AGENDA
SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER JERRY HILL, CHAIR

WEDNESDAY, MAY 6, 2009
STATE CAPITOL, ROOM 444
1:30 P.M.

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ITEMS TO BE HEARD

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

ISSUE 1: PROGRAM AND BUDGET REVIEW

BACKGROUND

The Department of Alcohol and Drug Programs (ADP) has a proposed budget of approximately $719 million ($312 million General Fund) for the 2009-10 Budget Year. ADP is responsible for administering prevention, treatment, and recovery services for alcohol and drug abuse and problem gambling. As the state's drug and alcohol authority, ADP is responsible for inviting the collaboration of other departments, local public and private agencies, providers, advocacy groups, and individuals in establishing standards for the statewide service delivery system.

In the 2008-09 Special Session, the Administration proposed a shift of $311.5 million from the General Fund to the newly created Drug and Alcohol Prevention and Treatment Fund, which would be supported with an increase in alcohol excise taxes. This proposal was not accepted and therefore no significant changes to the ADP Budget were made for the 2009-10 Budget as part of the 17-month package and Senate Bill 3X 1.

The enacted 2008-09 Budget included a series of reductions, either approved by the Legislature or executed through the Governor's vetoes, across ADP program areas, including:

- Budget-Balancing Reduction of $3.1 million GF to drug court programs (the Comprehensive Drug Court Implementation, Drug Court Partnership, and Dependency Drug Court). The Governor further reduced these programs by $2,983,000.

- Budget-Balancing Reduction of $3.1 million GF to Non-Drug Medi-Cal Regular ($733,000) and Non-Drug Medi-Cal Perinatal ($2.3 million) programs. The Governor further reduced these programs by $579,000.

- Reduced the Substance Abuse and Crime Prevention Act (Prop. 36) by $10 million and the Substance Abuse Offender Treatment Program (OTP) by $2 million. The Governor further reduced the OTP by an additional $2 million.

- Elimination of the California Methamphetamine Initiative and its $10 million appropriation.

- Governor reduced $776,000 and three positions for the Drug Medi-Cal Program, $154,000 for the Non-Drug Medi-Cal Program, $110,000 and 0.5 positions for the Drug Court Programs, and $30,000 and 0.4 positions for the OTP. ADP reports that total staffing reductions atop these veto reductions resulted in the loss of 9.2 positions across programs.

DRUG MEDI-CAL

ADP's Drug Medi-Cal (DMC) program began in 1980 and is jointly funded by the federal and state government to provide drug and alcohol treatment services to eligible needy persons. The DMC Program provides services to those lacking health insurance and meeting income eligibility; services are currently limited to those with incomes up to 250 percent of the federal poverty level.

The DMC offers the following services: Outpatient Drug Free (ODF), Naltrexone, and Narcotic Treatment Program (NTP) services. In addition, Day Care Rehabilitative (DCR) and Residential Treatment are available to pregnant and postpartum women and full scope Medi-Cal beneficiaries under the age of 21.

As compared to the Budget Act Appropriation, ADP reports that total caseload is estimated to increase by 44,284 (19.63 percent) from 225,626 to 269,910 for 2009-10. This net increase includes:

- ODF Regular caseload increase of 35,902
- NTP Regular caseload increase of 6,116
- DCR Regular caseload increase of 2,984
- Overall Perinatal Services caseload decrease of 718

For the current year, total caseload is estimated to increase by 8,616 (3.8 percent) from 225,626 to 234,242.

As compared to the Budget Act Appropriation for both current and budget years, ADP states that there were significant caseload changes in both ODF and Perinatal Residential services. While caseload is also projected to increase in other modalities, the increases in ODF and Perinatal Residential modalities have the largest impact on their respective programs.

Updated DMC Program caseload information will be available at the May Revision.

PROP. 36 AND OTP

Proposition 36, the SACPA, changed state sentencing laws, effective July 1, 2001, to require adult offenders convicted of nonviolent drug possession to be sentenced to probation and drug treatment instead of prison, jail, or probation without treatment. The Act excludes offenders who refuse treatment or who are found by the courts to be “unamenable to treatment.” The Act further requires that parolees with no history of violent convictions who commit a non-violent drug offense or violate a drug-related condition of parole be required to complete drug treatment in the community, rather than being returned to state prison.

SACPA appropriated $60 million for 2000-01 and $120 million General Fund annually from 2001-02 through 2005-06. After this, the funding level for SACPA was left to the discretion of the Legislature. The 2006-07 budget maintained $120 million General Fund for SACPA and provided an additional $25 million to establish the OTP, bringing total funding for SACPA-eligible offenders to $145 million.

Changes in funding since the 2006-07 Budget are displayed in the chart below provided by ADP, with information on service reductions at the county level as a result of the decreased funding following.

Allocations	FY 2006-2007	FY 2007-2008	FY 2008-2009
Prop 36 Allocation	$120M	$100M	$90M
Reduced by	-	17%	10%
TOTAL REDUCTION			**25% over the last 3 years ($30 M)**
OTP Allocation	$25M	$20M	$18M
Reduced by	-	20%	10%
TOTAL REDUCTION			**28% over the last 3 years ($7 M)**

Impact of Reductions. ADP states that due to limited funding, most clients are placed into outpatient regardless of their assessment. If they fail outpatient, than they may be placed in residential. There is less supervision available for clients in treatment. Banked caseloads are increasing for Probation Officers. Other services such as vocational, literacy and family counseling are being cut drastically or eliminated. Decreased funds have prompted District Attorneys and Judges to intensify client screening, making some clients ineligible for Prop 36. The length and duration of treatment has substantially decreased. 90 days of treatment is no longer the minimum, but often the maximum. Residential treatment capacity has been reduced forcing counties to utilize Sober Living Environment in conjunction with Intensive outpatient treatment. Additional funding cuts have caused counties to reduce Sober Living Environments as well leaving minimal treatment options for Prop 36 clients in need of more intensive treatment options. Narcotic Replacement Therapy has been decreased or eliminated creating treatment voids for Prop 36 clients assessed as benefiting from this treatment option. Wait lists have steadily increased due to decreased funding. Finally, clients have limited opportunity to stay engaged in Prop 36 while waiting to access their assessed treatment needs.

Treatment Service Reductions for FY 2008-09 from County Plans

Service Reduction*	Number of Counties Impacted	Number of Clients Impacted
Residential	32	780
Outpatient/Intensive Outpatient	29	2077
Narcotic Replacement Therapy	9	60
Sober Living Environments	18	450
Total Impact	40	3367

*The numbers do not include reductions taken in the prior fiscal year.

Staff Reductions for FY 2008-09 from County Plan

Personnel Eliminated	Number of Counties Impacted	Number of Staff Eliminated
Criminal Justice/ Treatment Staff	21	29.75

PANELISTS

- Department of Alcohol and Drug Programs
- Department of Finance
- Legislative Analyst's Office
- Public Comment

Possible Questions:

Department, please briefly review the reductions taken in the 2008-09 Budget and describe the impacts on client services and the provider network as a result.

Department, how are the needs for alcohol and drug abuse treatment being assessed? What are the waiting list numbers for the various, larger programs?

Administration, what cooperation and interagency coordination exists between ADP and CDCR in alcohol and drug treatment and prevention of recidivism?

Staff Recommendation:

Informational item only – no action required at this time.

ISSUE 2: LICENSING AND CERTIFICATION

BACKGROUND

ADP requests an increase of $1.4 million ($893,000 from licensing fees collected in the Residential and Outpatient Program Licensing Fund (ROPLF) and the remainder from federal funds) and 13 positions to expand the department's ability to conduct Drug Medi-Cal (DMC) Post-Service, Post-Payment (PSPP) reviews and complaint investigations. Eight of the 13 positions would be new and would be dedicated to conducting DMC PSPP reviews. The other five positions would be continuing two-year limited-term positions, through June 30, 2011, devoted to complaint investigation.

ADP certifies facilities, reimburses DMC claims, investigates DMC-related complaints, and conducts onsite PSPP reviews to ensure facility compliance with billing and reimbursement-related requirements for services provided to Medi-Cal eligible clients. The Licensing and Certification Division (LCD) of ADP has a total proposed 2009-10 budget of $10.6 million ($1.1 million General Fund and $3.2 million ROPLF), including these requested funds. State law (Health & Safety Code Section 11833.02(e)) requires the LCD, unless otherwise specified, to be supported entirely by federal and special funds beginning in the 2010-11 fiscal year. According to ADP, there are currently 1,409 DMC providers in California certified to bill the DMC program, projected to increase to 1,577 by the 2010-11 budget year.

Post-Service, Post-Payment Reviews. Neither statutes nor regulations currently specify how frequently ADP must conduct PSPP reviews. According to ADP, PSPP reviews are currently conducted for each DMC certified program approximately once every five years. The additional eight positions requested would instead allow for PSPP reviews approximately once every two years. The department believes this greater frequency is necessary because it has become increasingly concerned regarding questionable billings or billing errors by DMC providers.

In 2005-06, ADP identified recoupments that resulted in $276,000 in recovery of General Fund resources. From 2006-07, $74,000 General Fund was recovered. According to the department, cases from 2006-07 pending investigation could also result in up to $2 million in General Fund recoveries.

Complaint Investigations. According to ADP, the number of complaints the department received increased from seven in the 2004-05 budget year to 33 in 2007-08. As a result, in 2007-08 ADP received four limited-term positions to address workload associated with complaint investigations. The department projects that complaints will continue to increase, to an estimated 43, in 2009-10. Therefore, ADP requests to continue these limited-term positions, as well as one limited-term staff counsel position through fiscal year 2010-11.

ROPLF Fund Condition Summary. ADP provided the following fund condition table (in thousands) as part of the BCP proposal.

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Beginning Balance	$0	1,829	3,529	4,561
Revenue	$3,444	3,568	4,251	3,856
Expenditures	($1,615)	(1,868)	(3,219)	(3,219)
Fund Balance	$1,829	3,529	4,561	5,198

PANELISTS

- Department of Alcohol and Drug Programs
- Department of Finance
- Legislative Analyst's Office
- Public Comment

Possible Questions:

Department, please provide a brief summary of the fee implementation background. Can the Department provide an update to the fee data included in the ROPLF chart?

Department, has LCD contemplated changes to the certification process per to the suggestions of advocates?

Staff Recommendation:

Staff recommends the following:
1. Approval of the continuation for the five positions in the BCP dedicated to complaint intake and investigation for an additional two-year limited term, which are understood to be all entirely supported by the ROPLF.
2. Rejection of the newly proposed eight positions for PSPP reviews given the constraints on state resources at this dire time.
3. In light of the condition of the ROPLF, removal and scoring of all remaining General Fund in Licensing and Certification for 2009-10 ($1.1 million) and corresponding approval of equal expenditure authority in 2009-10 for the ROPLF, making the program entirely fee-supported in Budget Year.
4. As a technical alignment with this action, rejection of the Spring Finance Letter (Issue 051) on expenditure authority for the ROPLF.
5. Lastly, a request that the Department be prepared to offer a written update to the Subcommittee by March 1, 2010 on the Fee Program, including positions categorized by function, collections, unpaid fees, expenditure detail, and issues raised by providers and stakeholders.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 1: PROGRAM AND BUDGET REVIEW

BACKGROUND

The 2007 Human Services budget trailer bill included language requiring the department to provide an update to the Legislature in the annual subcommittee process, beginning in 2008, on state and local progress on child support federal performance measures and collections. The department has been asked to provide this annual update at the hearing.

The primary purpose of the child support enforcement program is to collect from absent parents, support payments for custodial parents and their children. Local child support offices provide services such as locating absent parents; establishing paternity; obtaining, enforcing, and modifying child support orders; and collecting and distributing payments. Effective January 2000, the Department of Child Support Services (DCSS) was created by the enactment of AB 196 (Kuehl, Chapter 478, Statutes of 1999) and SB 542 (Burton and Schiff, Chapter 480, Statutes of 1999) in order to improve the administration of California's child support program. This legislation removed the state administration of child support from the DSS and shifted the local responsibility for collecting child support from the district attorneys' offices to local child support agencies (LCSAs). Most counties formed their own LCSA, however nine small counties joined together to form regional LCSAs. One of the driving forces behind these changes was to improve the program's ability to collect child support from noncustodial parents.

Pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), since federal fiscal year 2000, the federal government evaluates and awards federal incentives for state child support programs based on five performance measures. These measures include:

- **Paternity establishment percentage.** The Statewide Paternity Establishment Percentage: measures the total number of children born out-of-wedlock for whom paternity was acknowledged or established in the fiscal year compared to the total number of children in the state born out-of-wedlock during the preceding fiscal year (minimum federal threshold is 50 percent).

- **Percent of cases with a child support order.** This data element measures cases with support orders as compared with the total caseload. Support orders are broadly defined as all legally enforceable order, including order for medical support only, and zero support orders (minimum federal threshold is 50 percent).

- **Current collections performance**. This performance standard measures the amount of current support collected as compared to the total amount of current support owed (minimum federal threshold is 40 percent).

- **Arrearage collections performance.** This standard measures the number of cases with child support arrearage collections as compared with the number of cases owing arrearages during the federal fiscal year (minimum federal threshold is 40 percent).

- **Cost effectiveness performance level.** This measure compares the total amount of distributed collections to the total amount of expenditures for the fiscal year, expressed as distributed collections per dollar of expenditure (minimum federal threshold is $2.00).

California's Performance. The following information on performance has been provided by the Department.

Paternity Establishment Percentage	IV-D PEP Minimum threshold: 50% + 2-6% increase annually if under 90% California's Performance: FFY 2008 94.2% FFY 2005 86.0% FFY 2002 77.5% FFY 2007 91.3% FFY 2004 87.6% FFY 2006 90.3% FFY 2003 87.0% Statewide PEP Minimum threshold: 50% + 2-6% increase annually if under 90% California's Performance: FFY 2008 101.4% FFY 2005 106.5% FFY 2002 108.7% FFY 2007 106.7% FFY 2004 117.8% FFY 2006 109.9% FFY 2003 105.9%
Percent of Cases with a Child Support Order	Minimum threshold: 50% + 5% increase annually FFY 2008 80.2% FFY 2005 80.3% FFY 2002 75.3% FFY 2007 82.1% FFY 2004 78.1% FFY 2006 80.6% FFY 2003 76.4%
Current Collections Performance	Minimum threshold: 40% FFY 2008 52.8% FFY 2005 49.3% FFY 2002 42.4% FFY 2007 51.5% FFY 2004 48.0% FFY 2006 50.4% FFY 2003 45.2%
Arrearage Collections Performance	Minimum threshold: 40% FFY 2008 59.1% FFY 2005 56.0% FFY 2002 54.9% FFY 2007 57.1% FFY 2004 54.9% FFY 2006 56.5% FFY 2003 55.4%
Cost Effectiveness Performance Level	Minimum threshold: $2.00 FFY 2008 $1.96* FFY 2005 $2.15 FFY 2002 $2.23 FFY 2007 $2.01 FFY 2004 $2.12 FFY 2006 $2.03 FFY 2003 $2.31 *The actual FFY 2008 statewide total for cost effectiveness is $2.04. Due to a reporting error it has been reported as $1.96.

CCSAS UPDATE

The California Child Support Automation System (CCSAS) consists of two major components, the State Disbursement Unit (SDU) and the Child Support Enforcement (CSE). The SDU was fully implemented in May 2006, and collects, processes, and distributes child support payments. The CSE component of the project provides a central database and case management system to support child support enforcement activities in all LCSAs. The CCSAS was recently certified by the Federal Office of Child Support Enforcement and is in the maintenance and operations phase.

PANELISTS

- Department of Child Support Services
- Office of the State Chief Information Officer (CIO)
- Department of Finance
- Legislative Analyst's Office
- Public Comment

Possible Questions:

Department, please provide a brief update on California's performance on the five performance measure.

Department and CIO, please describe the current status of the CCSAS project, the effect of the reduction of $36.1 million in 2009-10, and expected additional uses included in the recently received Annual Advance Planning Document Update.

Department, please provide an update on the state hearings process.

Department, please provide a brief update on the COAP program, which was made permanent last year.

Staff Recommendation:

Staff recommends the following:

Adoption of placeholder trailer bill language requiring the OCIO and DCSS to jointly produce a annual report to be submitted to the policy and fiscal committees of the Legislature on CCSAS implementation, including (1) a clear breakdown of funding elements for past, current, and future years, (2) descriptions of implemented functionalities and a description of their usefulness in child support collections by LCSAs, (3) a review of current federal considerations, and (4) a policy narrative on future, planned changes to the CCSAS system and how they will advance activities for workers, collections for the state, and payments for recipient families.

ISSUE 2: REVENUE STABILIZATION PROPOSAL

BACKGROUND

This new premise reflects a permanent ongoing augmentation of $18.7 million ($6.4 million General Fund) to LCSAs to maintain LCSA caseworker staffing levels in order to stabilize child support collections. Since 2003-04, State and federal funding support for LCSA basic administrative expenses have been held flat. Due to this flat funding and local cost increases, LCSA staffing levels have declined, which the administration states has contributed to associated declines in child support collections.

It is anticipated that providing this augmentation will partially offset the decline by $84.7 million ($6.9 million General Fund). The estimated General Fund offset to collections declines is greater than the cost of the augmentation, providing a return to the General Fund of $500,000.

Methodology. The base administrative allocation of $696.4 million was used to calculate the inflationary increase. The CPI of 2.7% was applied to the base allocation resulting in an additional $18.7 million needed to fully fund administrative activities. 182 caseworkers were multiplied by the average collection per Assistance case to compute additional collections of $14.5 million. 182 caseworkers were multiplied by the average collection per NonAssistance case to compute additional collections of $70.2 million.

PANELISTS

- Department of Child Support Services
- Department of Finance
- Legislative Analyst's Office
- Public Comment

Possible Questions:

Department, please briefly describe the proposal and the Early Intervention efforts being implemented and considered by LCSAs.

Department, please describe the dynamic between staffing levels, collections, and caseload in prior years that led to this proposal.

Department, what tracking will be in place in the Budget Year to assess the effectiveness of this new premise?

Staff Recommendation:

Staff recommends approval of the Administration's revenue stabilization proposal on a one-time basis with an assumption of net General Fund revenue in 2009-10 as determined by the Department of Finance, with adoption of placeholder trailer bill language to do the following:

1. Require that each LCSA submit an Early Intervention Plan with all components to take effect upon receipt of their additional allocation as a result of this proposal.
2. That the funds be distributed to counties based on their performance on two federal performance measures – Measure 3: Collections on Current Support and Measure 4: Cases with Collections on Arrears.
3. Require that LCSAs report and assure that 100% of the new funds allocated are dedicated to maintaining caseworker staffing levels in order to stabilize child support collections.
4. Require that the Department provide a report on a county-by-county breakdown on the cost-effectiveness of this augmentation, including an assessment of caseload changes from 2008-09 through 2009-10.

ISSUE 3: $25 ANNUAL FEE PROPOSAL

BACKGROUND

The Federal Deficit Reduction Act of 2005 (FDRA) requires states to charge an annual $25 fee to never-assisted families for whom the State has disbursed at least $500 in a federal fiscal year (FFY), effective January 1, 2008.

Under the FDRA, states may charge the fee to the custodial party (CP), the noncustodial parent (NCP), retain the fee from CP collections, or pay the federal share of the fee using state funds. If a state is unable to collect the fee in a particular case, the state is responsible for paying the federal share of the fee to the federal government. The DCSS estimates that this fee would apply to approximately 230,000 never-assisted families per federal fiscal year. The DCSS estimates that the total fee revenue associated with these never-assisted families is $5.8 million. In the current year, the State has elected to remit the federal share of the fee to the federal government. The Governor's Budget includes $3.5 million General Fund for the full-year cost of the fees in 2009-10.

Implementation of any fee collection option other than paying the fee directly from the state general fund would require changes to the California Child Support Automation System (CCSAS).

Fee Collection. Under the provisions of the FDRA, states may collect the mandatory $25 fee in the following ways:

(1) Retain the fee from the CP's child support collections.
(2) Bill the fee to the CP.
(3) Bill the fee to the NCP.
(4) Pay the federal share of the fee from the General Fund.

DCSS would reprogram CCSAS to track never-assisted CPs' collections that reach at least $500 disbursed to the family in a federal fiscal year. The system would be reprogrammed to refresh at the end of each federal fiscal year to continue tracking collections and to begin fee recovery from the next child support collection. DCSS staff would validate the collection information quarterly for the Office of Child Support Enforcement's (OCSE) 34A report. Using this approach, the State would recover all fees due, except in rare circumstances where a customer's very last collection at the end of the support order was exactly $500.

Actions necessary to implement Include:

- A state law change.
- Regulatory changes to include the annual fee in the collections distribution hierarchy.
- DCSS staff to develop and mail a notice to all never-assisted CPs notifying them of the imposition of the new fee.

CCSAS would be reprogrammed to perform the following tasks:

- Validate that CP has never received public assistance;
- Determine when CP has received $500 or more in child support collections in a federal fiscal year;
- Track fees recovered by account and maintain a historical record of fees recovered;
- Automatically refresh at the end of each federal fiscal year to continue tracking collections and fee recovery by account; and
- Exclude interstate and international responding cases.

Revenues. Under this methodology, the fee would be recovered from never-assisted CP collections once a total of $500 has been disbursed on behalf of the CP in a federal fiscal year. Based on OCSE 157 data, the number of never-assisted cases with a payment is approximately 230,000. Using this approach, the State would recover all fees due, except in rare circumstances where a customer's very last collection at the end of the order was exactly $500. The estimated revenue collected from this option would be 230,000 x $25 = $5.8 million.

The fee revenue would be shared between the State and the federal government according to the IV-D cost sharing ratio of 34/66 percent. Therefore, the State revenue from this fee would be $2.0 million and the federal share would be $3.8 million. The State would continue to remit the federal share of fees to the federal government and restore the General Fund upon recovery from the custodial party.

PANELISTS

- Department of Child Support Services
- Department of Finance
- Legislative Analyst's Office
- Public Comment

Possible Questions:

Department, please provide a brief review of this proposed change.

Finance, what are the consequences to the General Fund if the fee is not adopted and what budget years does this affect?

Staff Recommendation:

Staff recommends approval of the administration's proposal on the $25 fee for never-assisted cases and the accompanying trailer bill language with the effective date of the fee of October 1, 2010.