

Governor's 2001-02 Budget Proposal For: **SOCIAL SERVICES**

DEPARTMENT OF SOCIAL SERVICES

CALWORKS

The 1996 federal welfare reform law eliminated the Aid to Families with Dependent Children (AFDC) entitlement program and replaced it with the Temporary Assistance for Needy Families (TANF) block grant. In response to the new federal law, California established the California Work Opportunity and Responsibility to Kids (CalWORKs) program. The CalWORKs program was implemented on January 1, 1998. Like the former AFDC Program, CalWORKs provides cash grants and welfare-to-work services to single-parent families and to unemployed two-parent families whose incomes are too low to meet their basic needs. However, CalWORKs places increased emphasis on moving families from welfare to work and providing services to help them achieve this goal. County welfare departments carry out most CalWORKs functions under the statewide supervision of the Department of Social Services (DSS).

California's federal welfare block grant amount is \$3.7 billion each year through federal fiscal year 2002 (ending September 30, 2002). In addition, the budget estimates that \$263 million of unspent TANF funds will carry over into 2001-02 from the current year, resulting in a total of \$4 billion of TANF funds available in 2001-02. The budget proposes to spend \$3.8 billion of these federal funds, leaving reserves totaling \$185 million (\$100 million for childcare and \$85 million as a general TANF reserve).

To receive federal TANF block grants, the state must meet a maintenance-of-effort (MOE) requirement. The MOE requirement generally provides that state (including county) funding for welfare and other types of support and assistance for needy families must be at least 80 percent of the amount that the state spent for AFDC in federal fiscal year 1994 – or \$2.9 billion. The MOE level decreases to 75 percent if the state meets federal work participation requirements, as California currently does, reducing the minimum MOE spending level to \$2.7 billion, a savings of \$182 million. The budget proposes state funding for the CalWORKs Program at this minimum MOE amount in 2001-02.

The Governor's proposed budget funds the CalWORKs program at \$6.8 billion in 2001-02 (excluding reserves). Of this amount \$5.7 billion is included in the DSS budget request, with the remaining funds budgeted through other departments and the counties. Table 1 summarizes the major budget proposals associated with CalWORKs.

Table 1

GOVERNOR'S CALWORKS BUDGET PROPOSAL	
2001-02	
(Dollars in Millions)	
	(all funds)
Welfare Grants	\$3,117
Basic Employment Services (including Welfare-to-Work funds)	901
Substance Abuse Services	55
Mental Health Services	54
Indian Health Clinics	3
Child Care	1,080
Kin-GAP (guardian assistance)	45
County Administration	362
TANF Funds for County Probation Programs	201
Dept. of Social Services Administration	29
OTHER CALWORKS EXPENDITURES IN DEPT. OF SOCIAL SERVICES	361
OTHER CALWORKS EXPENDITURES IN OTHER DEPARTMENTS	478
Counties' Share of CalWORKs Expenditures	144
Total	\$6,830

- ◆ **Caseloads.** Welfare caseloads are projected to decrease for the seventh straight year in 2001-02. The caseload is estimated to be 1,482,000 persons, or approximately 521,000 families, in 2000-01 and is projected to decrease to 1,397,000 persons or approximately 494,000 families in 2001-02. This represents a decrease of approximately 5.2 percent in the number of families. This declining caseload trend contrasts sharply with the high rate of caseload growth experienced during the recession in the early 1990's. The state's strong economy and job growth, as well as the implementation of CalWORKs incentives and services to move families from welfare to work, have contributed to the caseload decline. The caseload decline results in savings of \$152 million in assistance payments in 2000-01, compared with estimated current year expenditures.
- ◆ **Grant Levels.** Existing law requires annual cost-of-living adjustments (COLAs) to CalWORKs grants effective October 1 each year. The statutory COLA is based on the increase in the California Necessities Index (CNI), which the Governor's budget proposal estimates will be 4.85 percent for 2001-02. The budget proposal includes \$135 million to fully fund this COLA.

The maximum CalWORKs grant increases with family size, and there are two regional grant levels. Grants are 4.9 percent lower in 41 designated low/moderate cost counties than in the 17 designated high-cost counties. Families with nonexempt income receive less than the maximum grant. However, the CalWORKs grant structure encourages families to return to work by reducing grants by less than the amount earned, so that families may earn more than twice the maximum grant amount before they lose their grant entirely.

Table 2 shows CalWORKs maximum grants for a family of three for 1999-00, 2000-01, and as proposed for 2001-02 (effective October 1 of each year). Annual COLAs have been provided for CalWORKs grants since 1998-99. However, from 1989-90 through 1997-98, grants were either reduced or frozen each year. As a result, the purchasing power of the maximum family grant has declined by about 30 percent since 1989-90 and currently is about 45 percent less than the poverty level.

Table 2

CALWORKS GRANTS 1999-00, 2000-01, and Proposed 2001-02 (Family of Three)			
YEAR	CNI INFLATION ADJUSTMENT (PERCENT)	MAXIMUM GRANT AMOUNT	
		LOW-COST COUNTIES*	HIGH-COST COUNTIES**
1999-00	-	\$596	\$626
2000-01	2.96%	614	645
2001-02	4.85%	\$644	\$676

* 41 low-cost counties.

** 17 high-cost counties.

EMPLOYMENT SERVICES. Recipients are required to enter into a welfare-to-work plan after an assessment. The plan must include the activities and services that will move the recipient into employment. The Governor's proposed budget includes \$812 million for basic job training and employment services in 2001-02.

- ◆ **Welfare-to-Work Funds Used to Replace CalWORKs Funding.** The budget proposes to continue using federal Welfare-to-Work funds largely to replace, rather than augment, regular CalWORKs funding for employment services. In 2001-02, the budget includes \$89 million from the General Fund, to match 2000-01 expenditures of federal Welfare-to-Work funds administered by the Employment Development Department. These funds are targeted at job creation for hard-to-employ individuals, primarily within the CalWORKs population. States must spend \$1 in matching funds for every \$2 in federal funds. While most of the federal Welfare-to-Work funds must be administered through local Private Industry Councils (PICs), the state has discretion over spending the matching funds, provided that requirements for eligibility and allowable services are met.

The budget proposes to allocate the \$89 million of state matching funds to county welfare departments in 2001-02. Of this amount, \$63 million is offset by a reduction in other CalWORKs funding due to a presumed overlap between CalWORKs basic employment services and Welfare-to-Work activities. A similar offset of \$37 million occurs in the current year. The budget also assumes savings due to a similar overlap between the PICs' use of the federal Welfare-to-Work funds and CalWORKs basic employment services. This proposed additional offset is \$80 million in 2001-02. A similar savings of \$90 million occurs in the current year.

- ◆ **Shortfall in Current-Year Funding.** Counties receive CalWORKs funding for employment services based on budget requests that must be approved by DSS. In the current year, counties successfully appealed \$92 million of initial DSS disallowances. Of this amount, \$50 million was funded by depleting the current-year TANF reserve, leaving an unfunded county shortfall of \$42 million. The budget proposed augments employment services funding by the full \$92 million in 2001-02 by diverting county fiscal incentive funds (see below).
- ◆ **No County Fiscal Incentive Funding in 2001-02.** Existing law provides for performance incentive payments to counties equal to 50 percent of savings resulting from persons leaving CalWORKs for employment, grant reductions due to earnings, and diversions of CalWORKs applicants. Counties may use these payments for a broad range of purposes, consistent with federal TANF requirements. The 2000 Budget Act appropriated \$250 million for fiscal incentive payments, with any unspent funds to be carried over for future fiscal incentive payments. The DSS now estimates that \$153 million of the 2000-01 fiscal incentive appropriation will remain unspent at the end of the current year. The Governor's proposed budget, however, will eliminate all funding for county fiscal incentive payments in 2001-02. It does not include any new funding for fiscal incentives, and it indicates that the administration will seek urgency legislation to divert the remaining \$153 million from the 2000-01 appropriation to fund basic employment services (\$92 million) and provide a general TANF reserve of \$61 million in 2001-02.

The administration states that, as of October 2000, counties had earned \$1.2 billion of fiscal incentive payments, but spent only \$46.2 million. Counties, however, have developed multiyear plans for the use of their fiscal incentive payments and submitted them to DSS.

CALWORKS CHILD CARE SERVICES. AB 1542 (Ducheny), Chapter 270, Statutes of 1999 established a three-stage child care delivery system for families in the CalWORKs program. Stage 1, which counties administer directly, begins

upon entry into job search services and can last for up to six months. Stage 2 begins when the recipient's schedule for training or work stabilizes or when a recipient is transitioning off of aid and childcare is available through a local Stage 2 program. Stage 3 begins when a family has been off of aid for two years, and also is available to families receiving diversion services, long-term training, or who are employed at a wage that does not exceed 75 percent of the state median income. Stages 2 and 3 are funded through the State Department of Education (SDE), which administers those stages.

The CalWORKs 2001-02 proposed budget includes a total of \$873 million for childcare services. Of this amount, \$501 million is for Stage 1 childcare services, \$272 million is for Stage 2 services (which would be transferred to SDE), and \$100 million provides a "reserve" (primarily a "hold-back" from the estimated Stage 1 and Stage 2 funding need). Additional childcare funding outside of the CalWORKs Program is included in the budget request for SDE (please see the SDE section of this document).

- ◆ **Stage 3 Underfunded Pending Review.** As discussed in the SDE section of this document, the Governor's budget does not fund any new enrollment in Stage 3 childcare after July 2001. The administration indicates that it will address ongoing Stage 3 funding based on the results of a policy review of state childcare programs that it expects to complete in the spring.

OTHER CALWORKS PROPOSALS

- ◆ **Substance Abuse/Mental Health Treatment Services.** Counties are required to specify any necessary substance abuse and mental health treatment services in the county plans. The budget proposes \$55 million for substance abuse services. The budget also includes \$54 million for mental health services. Because General Fund expenditures for mental health services in the CalWORKs program are being proposed to meet the TANF MOE requirement, these General Fund expenditures are not used to match and draw down additional federal Medicaid funds for these mental health services.
- ◆ **Fraud.** CalWORKs recipients are ineligible for benefits for any fraudulent misrepresentation or failure to disclose information for six months for the first offense, twelve months for the second offense, and permanently for the third offense. Also, recipients are permanently ineligible for benefits if the recipient is found by a court or pursuant to an administrative fair hearing to have misrepresented their place of residence, submitted documents for nonexistent children or fraudulently received benefits in excess of \$10,000. Under the CalWORKs law, counties receive 25 percent of the state share of savings, including federal TANF funds, resulting from the detection of fraud. The budget estimates grant savings of \$39.9 million (TANF and General Fund) due to the detection of client fraud, resulting in county fraud incentive payments of \$9.7 million.
- ◆ **Federal Bonus Award.** The budget includes \$36 million in one-time federal TANF funds, which were awarded to California for success in achieving high rates of job retention and earnings gain among current and former CalWORKs recipients. The budget proposes to transfer \$20 million of these funds to the Department of Health Services for continuation of the Community Challenge Grant Program for teen pregnancy prevention. The remaining \$16 million is proposed to be held in the general TANF reserve.

FOOD STAMPS

The federal Food Stamp program provides monthly coupon benefits to assist low-income households in purchasing food to maintain adequate nutritional levels. Currently the average benefit per person in California is about \$70 per month. The federal government funds the total costs of the benefits, while the state and counties share the costs for administration. For 2001-02, the Governor's proposed budget includes a total of \$752 million for food stamp administration, of which the state and counties would provide \$298 million and \$107 million, respectively.

- ◆ **Food Assistance for Immigrants.** Federal welfare reform law made non-citizens ineligible for the Federal Food Stamp program (with certain limited exceptions). This law denied eligibility to approximately 120,000 adults, children, and seniors for food stamps in California. The Budget Act of 1997-98 included funding for a new state-only program to provide food stamps for noncitizen minors under the age of 18 and seniors 65 and older. Subsequent federal legislation restored federal eligibility for the population covered by this state-only program (children and seniors).

- ◆ **Shortfall Threatens Assistance for Post 1996 Immigrants.** The proposed budget includes \$52.6 million for the California Food Assistance Program (CFAP) which provides state-only food stamp benefits for legal non-citizens ages 18 through 64 who are ineligible for the federal food stamp program. The 1998-99 budget package created CFAP. Initially, eligibility was limited to noncitizen adult legal immigrants who entered the United States prior to August 22, 1996 (the date of enactment of federal welfare reform). The 1999-00 and 2000-01 budget packages extended CFAP eligibility to post August 22, 1996 entrants. However, authority for extended eligibility expires September 30, 2001. The Governor's budget fails to extend eligibility for recent immigrants. As a result, the budget has a shortfall of \$83 million that is needed to maintain existing food assistance for approximately 13,300 legal immigrants after September 30, 2001.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PROGRAM

The Supplemental Security Income/State Supplementary Program (SSI/SSP) provides cash assistance to eligible aged, blind, and disabled persons. The federal government funds SSI cash benefits for eligible persons. The state contributes the SSP portion of the grant as a supplement to the SSI grant.

- ◆ **Caseload.** The SSI/SSP caseload is projected to be approximately 1.1 million, which is a two percent increase over the current year estimated caseload. Disabled and blind persons make up 70 percent of the caseload, and elderly persons over 65 years of age make up 30 percent of the caseload. The budget proposes \$2.9 billion in General Fund support for the program in 2001-02, which represents a 9.3 percent increase over estimated current-year General Fund expenditures. The basic caseload increase results in a cost increase of about \$152 million in 2001-02.
- ◆ **Budget Funds Statutory COLA.** The Governor's proposed budget includes \$156 million from the General Fund in 2001-02 to provide a statutory state COLA for SSI/SSP grants, effective January 1, 2002. Combined SSI/SSP grants will increase by the percentage increase in the California Necessities Index (CNI), or 4.85 percent. The federal government provides a COLA for the SSI portion of the grant based on the percentage increase in the Consumer Price Index (CPI), estimated at 2.1 percent. The state cost is the amount needed to provide the full CNI COLA for the SSP portion of the grant plus the additional cost of providing the higher CNI COLA for the SSI portion of the grant. The total combined state and federal cost of the January 2002 SSI/ COLA is \$203 million.

In addition, the 2001-02 budget must fund the full-year cost of the current-year COLA of 2.96 percent granted January 2001. Providing this COLA on a full-year basis increases General Fund costs in 2001-02 by an estimated \$78 million.

Currently, an aged or disabled adult receives \$712 a month (\$1,265 for couples). The grant would increase to \$747 (\$1,326 for couples) on January 1, 2002, due to the SSI/SSP COLA.

- ◆ **Cash Assistance Program for Immigrants (CAPI).** Federal law denies SSI to noncitizen seniors who are legal immigrants (with limited exceptions) without at least ten years of Social Security work credits and who were not already receiving SSI grants as of September 30, 1998. The CAPI program provides state-only grants similar to those in the regular SSI/SSP program (\$10 less for individuals and \$20 less for couples). The program primarily serves Pre-August 22, 1996 legal immigrants who were not SSI/SSP recipients as of the 1998 grandfathering date. Eligibility for CAPI also extends to post-August 22, 1996 legal immigrants whose sponsor has either died, is disabled, or is abusive and to other recent legal immigrants subject to deeming of sponsor income.
- ◆ **Several Thousand Legal Immigrants Would Lose Eligibility.** Eligibility for CAPI under the sponsor deeming provision sunsets September 30, 2001. The Governor's budget fails to extend this provision. As a result, about 1,400 persons receiving CAPI grants would lose them, starting in October 2001, and approximately 700 additional persons who would have been anticipated to enroll during 2001-02 would not be eligible for assistance. Most of these individuals have no sponsor. Restoration of approximately \$15 million is needed to fill the shortfall and continue assistance for these persons.

IN-HOME SUPPORTIVE SERVICES

The In-Home Supportive Services (IHSS) program provides services to eligible low-income aged, blind, and disabled persons in order to enable them to remain independent and continue to live safely in their homes. Services include meal preparation, laundry, and other personal care assistance. The program has two major subcomponents. The Personal Care Services Program (PCSP) is funded as a Medi-Cal benefit and receives federal Medicaid matching funds. The Residual program provides IHSS services that do not qualify for Medi-Cal funding, such as IHSS services provided by a spouse. Generally, the state and the counties share the nonfederal costs of PCSP services, and the entire cost of Residual services, 65 percent and 35 percent, respectively.

The budget proposes total funding of approximately \$2.3 billion, of which \$844 million is from the General Fund, \$927 million is from federal funds, and \$489 million is from county funds for support of the IHSS program in 2001-02. This represents a 13 percent General Fund increase over current year expenditures. The caseload for the program is estimated to be 265,000 in 2001-02, which is an increase of 6.4 percent over the estimated current year caseload. Cost increases in 2001-02 reflect caseload growth and increased wages and benefits for IHSS care providers due to increases in the minimum wage and additional increases in provider pay and benefits in counties that use a Public Authority (PA) to deliver IHSS services.

- ◆ **No Increase in State Participation Limit for Public Authority Funding.** The 2000 Budget Act included \$144 million (General Fund) for the state share of provider rate increases in PA counties up to \$8.10 per hour (\$7.50 wages and \$0.60 benefits). However, several major PA counties have set PA provider rates significantly lower than the maximum for state participation. The Governor's Budget estimates that these lower provider rates, and their delayed implementation, will result in a \$96 million General Fund savings in the current year. Los Angeles County, for example, has declined to set provider rates at the maximum state participation level without a reduction in its 35 percent funding share.

Over the next four years, existing law provides for the state participation limit to increase by \$1.00 per hour each year if General Fund revenues grow by at least 5 percent. The Governor's proposed budget, however, estimates that General Fund revenue growth in 2001-02 will be only 3.3 percent, so that there would not be any increase in the state's participation limit in the budget year. By the end of 2001-02, the budget anticipates that all eight current PA counties will have adopted provider rates at or above the current \$7.50 per hour state participation limit for wages, and five counties would be at or above the \$0.60 per hour state participation limit for benefits.

The proposed budget estimates that the state General Fund share of PA wage and benefit increases (above minimum wage) will cost \$57 million in 2001-02, compared with \$48 million in the current year.

SPECIAL CIRCUMSTANCES PROGRAM

The budget proposal for 2001-02 continues funding for the Special Circumstances Program at the current-year level of \$8.3 million (General Fund). This program, administered by the counties, offers time-limited benefits for nonrecurring needs in order to assist in maintaining individuals in their homes. Benefits may include housing repairs, moving expenses, home modifications, foreclosure prevention, and recovery from catastrophe. The program assists persons participating in SSI/SSP, CAPI, and IHSS.

COMMUNITY CARE LICENSING

The Community Care Licensing Division (CCLD) within the Department of Social Services develops and enforces regulations designed to protect the health and safety of individuals in 24-hour residential care facilities and day care. Licensed facilities include day care, foster family homes and group homes, adult residential facilities, and residential facilities for the elderly.

The budget proposes expenditures of \$121 million (\$40 million General Fund) for the CCLD in 2001-02. Total funding increases by 1.3 percent over estimated current year expenditures and reflects the loss of one-time funding of \$3 million provided in 2000-01 for a Child Care Center Safety Initiative funded by Proposition 10 funds. Excluding this adjustment, the proposed increase in ongoing funding is 4 percent.

FOSTER CARE

The Foster Care (FC) Program provides out-of-home care on behalf of children meeting the following criteria: removal from the physical custody of a parent or guardian as a result of a judicial determination that remaining in the home would be contrary to the child's welfare and adjudication as a dependent or ward of the court; residing with a non-related legal guardian; voluntarily placed by a parent or guardian; relinquished for the purposes of adoption; or placed pursuant to the Indian Child Welfare Act.

The budget proposes \$1.6 billion (\$413 million General Fund, \$506 million federal funds, and \$632 million in county funds) for Foster Care payments in 2001-02. Expenditures increase by 5.9 percent (include a \$25 million General Fund increase) in 2001-02, compared with the current year, primarily due to COLA adjustments in foster care payments.

- ◆ **Caseloads.** The Foster Care program provides grants for eligible children if they are living with a foster care provider under a court order or a voluntary agreement between the child's parent and a county welfare or probation department. The budget estimates that caseload for 2001-02 will be 84,251, a decrease of 1 percent from the current year, following an estimated decrease of 0.8 percent in the current year. The caseload declines to reflect the diversion of a portion of the traditional foster care caseload is being diverted into the CalWORKs Kin-GAP Program, which was implemented on January 1, 2000. The Kin-GAP Program helps to support children in permanent placements with relatives.

Table 3 describes the different types of foster care placements.

Table 3

Foster Care Placements	
Placement Type	Description
Foster Family Homes	<ul style="list-style-type: none"> ◆ A residential facility that serves no more than six foster children ◆ Provides 24-hour care and supervision in a licensee's home ◆ Foster care grant may be supplemented for care of children with special needs
Foster Family Agency Homes	<ul style="list-style-type: none"> ◆ Homes operating under nonprofit foster family agencies which provide professional support ◆ These placements are required by law to serve as an alternative to group home placement
Group Homes	<ul style="list-style-type: none"> ◆ A facility of any capacity that provides 24-hour non-medical care, supervision, and services to children ◆ Generally, serve children with more severe emotional or behavioral problems who require a more restrictive environment

- ◆ **Foster Care July 1, 2001 COLA.** Current law requires rate increases be funded for those children placed in Foster Family Home (FFH), Foster Family Agency (FFA) and Group Home (GH) placements. The increase occurs on July 1, and is based on the change in the California Necessities Index (CNI). The proposed budget includes an increase of \$69 million (\$19 million General Fund), or 4.85 percent, to fund the COLA.

ADOPTION ASSISTANCE PROGRAM

AB 1524 (Granlund) Chapter 1083, Statutes of 1996, was enacted in order to maximize adoption opportunities for children in public foster care and reduce the foster care population. The Adoption Assistance Program provides ongoing subsidies to encourage and promote the placement in adoptive homes of children who, because of their ethnic background, race, color, language, disabilities, age, or because they are a sibling group that should be placed in the same home, have become difficult to place in unsubsidized adoptive homes. The Governor's budget proposes a \$47 million (\$20 million General Fund) increase for the Adoptions Assistance Program. Total proposed 2001-02 funding is \$330 million (including \$141 million from the General Fund).

CHILDREN'S SERVICES

The Child Welfare Services (CWS) program provides various services to abused and neglected children, children in foster care, and their families. The average monthly caseload is estimated to be 175,000. The budget proposes a total of \$1.8 billion (\$565 million General Fund) to support the CWS programs in 2001-02. This represents an increase of approximately \$33 million in General Fund expenditures from the current year.

The proposed budget continues to provide \$124.9 million (\$74.3 million General Fund) for additional county CWS workers, expressly targeted for the emergency response, family reunification, family maintenance, and permanent placement components of CWS. This funding will allow counties to reduce the workloads of caseworkers responding to approximately 175,000 cases of abused and neglected children each month. Through its Child Welfare Stakeholders' Group, DSS currently is conducting a review of existing CWS programs, components and systems, which is expected to lead to recommendations for improvement over the next three years.

ADULT PROTECTIVE SERVICES

County welfare departments administer the Adult Protective Services (APS) Program, which assists elderly and dependent adults who are functionally impaired, unable to meet their own needs, or who are victims of abuse, neglect or exploitation. Enhanced APS program requirements took effect in 1999 and require counties to respond to reports of abuse on a 24-hour emergency basis. Services include emergency shelter, food, transportation, and in-home protective care.

The Budget includes \$88.2 million (\$69.5 million General Fund) for APS. The Budget also includes \$42.9 million (\$17.2 million General Fund) for the County Services Block Grant program that provides funding for county social service programs including APS. Proposed spending includes an additional \$10.9 million (General Fund) to fund a projected 18 percent caseload increase.

DEPARTMENT OF CHILD SUPPORT SERVICES

Effective January 1, 2000, the state created a new Department of Child Support Services (DCSS). The child support program had previously been administered through the Department of Social Services. At the local level, the 58 District Attorneys managed the child support system. Between January 2001 and January 2003, counties are to transition these programs to a new local child support agency.

The DCSS is the designated state agency to administer the federal Title IV-D state plan for securing child and spousal support, medical support, and determining paternity. The DCSS's functions include:

- ◆ Expanding current state responsibilities to establish statewide policy and creating greater uniformity in the administration of child support;
- ◆ Establishing a single statewide automation system;
- ◆ Directly overseeing and supervising the child support functions of local agencies;
- ◆ Enhancing customer service; and
- ◆ Increasing the efficiency of child support enforcement operations.

The budget proposes \$1.1 billion (\$487 million General Fund) and 229 positions to support the DCSS and county child support activities in 2001-02. Requested funding is \$157 million (17 percent) more than estimated current-year spending. The proposed budget also projects that DCSS will collect \$2.3 billion in child support payments in 2001-02, resulting in a General Fund savings of \$385 million (in collections that offset state assistance costs for families).

- ◆ **Expanded Role for Franchise Tax Board (FTB).** State statute designates the FTB as the agent of the DCSS for the procurement, development, implementation, maintenance and operation of the California Child Support

Automation System. In addition, FTB will change its collection of delinquent child support payments in the following ways:

- ◆ FTB will enforce and collect on cases that are 60 days delinquent and involve more than \$100, rather than collect on cases that are 90 days delinquent;
 - ◆ FTB will stop collecting on delinquent income taxes until the child support delinquency is paid in full; and
 - ◆ FTB may collect delinquent taxes if it does not jeopardize the collection of delinquent child support.
- ◆ **Denied Federal Funding for Delinquent Payments System.** Funding also was provided in the 2000 Budget Act for FTB to expand its responsibility for the collection of overdue child support payments until the statewide automated system is in place. Due to the denial of federal funding for this effort, FTB is preparing an alternative benefits-funded contract for implementing an automated system. Despite the loss of federal financial participation, the State is proceeding with this project as the administration expects that the centralized management of child support arrearages is expected to result in increased child support collections of over \$70 million annually when fully implemented, which is sufficient to cover the system development costs. Development of this alternative was not complete at the time the Budget was prepared. Therefore, additional information will be provided as it becomes available. Current FTB funding levels are expected to be adequate to implement this alternative in 2001-02; however, additional state funds will be required by the DCSS for associated implementation costs, and by FTB in future years, to offset the loss of federal funds.
- ◆ **Federal Penalties.** California's delay in implementing a single, statewide automated system has resulted in significant federal penalties. In the current year, the Budget includes \$113.5 million (General Fund) to reflect payment of the federal penalty, an increase of \$12 million over the 2000 Budget Act level. The federal penalty anticipated in 2001-02 is estimated to be \$163.2 million (General Fund).
- ◆ **Federal and State Incentives.** In the prior child support program, counties received incentive payments equal to 13.6 percent of the amount of child support collections they distributed. The incentive was funded by state funds (7.6 percent) and federal funds (six percent). Counties used these incentive funds to pay for their individual nonfederal share of administering the child support program. Counties pay 100 percent of the nonfederal costs of administering the program. Any excess incentive funds had to be reinvested in the child support program.

Under the new program, counties continue to earn incentives based on 13.6 percent of distributed child support collections. However, the amount of federal incentive funds received by the state is no longer a fixed percentage. Instead, each state receives federal incentive funds based on the state's performance in meeting certain standards. If the state receives a decreased amount of federal incentive funds, additional state funds would be used to fund the incentive program at the 13.6 percent level. If the state receives increased federal incentive funds, the state contribution would decrease. The proposed budget proposes an increase of \$57 million from the General Fund for incentive payments, in 2001-02 due to the new federal methodology and the anticipated increase in child support collections.

The state will continue to pass the federal incentive funds directly to the counties. However, the state will now retain the state incentive payments to fund the county share of the costs to administer the program. In addition, the state will now define reasonable costs for child support administration.

EMPLOYMENT DEVELOPMENT DEPARTMENT

The Employment Development Department (EDD) provides employment and job training services and administers federal funds provided under the federal Workforce Investment Act (WIA) and the Wagner-Peyser Act. The EDD also administers the Unemployment Insurance (UI) and Disability Insurance (DI) programs. The Governor's proposed budget includes expenditures of \$6.7 billion (\$31 million General Fund) for the EDD in 2001-02 primarily from federal funds and special funds. This represents essentially the same expenditure level as in the current year.

MAJOR PROPOSALS

- ◆ **Workforce Investment Act.** The WIA replaces the former federal Job Training Partnership Act (JTPA). The proposed budget includes \$801 million in federal WIA funds for employment programs in 2001-02. The state's funding under WIA has increased by about 60 percent over the amount spent in 1999-00, the last full year of JTPA funding.

The state's workforce development system is based on an innovative network of "one-stop" career centers, which provide a full range of job training, education, and employment services at a single neighborhood location. The 65-member California Workforce Investment Board oversees the program.

The department also administers federal Welfare-to-Work funds, which are targeted at hard-to-employ welfare recipients. Please see the section on CalWORKs Program for a discussion of the budget's proposals for the use of Welfare-to-Work funds.

- ◆ **Second Year for Faith-Based Initiative.** The budget proposes \$5 million (General Fund) to continue, for an additional year, the augmentation added in 2000-01 to contract with faith-based organizations to deliver employment services. This funding will be provided via a competitive grant process to faith-based organizations that are uniquely suited to provide services to individuals facing multiple barriers to assimilation into the workforce. In 2000-01 the Employment Development Department received 231 proposals from faith-based organizations representing all regions of the state, requesting over \$87 million. Final award recommendations are currently under consideration by the Administration.

DEPARTMENT OF AGING

The California Department of Aging (CDA) administers the federal Older Americans Act and the State Older Californians Act. The CDA works with local Area Agencies on Aging (AAAs) to provide various services to the elderly and functionally impaired adults at the community level. The Governor's proposed budget includes total expenditures of \$159 million, of which \$45 million is from the General Fund, for support of the CDA in 2001-02. Funding decreases by about \$18 million in 2001-02 compared with the current year, primarily due to the deletion of \$15 million of one-time funding for long-term care innovation grants in 2000-01.

MAJOR PROPOSALS

- ◆ **Senior Wellness Education Campaign.** The proposed budget includes \$1 million (General Fund) and 2.0 positions to continue, on a permanent basis, first-year efforts of the Senior Wellness Education Campaign. This program was part of the 2000-01 Aging with Dignity Initiative. The campaign will educate seniors and their families on innovative community-based and in-home care alternatives to institutional placement.
- ◆ **Linkages Program.** The Linkages Program, currently supported with \$10.2 million (General Fund), serves 3,600 clients in 36 programs operated by the 33 local Area Agencies on Aging. These programs provide case management and supportive services to seniors who may not qualify for other state or federal programs, but still need assistance in order to remain in their homes. The proposed budget includes \$1.5 million (General Fund) to expand the program by adding 900 slots statewide and additional case management staff.
- ◆ **Adult Day Health Care Program.** The proposed budget includes \$982,000 (\$484,000 General Fund) and 8.5 positions for the Adult Day Health Care Program to enhance certification, oversight, and monitoring activities.

DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

The Department of Community Services and Development (DCSD) administers the Low-Income Energy Assistance Program (LIHEAP) and the Community Services Block Grant (CSBG). In addition, the DCSD plans, coordinates, and evaluates programs that provide services to the poor and advises the Governor on the needs of the poor.

The LIHEAP provides cash grants and weatherization services, which assist low-income persons in meeting their energy needs. The CSBG provides funds to community action agencies for programs intended to assist low-income households.

The Governor's proposed budget includes total expenditures of \$138 million for the DCSD in 2001-02. This represents a decrease of \$21 million (13 percent) from estimated current year expenditures. The higher spending level in the current year primarily reflects (1) the availability of \$20 million of emergency federal LIHEAP funding in 2000-01 due to utility price increases and (2) a one-time \$5 million augmentation in 2000-01 to create an Entertainment Industry Workforce Development Program. Of the proposed expenditures for 2001-02, \$121 million is from federal funds, \$8 million is from the General Fund, and \$9 million is from Petroleum Violation Escrow Account (PVEA) funds and reimbursements.

MAJOR PROPOSALS

- ◆ **Energy Assistance—Potential for Additional Federal Funds.** The budget proposes an augmentation of \$4.9 million from PVEA funds in 2001-02 to provide energy assistance and conservation services to low-income households. The budget also proposes \$62 million of federal LIHEAP funding for energy assistance in 2001-02, compared with \$81 million of estimated LIHEAP funding in the current year. The state has received two additional emergency allocations of LIHEAP funds in the current year -- \$2.6 million last summer to assist persons in San Diego, and a recent additional allocation of \$18 million for statewide assistance. Further additional allocations of LIHEAP funds may be available in both the current year and 2001-02, but are not included in the Governor's budget proposal at this time.
- ◆ **Citizenship Assistance Services Continued.** The proposed budget also includes \$6.7 million (General Fund) to continue the Naturalization Services Program, which provides outreach services, citizenship testing, and naturalization assistance to legal immigrants. The Governor proposes no new funds for this program.