federal foster care costs is determined by the state's Federal Medical Assistance Percentage (FMAP). Non-federal foster care costs are shared at a ratio of 40/60 by the state/counties. As a result of this outdated and frozen standard, a decreasing number of children are eligible over time.

Staff Comment and Recommendation:

Less expensive and more feasible options are available to the department for the purposes of training and information provision, including the ability to post All County Letters to its website that provide instruction to counties with regard to IV-E eligibility and to use state staff resources for training and monitoring, in coordination with the counties (CWS and probation agencies). These modest efforts can address the PIP needs with no new General Fund pressure.

For these reasons, staff recommends rejection of the requested resources.

ISSUE 7: PROPOSAL TO CONTINUE SUSPENSION OF THE MUTUAL CONSENT – CONFIDENTIAL INTERMEDIARY PROGRAM FOR SIBLING CONTACT (AB 2488)

DSS proposes savings of $3.0 million ($1.7 million GF) in avoided state operations and local assistance costs from continuing to suspend implementation of AB 2488 (Chapter 386, Statutes of 2006). The new suspension appears to be indefinite, although it continues to indicate the Legislature's intent that counties already implementing the provisions added by AB 2488 shall continue to do so to the extent possible.

AB 2488 created a confidential intermediary program intended to facilitate contact between siblings in the circumstance that at least one of them was adopted. In 2008-09, the Governor vetoed funding for implementation of AB 2488, stating that implementation of the program would be delayed for one year as a budget balancing reduction. The Legislature subsequently delayed program implementation to July 1, 2010 (except to the extent that counties already implementing its provisions continue to do so).

Staff Comment and Recommendation:

Notwithstanding the merits of fully implementing AB 2488, staff recommends approving trailer bill language for an additional one-year suspension of its provisions. As a result, Section 9205(i) of the Family Code would read:

> "(i) Implementation of the amendments made to this Section by Chapter 386 of the Statutes of 2006 shall be delayed until July 1, 201<u>1.</u> It is the intent of the Legislature that counties that are already implementing some or all of the changes made to Section 9205 of the Family Code by Chapter 386 of the Statutes of 2006 shall continue to implement these provisions, to the extent possible."

This action conforms to action taken in the Senate.

ISSUE 8: PROPOSAL TO CONTINUE SUSPENSION OF PLACEMENTS OF CHILDREN IN FOSTER CARE WITH DEVELOPMENTAL DISABILITIES IN FOR-PROFIT GROUP HOMES (AB 1462)

DSS proposes, in the May Revision, $99,000 ($63,000 GF) in cost avoidance from suspending state operations efforts related to implementation of AB 1462 (Chapter 64, Statutes of 2007). Specifically, the proposed trailer bill language (TBL) would suspend implementation of laws enacted by AB 1462 until "sufficient state operations resources have been appropriated for its implementation to develop program procedures, policies and regulations, and to develop fiscal procedures, such as cost reporting and claiming."

AB 1462 authorized the use of for-profit group homes for placement of children with developmental disabilities, under specific circumstances, and when a county could not find a non-profit group home with a program that could meet the child's needs. As a result, counties would be able to draw down federal financial participation and by using county funds as the required match. No state General Fund resources could be used for placement into a for-profit facility. AB 1462 also limited foster care payments made to for-profit agencies to no more than five children per county at any one time. In addition, the placements cannot exceed a maximum of 12 cumulative months. The Department released an information notice regarding these changes in state law to county welfare and probation departments in January 2008. In 2008-09, the Legislature delayed implementation of AB 1462 until July 1, 2010 and denied a related budget change proposal requesting state operations resources for DSS.

Staff Recommendation:

Staff recommends rejecting the proposed TBL.

This action conforms to action taken in the Senate.

ISSUE 9: RESOURCES FOR RESOURCE FAMILY APPROVAL PILOT (AB 340)

The Governor's proposed budget for 2010-11 included trailer bill language (TBL) to suspend implementation of statutes enacted by AB 340 (Chapter 464, Statutes of 2007). Under the proposed TBL, existing law would have been implemented when "the Department of Finance determines that sufficient state operations resources have been appropriated." On April 28, 2010, the Subcommittee voted to reject the proposed TBL, which would have transferred Legislative authority to determine the sufficiency of funding for the pilot program to the Administration. During that same hearing, the Subcommittee held open the budget for AB 340.

Background on AB 340. The resource family approval pilot established by AB 340 requires a three-year pilot program in up to five counties to establish a single, comprehensive approval process for foster care and adoptive families. This pilot was intended to make the licensing process less cumbersome and to prevent unnecessary delays in finding permanent families for foster children. The current licensing process divides caregivers into relatives, foster family homes, and adoptive homes. All caregivers must meet the same health and safety standards, but the processes for each vary and can be duplicative. This pilot was also included in the state's Program Improvement Plan in response to the 2002 federal review.

The Assembly and Senate Appropriations Committees' analyses of AB 340 estimated approximately $150,000 GF in the first year for state personnel costs to oversee development and implementation of this pilot (and in one analysis, additional funds for its final evaluation). These analyses also recognized that the pilot should lead to some offsetting savings. Local assistance funding of $717,000 ($242,000 GF) was appropriated in 2008-09. DSS also submitted a BCP requesting 4.0 limited-term state positions at a cost of $440,000 ($278,000 GF) to implement AB 340 in 2008-09; however, no state operations resources were included in the budget that year. DSS never allocated the 2008-09 local assistance that the Budget Act appropriated to the counties.

In 2009-10, the Governor's budget included $1.8 million ($786,000 GF) in local assistance funding for AB 340 implementation. As part of the 2009 May Revision, this 2009-10 funding for the program was suspended.

Administration Actions. The administration has recently stated that its elimination of local assistance funding for AB 340 was warranted by a reference in the existing statute authorizing the program. Specifically, Section 16519.5 (q) of the Welfare and Institutions Code states that AB 340 "shall be authorized to continue through the end of the 2010-11 fiscal year, or through the end of the third full fiscal year following the date that funds are made available for its implementation, whichever of these dates is later." According to the administration, because no funds had been appropriated for the state-level activities, the administration determined that no corresponding local pilot activities would take place.

Staff Comment and Recommendation:

It appears that the administration may have overstepped its bounds by assuming that the administration itself was authorized to determine the sufficiency of funding appropriated for this program (i.e., the very same authority the administration explicitly sought in the 2010-11 budget and that the Subcommittee recently rejected).

Staff recommends that the Subcommittee restore, in 2010-11, local assistance funding for this program. Staff should be directed to work with the administration, Legislative Analyst's Office (LAO), and County Welfare Directors Association (CWDA) to determine the amount of this restoration. In addition, to ensure appropriate implementation of the pilot, staff further recommends that the Subcommittee authorize some, but not all, of the previously requested limited-term positions at DSS. Specifically, limited-term state operations costs shall not exceed $150,000 GF annually.

This action conforms to action taken in the Senate.

ISSUE 10: GROUP HOME FINANCIAL AUDIT REPORTS TBL

DSS proposes TBL that would alter the statutorily required trigger for group home and foster family agency (FFA) financial audits. The audits are paid for by these service providers. However, the Governor's budget assumes up to $300,000 GF savings in 2010-11 as a result of reduced staff workload for reviewing the audits as a result of this proposal.

The monthly rates paid to group homes and FFAs for each child under their care are established in state statute and must be consistent with federal requirements that they cover the costs of care and supervision. After a 10 percent reduction that took effect pursuant to ABx4 4 (Chapter 4, Fourth Extraordinary Session, 2009) in 2009, FFA rates range from $1,430 to $1,679 per child, per month. As the result of a recent federal district court order that increased rates paid to group homes, currently effective group home rates range from $2,085 to $8,835 per child, per month.

As a condition of receiving these funds, organizations that operate group home and FFA programs must have financial audits conducted as required by federal and state laws. The proposed TBL would change the statutory trigger for an audit from when a threshold amount ($500,000) of federal funds is "received" to when those funds are "expended." According to DSS, these changes would be consistent with federal audit statutes and requirements. The Department indicates that the proposed TBL would reduce the frequency of financial audits for "a few facilities."

Staff Comment and Recommendation:

An analysis of existing law and any related clarifications are more appropriate for consideration by the relevant Legislative Policy Committees. Therefore, staff recommends rejecting the proposed TBL, without prejudice as to its merits.

This action conforms to action taken in the Senate.

ISSUE 11: PROPOSED CALWORKS GRANT REDUCTION

The Governor proposes to further reduce CalWORKs grants by an additional $109 per month, or 15.7 percent, bringing the grant for basic living costs to $585 per month for a family of three. As updated by the May Revise, the proposal would become effective October 1, 2010.

If the federal TANF Emergency Contingency Fund (ECF) under federal stimulus is extended through 2010-11, this proposal will save $81.5 million GF and forego $324.7 million in federal funds.

This issue has been heard twice by the Subcommittee – during the Subcommittee's "Toll on Californians of Adopted and Proposed Health and Human Services Cuts" hearing on March 24, 2010 and at its April 28, 2010 hearing.

Staff Comment and Recommendation:

Staff recommends rejection of the Governor's proposal as updated by the May Revision.

ISSUE 12: PROPOSED ELIMINATION OF THE CALWORKS RECENT NON-CITIZEN ENTRANTS (RNE) PROGRAM

The Governor proposed to eliminate the RNE Program, affecting 24,000 individuals who depend on the program for basic assistance. The program was created in 1997 in response to federal welfare reform under Governor Wilson. If the TANF ECF is extended, this proposal will result in $16.2 million GF savings and a loss of $24.5 million in federal funds.

This issue has been heard twice by the Subcommittee – during the Subcommittee's "Toll on Californians of Adopted and Proposed Health and Human Services Cuts" hearing on March 24, 2010 and at its May 3, 2010 hearing.

Staff Recommendation:

Staff recommends rejection of the Governor's proposal as updated by the May Revision.

ISSUE 13: CALIFORNIA WORK OPPORTUNITIES AND RESPONSIBILITY TO KIDS (CALWORKS) - EXTENSION OF AUTHORITY FOR ARRA FUNDING

ABx4 4 (Chapter 4, Fourth Extraordinary Session, Statutes of 2009), a 2009-10 budget trailer bill, established authority for the state to implement the benefits of the Temporary Assistance to Needy Families (TANF) Emergency Contingency Fund (ECF) available under the American Recovery and Reinvestment Act (ARRA) of 2009. At both the state and federal level, TANF ECF is currently authorized through September 30, 2010. Since the passage of ABx4 4, however, there has been a national effort to extend federal authority for the program through at least federal fiscal year 2011. In order to allow for the likely extension of ECF, Section 10545.2 of the state's Welfare & Institutions Code must be updated. This change would be consistent with assumptions in the Governor's budget and May Revision regarding the extension of TANF ECF.

In addition, under federal guidance issued in January 2010, states are encouraged to use ECF funds for subsidized employment for "needy youth" with low-incomes between the ages of 18 and 24. However, state law does not currently include all federally-eligible youth in this category as allowable recipients of ECF-funded programs.

Staff Comment and Recommendation:

1. In order to continue TANF ECF in California if the federal government extends the program, staff recommends adopting the following amendments to Section 10545.2(a) of the Welfare & Institutions Code as budget trailer bill language:

    10545.2(a) This chapter shall become inoperative ~~on October 1, 2010, and as of January 1, 2011,~~ <u>upon the expiration of federal authority for the Emergency Contingency Fund, as provided in the American Recovery and Reinvestment Act of 2009 (Public Law 111-5), or subsequent federal legislation that extends the Emergency Contingency Fund program, and on that date</u> is repealed.

2. Staff also recommends adopting placeholder TBL to ensure that TANF ECF-funded subsidized employment programs in California can serve all categories of federally-allowable needy low-income youth between the ages of 18 and 24.

ISSUE 14: GOVERNOR'S JANUARY PROPOSALS TO REDUCE IHSS

Proposed Reduction in State Participation in Provider Wages. The Governor's January budget proposed to eliminate all services for recipients with a functional index (FI) score of less than 4. This cut would eliminate eligibility for 426,733 individuals (87 percent of the caseload). As updated by the May Revise, the proposal would become effective October 1, 2010.

Proposed Limit of IHSS Services to Recipients with FI Score of 4.0 and Above. The Governor's January budget proposed to reduce the state's participation in IHSS wages from the current ceiling of $12.10 per hour to a ceiling of the minimum wage of $8.00 per hour, plus $.60 in benefits costs. There are approximately 385,000 IHSS service providers providing services to 460,000 program recipients. IHSS providers organize and collectively bargain for wages and benefits on a county-by-county basis. As updated by the May Revise, the proposal would become effective October 1, 2010.

These issues have been heard twice by the Subcommittee – during the Subcommittee's "Toll on Californians of Adopted and Proposed Health and Human Services Cuts" hearing on March 24, 2010 and at its May 5, 2010 hearing.

Staff Comment and Recommendation:

The Subcommittee held these items open when they were heard previously. At May Revision, the Governor replaced these proposals with an unspecified proposal to cut $750 million ongoing from the IHSS. This May Revision proposal was rejected by the Subcommittee on May 19, 2010.

For the purposes of clarity to the public, staff recommends explicit rejection of the Governor's January proposals to reduce IHSS as updated by the May Revision.

ISSUE 15: REQUEST FOR $500,000 FOR ANTI-FRAUD AND PROGRAM INTEGRITY REPORT

As part of the 2010-11 IHSS anti-fraud proposals discussed in prior agendas, including the agenda for the May 12, 2010 hearing, DSS proposes an increase of $500,000 ($264,000 GF) to contract with California State University (CSUS) to assist in the development of a required report to the Legislature. The report, as required by ABx4 4 (Chapter 4, Fourth Extraordinary Session, Statutes of 2009), must result from a stakeholder process and the collection and review of specified information regarding prevention and early detection of fraud, as well as referrals of suspected fraud and final convictions for fraud.

As previously detailed, the Department did also receive funding and authority for 12 new IHSS program integrity/anti-fraud positions in the 2009-10 budget. In addition, the Subcommittee acted on May 12, 2010 to repeal a narrow set of the larger requirements created in 2009-10 (i.e., those related to the fingerprinting of IHSS consumers and the inclusion of fingerprints on providers' timesheets) that would no longer need to be implemented if that action becomes a part of the enacted 2010-11 budget.

Staff Comment and Recommendation:

Staff recommends approval of a reduced amount of funding for contractor assistance in the Department's development of the required report.

Specifically, staff recommends approval of a total of $150,000 from all funding sources (with the corresponding GF impact to be determined by the Administration, after consultation with Subcommittee staff).

This action conforms to action taken in the Senate.

ISSUE 16: IHSS MAY REVISION PROPOSAL

At its May 19, 2010 hearing, the Subcommittee considered and rejected the Governor's May Revise proposal to reduce the IHSS program by $637.1 million General Fund in 2010-11, growing to $750 million annually in 2011-12. The administration proposed achieving these savings through cost containment measures developed in consultation with stakeholders and presumed legislative enactment of these by July 1, 2010.

Alongside this rejection, the Subcommittee took action (6-0 vote) to adopt placeholder trailer bill language to establish an inclusive, long-term, transparent IHSS Budget Advisory Workgroup to examine and address issues of cost containment and maximizing federal financial participation, with staff to work with Members and return to the Subcommittee with a more developed product to consider for vote-only.

Staff returns with the following placeholder language draft for further consideration by the Subcommittee:

> Section XX is added to the Welfare and Institutions Code:
>
> Upon enactment of this section, the State Department of Social Services shall convene a Budget Advisory Workgroup for the In-Home Supportive Services (IHSS) program to consider options and develop proposals for maximizing federal financial participation, containing costs, and examining IHSS as part of the long-term care continuum. The Budget Advisory Workgroup shall include statewide organizations representing the interests of consumers, family members, service providers, county welfare directors and county public authorities, and statewide advocacy organizations, as well as policy and fiscal staff of the Legislature. Details on the meeting schedule, composition, and topics for the Budget Advisory Workgroup shall be publicly available on the department's website. The department and Budget Advisory Workgroup shall provide information regarding a proposal to the Assembly Committee on Budget and the Senate Committee on Budget and Fiscal Review at least 30 days prior to

a proposal or request for IHSS is formally submitted to the Legislature. This information shall include the methodology and cost benefit analysis of the proposal.

Staff Comment and Recommendation:

While smaller, exclusive meetings have been convened by the administration before the May Revision release and since then, it is unclear what the parameters and content of these discussions have been, and under what presumption of the administration's ultimate goal in reducing the program by its caseload or provider network.

In lieu of this administration-preferred strategy, staff recommends the following:

1. Adoption of the further-developed placeholder trailer bill language regarding the IHSS Budget Advisory Workgroup as included in the agenda.

Additionally, toward the goal of seeking savings in the program in the 2010-11 year as part of the budget, and given the successful contemplation and application of provider fees elsewhere in the health and human services budgets, staff recommends:

2. Adoption of placeholder trailer bill language to institute a provider fee in IHSS to generate $150 million in program savings in 2010-11. This proposal shall be developed further and implemented through and with the IHSS Budget Advisory Workgroup.

ISSUE 17: LOCAL AUGMENTATION IN 2009-10

Of the $54.2 million ($21.9 million GF) in new funding for DSS and county IHSS anti-fraud/program integrity efforts in 2009-10, $10 million GF was set aside for "additional fraud prevention, detection, referral, and investigation" at the local level. With matching federal and county funds, the total amount available statewide for those additional local efforts was $26.4 million. (For more information on overall IHSS anti-fraud/program integrity efforts statewide, please see the May 5, 2010 Agenda.) The Governor's 2010-11 budget proposes an additional $28.3 million ($10.0 million GF) to provide this augmentation again in the budget year.

Budget Bill Language (BBL) Authorizing 2009-10 Augmentation. This augmentation was enacted by Section 576 of ABx4 1 (Chapter 1, Fourth Extraordinary Session, Statutes of 2009), which added Section 18.55(b), copied below, to the Budget Act of 2009:

> (b) The sum of $10,000,000 is hereby appropriated from the General Fund in augmentation of Schedule (2) of Item 5180-111-0001 of Section 2.00 of the Budget Act of 2009 for the purpose of fraud investigations and additional program integrity efforts related to the In-Home Supportive Services Program. The amount appropriated in this subdivision represents the total allowable to be claimed for these purposes within this section. The State Department of Social Services shall allocate funding based on a distribution method developed in consultation with the counties. Each county shall submit a plan to the department that includes the program integrity and fraud investigation activities that the county plans to pursue, and the department must approve the plan prior to distribution of the funds appropriated in this subdivision.

Forty-five counties submitted plans for these additional fraud prevention and investigation funds. Those plans were developed by County Welfare Directors and District Attorneys' (DAs) offices and reviewed by Boards of Supervisors and DSS.

With some minor exceptions when federal or state funds are available, local District Attorneys' offices are principally funded on a discretionary basis out of county General Funds. According to the California Department of Justice, approximately $1.2 billion total was spent on prosecution activities statewide (based on 2006-07 data).

Other Anti-Fraud/Program Integrity Measures in the 2009-10 Budget. In addition to these local funding augmentations and the recipient fingerprinting discussed in several of the Subcommittee hearings, as well as previously existing IHSS quality assurance efforts, the 2009-10 budget included the following IHSS reforms, with varying implementation dates:

1. Criminal background checks and appeals processes for IHSS providers;

2. The requirement for providers to attend an orientation;
3. Authorization to send targeted mailings to providers and recipients and to conduct unannounced home visits, pursuant to developed protocols and in targeted cases, when there is cause for concern about program integrity;
4. Limits on the use of P.O. boxes by providers to receive paychecks;
5. Training for social workers on fraud prevention;
6. Notification to providers about their clients' authorized hours and service levels; and
7. Certifications on timesheets, after notice of possible criminal penalties for fraud.

Staff Comment and Recommendation:

The BBL quoted above included a one-time appropriation of funds for this local augmentation in 2009-10. Given the fiscal crisis facing the state and the lack of analysis regarding savings that can be expected to result from these expenditures, staff recommends rejecting the proposed funding to continue this one-time augmentation of local activities in 2010-11.

This action conforms to action taken in the Senate.

ISSUE 18: SSI/SSP PROPOSED GRANT REDUCTION FOR INDIVIDUAL RECIPIENTS

The Governor's budget proposes to reduce SSI/SSP grants to individual recipients. The proposed SSP grant would be set at the federally required MOE level of the 1983 payment standard. Savings include those resulting from grant reductions in the Cash Assistance Program for Immigrants and California Veterans Cash Benefit, as these grant levels tie to those for SSI/SSP. The May Revision updated the Governor's proposal and made it effective October 1, 2010.

This issue has been heard twice by the Subcommittee – during the Subcommittee's "Toll on Californians of Adopted and Proposed Health and Human Services Cuts" hearing on March 24, 2010 and at its May 5, 2010 hearing.

Staff Recommendation:

Staff recommends rejection of the Governor's proposal to reduce SS/SSP grants for individuals to the federal minimum.

ISSUE 19: CASH ASSISTANCE PROGRAM FOR IMMIGRANTS & CALIFORNIA FOOD ASSISTANCE PROGRAM

The Governor's budget proposes to eliminate the California Food Assistance Program (CFAP) and Cash Assistance Program for Immigrants (CAPI). CFAP and CAPI are state-funded programs that provide benefits to legal immigrants who do not qualify for federal food stamps and SSI/SSP funding, respectively. California created CFAP and CAPI in 1997 and 1998 after federal law began excluding these individuals. Since that time, federal law has changed to re-include some, but not all, individuals originally covered under the state programs (e.g., non-citizens with disabilities for CFAP). The May Revision updated the Governor's proposals and made the eliminations effective October 1, 2010.

These proposals have been heard twice by the Subcommittee – during the Subcommittee's "Toll on Californians of Adopted and Proposed Health and Human Services Cuts" hearing on March 24, 2010 and at its May 3, 2010 hearing.

Staff Recommendation:

Staff recommends rejection of the Governor's proposal to eliminate CAPI and CFAP.

ISSUE 20: STATE HEARINGS - SFL ON VIDEOCONFERENCING

The actions on this issue have been carried over from the May 12 hearing due to a logistical issue with votes at the hearing. Background on the issue is available on that agenda.

Staff Recommendation:

Due to the scope of the changes being proposed, the lack of detail in the proposal, and the questionability of proposing these changes in a budget context, staff recommends that the Subcommittee reject the State Hearings Spring Finance Letter on the basis that this proposal requires careful, thorough consideration through the policy process.

In light of the increased demands for state hearings, assumed to be due in part to the programmatic changes adopted as part of the 2009-10 Budget and limited state resources, provide funding in 2010-11 for three additional ALJs ($450,000 total funds, approximately $215,500 GF), to assist with workload.

This action conforms to action taken in the Senate.

ITEMS TO BE HEARD

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 1: CLARIFICATION OF ACTION REGARDING SPRING FINANCE LETTER ON ADMINISTRATIVE ORDER SETTING AND MODIFICATION PROCESS

This Spring Finance Letter was heard by the Subcommittee on April 21, 2010 and was rejected due to the substantial policy questions and concerns that were raised a result of the proposal. The Subcommittee additionally took action to "direct DCSS to meet with stakeholders as soon as possible toward consideration of a proposal involving the Early Intervention and stipulation-agreement approach included in Tier 1 of the proposal, and, if there are cost savings that maintain security, due process, and access to court channels, report back to the Subcommittee at May Revision on an alternative proposal in this vein."

The DCSS requested authority to establish an administrative process for setting and modifying child support orders. As proposed, this administrative process would be in addition to the current judicial process and would be administered by DCSS and Local Child Support Agency (LCSA) staff. The Department proposed to redirect existing vacancies and associated resources to implement this change.

DCSS has been meeting with stakeholders since the April 21, 2010 hearing, however a consensus product that satisfies the terms of the Subcommittee's direction was not submitted with the May Revision.

PANELISTS

- DCSS – Please provide an overview and update on the stakeholder convenings, what issues have been discussed, what concerns have been raised, which continue to be outstanding, and how the proposal is changing as a result.
- DOF
- LAO

(There will be no public comment on this item – public comment was taken at the April 21, 2010 hearing on this issue.)

Staff Recommendation:

Given the lack of a consensus product at May Revision, staff recommends affirming the rejection of this proposal at this time (does not require a new action). Staff also recommends that the Subcommittee encourage the Department to continue working with stakeholders on a policy and/or a future budget proposal.

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: FINANCING OF CALWORKS SINGLE ALLOCATION

The funding for counties to administer the program and provide services, called the "single allocation," which totals about $1 billion, was cut dramatically by $420 million in 2009-10 and with an agreement to cut $375 million in 2010-11, summing to a two-year overall reduction of $795 million. The 2009-10 cut reduced welfare-to-work services by $162 million and child care services by $215 million.

This reduction has been discussed during the Subcommittee's "Toll on Californians of Adopted and Proposed Health and Human Services Cuts" hearing on March 24, 2010 and at its April 28, 2010 hearing on CalWORKs.

Staff Recommendation:

Staff recommends the following:

- Using revenues in the newly created Jobs and Economy Security Fund to fund CalWORKs employment services and child care at $1.5 billion, backing out TANF that was being applied for these purposes and using TANF funds for CalWORKs grants costs. Additionally, provide $300 million from the Jobs Fund to restore a healthy portion of the Single Allocation reduction that was reduced for 2010-11.

- As a result of the restoration of the Single Allocation, rescind the Subcommittee's prior action on adoption of placeholder trailer bill to require DSS to report on the effects of the reduction with the release of the January 10, 2011 Governor's Budget.

- Actions on CalWORKs Child Care will conform to actions taken in Subcommittee No. 2 on Education Finance.

ISSUE 2: SPRING FINANCE LETTER PROPOSAL FOR COMMUNITY CARE LICENSING (CCL) INSPECTION & FEE CHANGES

This Spring Finance Letter was heard by the Subcommittee on April 28, 2010 and the action taken was to hold the Letter open and "direct the DSS to meet with stakeholders, inviting legislative staff and including those who have expressed concerns and opposition, for a thorough briefing on (1) the particulars of the assessment tool, (2) the proposed inspection protocol, and (3) the administration's proposed trailer bill language prior to the May Revision and report back with an update to Subcommittee staff on the issues raised and how the proposal might change to address these."

DSS/CCL proposed, in a Spring Finance Letter and corresponding Trailer Bill and Budget Bill Language (TBL and BBL), to overhaul, effective January 1, 2011, statutory licensing inspection requirements. The Administration also proposes to raise facility application and annual fees by 10 percent. The BBL would allow the Department of Finance to reduce the GF authority for CCL commensurate with the amount of additional fee revenue that CCL receives (anticipated to be $1.4 million for six months of 2010-11 and $2.8 million annually thereafter). DSS has indicated that the costs for automation changes associated with this proposal would be absorbed as part of its ongoing system maintenance costs.

DSS/CCL has been meeting with stakeholders since the April 28 hearing, however a consensus product that satisfies the terms of the Subcommittee's direction was not submitted with the May Revision.

PANELISTS

- DSS/CCL – Please provide an overview and update on the stakeholder convenings, what issues have been discussed, what concerns have been raised, which continue to be outstanding, and how the proposal is changing as a result.
- DOF
- LAO

(There will be no public comment on this item – public comment was taken at the April 28, 2010 hearing on this issue.)

Staff Comment and Recommendation:

Staff recommends rejecting this proposal at this time. Although the Department's approach to reprioritizing limited resources appears to be very promising and the need for more frequent licensing visits is urgent, the underlying details should be more fully considered by the policy committees of the Legislature or by the Budget Committee after stakeholders and the Department have had more time to work together regarding this overhauling of licensing procedures across multiple categories of facilities. Therefore, staff also recommends that the Subcommittee direct the Department to continue working with stakeholders on a policy and/or a future budget proposal.

ISSUE 3: GROUP HOME LITIGATION AND RELATED PROPOSALS – MAY REVISE

The monthly rates paid to group homes and foster family agencies (FFAs) for each child under their care are established in state statute and must be consistent with federal requirements that they cover the costs of care and supervision. In particular, group home rates are determined by a complex Rate Classification Level (RCL) system that has been in effect for 20 years and that attempts to measure the hours of care and supervision, social work, and mental health services provided to children, while allowing for weightings based on the experience and educational background of staff. The current RCL system does not measure or evaluate outcomes or the quality of services provided to children in group homes.

Related to group home and foster family agency rates, the May Revision proposes:

1. $234.4 million ($69.6 million GF) in new costs to comply with a federal district court order in the *California Alliance of Child and Family Services v. Cliff Allenby*, which granted a rate increase to group homes based on the lack of COLAs applied to the current RCL system in recent years. As a result, the rates paid to group homes increased by approximately 32 percent, and now range from $2,085 to $8,835 per child, per month.

2. $34.1 million ($24.3 million GF) in eroded savings from a court injunction that halted a ten percent rate reduction which was adopted in 2009-10 for group homes. That rate reduction is now in effect for FFAs only. The resulting FFA rates range from $1,430 to $1,679 per child, per month.

3. $863,000 ($446,000 GF) in new costs for one new state operations position and funding for consultants, so that the Department can conduct a rate study and move toward a restructuring of the current group home rate-setting system.

4. Trailer bill language (TBL) that would impose a moratorium on group home applications. In the alternative, if the moratorium is not enacted, the Department again proposes to suspend the implementation of SB 1380 (Chapter 486, Statutes of 2008).

Additional Background: According to data from the Child Welfare Services/Case Management System (CWS/CMS), the overall number of children in child-welfare supervised foster care has been steadily declining for a number of years (from 116,900 children in July 1999 to approximately 66,000 in October 2009). The number of children placed in group homes also declined during that time, from approximately 10,600 to around 7,000.

According to DSS, the proposed temporary moratorium is not expected to affect the state's ability to find placements for foster children, as there is currently an over-capacity of available group home beds. The Department states that as of February

2010, there were approximately 8,700 licensed group home beds available in California and approximately 6,000 children in group home placements. The Department also indicates that such a moratorium would allow DSS to redirect staff to work on policies and rate-setting for alternatives to group home placements.

Absent the moratorium, DSS again proposes to suspend its implementation of SB 1380. SB 1380 was enacted to allow for expanded eligibility and revised operational, reporting, and training requirements for the Intensive Treatment Foster Care (ITFC) program. ITFC was originally established in 1990 to ensure that foster children with emotional challenges could thrive in a family home with therapeutic services, rather than high-level and more expensive group homes. The Assembly Appropriations Committee analysis of SB 1380 indicated that the bill would result in net savings because foster children would be placed in less costly, less restrictive home settings, as opposed to more costly group home environments.

PANELISTS

- DSS – Please provide an overview of the proposal.
- DOF
- LAO
- Public Comment

Staff Comment and Recommendation:

Staff recommends approving the revised estimates of increased group home rate-related costs and the erosion of savings from the prior rate reduction. Staff also recommends:

1. Adopting placeholder TBL to require DSS to establish **a working group to develop revisions to the current system of setting reimbursement rates for group home providers.** Any recommended changes in the group home rate-setting system must also consider the larger context for how the system can better incorporate a spectrum of placements and services that promote positive outcomes for children and families. These shall include addressing mental health and other critical services for children and youth, the provision of services in home-like settings, supporting families and relatives, and other quality improvement concepts. The working group shall include legislative policy and budget staff and stakeholders representative of foster youth, providers, children's advocates, county welfare and probation staff, and workers.

2. **Adopting placeholder TBL to enact a one-year moratorium** on group home rate-setting activity that incorporates authority for the department to make exceptions to the moratorium, which may, as appropriate, be based on information provided by county placing agencies, including county welfare and

probation agencies. The Department should also be required to provide feedback from the year of implementation for the Legislature's review.

3. **Rejecting TBL that would make implementation of SB 1380 contingent on any other provisions.**

4. **Approving the creation of the requested state operations position, but for a three-year limited-term**; and

5. **Approving $250,000 of the $750,000 in requested funding for consulting and contracts**, including county consultants. Total GF impact would be determined by the Administration, after consultation with Subcommittee staff.

This action conforms to action taken in the Senate.

ISSUE 4: DEFENSE APPROPRIATION ACT FUNDING FOR FOOD STAMPS ADMINISTRATION – MAY REVISE

The May Revision proposes $10.5 million GF savings (with corresponding reductions in federal and county funds) from the use of $30.0 million in newly available federal funds appropriated by the Department of Defense Appropriations Act of 2010 (P.L. 111-118). These new federal funds do not require a state match and must be used to supplement, not supplant, current state funds for the Supplemental Nutritional Assistance Program (still commonly referred to as "food stamps" in California). DSS proposes to use the funds for a portion of new administrative costs resulting from caseload growth in food stamps (specifically for "non-assistance" cases, or those in which recipients do not also receive CalWORKs).

The overall enacted budget for food stamps administration in 2009-10 is $989.4 million ($418.4 million GF), while the May Revision for 2010-11 includes $1.2 billion ($492.1 million GF).

Caseload Growth: The average monthly numbers of Californians receiving food stamps in recent and upcoming years (according to DSS's annual estimates as of each prior November and not including CFAP recipients) are below.

State Fiscal Year	# of Households	# of Individual Recipients
2007-08	850,346	2,138,702
2008-09	1,004,507	2,442,705
2009-10	1,337,016	3,213,770
2010-11	1,575,940	3,752,354

Roughly 32,000 additional individuals receive benefits in the state-funded California Food Assistance Program (CFAP).

PANELISTS

- DSS – Please provide an overview of the proposal.
- DOF
- LAO

Staff Comment and Recommendation:

Advocates have raised the issue of whether a portion of this funding should be used for other program efforts. Staff recommends reducing the GF savings of $10.5 million by $1 million, so reducing the GF savings associated with this proposal by $1 million, which would place the issue into Conference.