AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER HOLLY MITCHELL, CHAIR

WEDNESDAY, APRIL 18, 2012
1:30 P.M. - STATE CAPITOL ROOM 444

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ITEMS TO BE HEARD

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 1: DEPARTMENT OVERVIEW AND PROGRAM UPDATE

The mission of the California Child Support Program is to enhance the well-being of children and the self-sufficiency of families by providing professional services to locate parents, establish paternity, and establish and enforce orders for financial and medical support.

The Child Support Program is committed to ensuring that California's children are given every opportunity to obtain financial and medical support from their parents in a fair and consistent manner throughout the state. The Child Support Program is committed to providing the highest quality services and collection activities in the most efficient and effective manner.

OVERVIEW OF MAJOR AREAS

The Department of Child Support Services is the single state agency designated to administer the federal Title IV-D state plan. The Department is responsible for providing statewide leadership to ensure that all functions necessary to establish, collect, and distribute child support in California, including securing child and spousal support, medical support and determining paternity, are effectively and efficiently implemented. Eligibility for California's funding under the Temporary Assistance to Needy Families (TANF) Block Grant is contingent upon continuously providing these federally required child support services. Furthermore, the Child Support Program operates using clearly delineated federal performance measures, with minimum standards prescribing acceptable performance levels necessary for receipt of federal incentive funding. The objective of the Child Support Program is to provide an effective system for encouraging and, when necessary, enforcing parental responsibilities by establishing paternity for children, establishing court orders for financial and medical support, and enforcing those orders.

Child Support Administration. The Child Support Administration program is funded from federal and state funds. The Child Support Administration expenditures are comprised of local staff salaries, local staff benefits, and operating expenses and equipment. The federal government funds 66 percent and the state funds 34 percent of the Child Support Program costs. In addition, the Child Support Program earns federal incentive funds based on the state's performance in five federal performance measures.

Child Support Automation. Federal law mandates that each state create a single statewide child support automation system that meets federal certification. There are two components of the statewide system. The first is the Child Support Enforcement (CSE) system and the second is the State Disbursement Unit (SDU). The CSE component contains tools to manage the accounts of child support recipients and to locate and intercept assets from non-custodial parents who are delinquent in their child support payments. In addition, it funds the local electronic data processing maintenance and operation costs. The SDU provides services to collect child support payments from non-custodial parents and to disburse these payments to custodial parties. Child Support Automation is discussed in further depth below.

FISCAL OVERVIEW

Fund Source	2010-11 Actual	2011-12 Projected	2012-13 Proposed	BY to CY Change	% Change
General Fund	$308,337	$320,414	$313,226	($7,188)	-2.2%
Federal Trust Fund	498,106	492,956	459,828	($33,128)	-6.7%
Child Support Collections Recovery Fund	**206,964**	217,125	225,621	$8,496	3.9%
Reimbursements	127	178	123	($55)	-30.9%
Total Expenditure	**1,013,534**	**1,030,673**	**998,798**	($31,875)	-3.1%
Positions	525.6	573.5	573.5	$0	0.0%

ADDITIONAL BUDGET DETAIL

2012-13 State Operations

- State Operations budget $151.9 million
- Reduction of 19 positions and $15 million ($5 million GF) to meet the Control Section 3.91 statewide reduction target.

2012-13 Local Assistance Expenditures

- $860.5 million ($267.3 million GF) in total Child Support Program Costs
- $761.1 million ($233.5 million GF) in Child Support Administration Costs
- $99.3 million ($33.8 million GF) in Child Support Automation Costs

Item	SFY 2011/12 (Dollars in 000's)	Change (Dollars in 000's)	SFY 2012/13 (Dollars in 000's)
Child Support Administration	$761,143	$0	$761,143
Child Support Automation	$103,823	-$4,480	$99,343
CCSAS - SDU	$19,446	-$4,480	$14,966
CCSAS - CSE	$84,377	$0	$84,377
Total	$864,966	-$4,480	$860,486

Child Support Administration. The 2012-13 Local Assistance Estimate includes a reduction of $266,000 General Fund (GF) due to a projected increase in federal funds for increased incentives. Overall funding remains the same as SFY 2011-12.

Child Support Automation. DCSS recently completed procurement of a new Service Provider contract for the State Disbursement Unit (SDU). The new contract rates are lower than the existing rates resulting in savings of $4.5 million ($1.5 million GF) in SFY 2012-13.

Child Support Collections. Child Support Collections increased 0.5 percent in 2011 despite California's soft economy.

- $2.4 billion Total Collections
- $1.8 billion Non Assistance collections
- $564.4 million ($263.4 million GF) in Assistance Collections

Item	SFY 2011/12 (Dollars in 000's)	Change (Dollars in 000's)	SFY 2012/13 (Dollars in 000's)
Assistance Collections	$541,702	$22,715	$564,417
General Fund	$253,465	$9,919	$263,384
Other Funds	$288,237	$12,796	$301,033
Non Assistance Collections	$1,767,133	$19,388	$1,786,521
Total	$2,308,835	$42,103	$2,350,938

FFY 2011 – FEDERAL PERFORMANCE MEASURES

- **Statewide Paternity Establishment Percentage (PEP)** for California measured 107.0 percent for Federal Fiscal Year (FFY) 2011. California's performance increased in this measure by 4.4 percentage points from FFY 2010 to FFY 2011, a 4.3 percent change. Since FFY 2000, Statewide PEP has been above 100 percent. The national average for FFY 2010 was 94.7 percent.

- **IV-D Paternity Establishment Percentage** for California measured 92.2 percent for IV-D PEP in FFY 2011. California's performance increased in this measure by 3.6 percentage points from FFY 2010 to FFY 2011, a 4.1 percent change. The national average for FFY 2010 was 94.1 percent.

- **Cases with Support Orders Established** for California measured 85.8 percent for FFY 2011. California's performance increased in this measure by 3.3 percentage points from FFY 2010 to FFY 2011, a 4.0 percent change. The national average for FFY 2010 was 80.1 percent.

- **Collections on Current Support** for California measured 58.6 percent for FFY 2011. California's performance increased in this measure by 2.6 percentage points from FFY 2010 to FFY 2011, 4.6 percent change. The national average for FFY 2010 was 62.0 percent.

- **Cases with Collections on Arrears** for California measured 61.6 percent for FFY 2011. California's performance increased in this measure by 1.3 percentage points from FFY 2010 to FFY 2011, a 2.2 percent change. The national average for FFY 2010 was 62.1 percent.

- **Cost Effectiveness** for California measured $2.29 for FFY 2011. California's performance declined in this measure by $0.09 from FFY 2010 to FFY 2011, a 3.8 percent change. The national average for FFY 2010 is $4.86.

REVENUE STABILIZATION UPDATE

In the 2009-10 Governor's Budget, the administration proposed an augmentation of $18.7 million ($6.4 million GF) for Local Child Support Agencies (LCSAs) to maintain revenue generating caseworker staffing levels in order to stabilize child support collections. The Legislature approved the request for this funding in the 2009 Budget Act and directed that 100 percent of the new funds be used to maintain revenue generating caseworker-staffing levels.

Collection data for 2010-11 indicates the revenue stabilization funds continue to have a positive effect of maintaining statewide child support collections levels. In 2010 11, LCSAs were able to retain 239 of the originally retained 245 revenue generating caseworker staff with the revenue stabilization funding. This number was calculated based on a 2.4 percent reduction to actual total caseworker staffing in 2010-11. Child support collections would have declined by this amount had staff not been retained. This would have been 4.1 percent less than the 2009 10 collections for this same time period.

For the $6.4 million GF investment, the Department states that $9 million in GF assistance collections was retained in 2010-11, yielding a net return of $2.6 million GF to the state, for a cost effectiveness ratio of $1.41.

Collection Category	SFY 2010/11 Collections With Revenue Stabilization	SFY 2010/11 Collections Without Revenue Stabilization	SFY 2010/11 Amount Impact of Revenue Stabilization	SFY 2010/11 Percent Impact of Revenue Stabilization
Total Collections	$2,266.8 m	$2,136.9 m	$129.9 m	5.7%
Assistance Collections	$519.0 m	$500.0 m	$19.0 m	3.7%
General Fund Recoupment	$219.4 m	$210.4 m	$9.0 m	4.1%
Non-Assistance Collections	$1,747.8 m	$1,636.9 m	$110.9 m	6.3%

In addition, DCSS states that reports from the LCSAs indicate early intervention strategies, which were required as a condition of this funding, are increasing the engagement of parents in their child support cases and positively influencing payment behavior.

CHILD SUPPORT AUTOMATION UPDATE

In 1999, the Legislature passed Assembly Bill 150, which directed the Department to develop, implement, maintain, and operate a new statewide child support system. The California Child Support Automation System (CCSAS) Project contract was initiated in 2003-04 to create a single statewide child support system that automates and centralizes all child support activities, including locating absent parents, establishing paternity, and obtaining, enforcing, and modifying child support orders. In December 2008, the conversion of all county LCSA operations to the single statewide system was completed.

Pursuant to Section 17561 of the Family Code, the California Technology Agency and the Department are required to produce an annual report to the appropriate policy and fiscal committees of the Legislature by March 1 of each year. The report is required to include the following components:

(a) A clear breakdown of funding elements for past, current, and future years.

(b) Descriptions of active functionalities and a description of their usefulness in child support collections.

(c) A review of current considerations relative to federal law and policy.

(d) A policy narrative on future, planned change to CCSAS and how those changes will advance activities for workers, collections for the state, and payments for recipient families.

Consistent with the statutory requirement, the annual summary is available and the Department has been asked to present a brief update on CCSAS at the hearing per the questions included below.

PANEL

- Department, please respond to the following requests and questions:
  - Provide an overview of the State's performance according to federal measures and how these have changed from the prior year. Please describe how economic conditions have affected these and other circumstances involving collections.
  - Describe the Revenue Stabilization funding and what effect this General Fund investment has had on collections since adopted.
  - Provide a brief review of the CCSAS Project, including highlights of program performance, accomplishments, and planned system changes.
- Department of Finance (DOF), please provide any additional comments.
- Legislative Analyst's Office (LAO), please provide any comments or additional insight regarding the overview topic of which the Legislature should be aware.
- Public Comment on any issue not otherwise agendized that relates to this department.

ISSUE 2: GOVERNOR'S PROPOSAL TO CONTINUE SUSPENSION OF COUNTY SHARE

BACKGROUND

The 2011–12 budget package suspended the county share of collections for one year, which results in an increase in General Fund revenue of about $24 million in the budget year. Typically, when Local Child Support Agencies collect child support on behalf of families receiving CalWORKs, the county retains a portion (2.5 percent) of the collections. Most counties use these funds for the support of their CalWORKs programs.

BUDGET PROPOSAL

The Governor's Budget again suspends the county share of child support collections in 2012-13, with associated trailer bill language. The county share of collections is estimated to be $34.5 million in 2012-13. Under this proposal, the entire non-federal portion of child support collections will benefit the General Fund on a one-time basis. This will not reduce the revenue stabilization funding of $18.7 million ($6.4 million General Fund) counties receive for caseworker staff in order to maintain child support collections.

PANEL

- Department, please describe the proposal.

- Department of Finance (DOF), please provide any additional comments.

- Legislative Analyst's Office (LAO), please provide any comments or additional insight regarding the topic of which the Legislature should be aware.

- Public Comment.

ISSUE 3: PROPOSED TRAILER BILL LANGUAGE FROM THE ADMINISTRATION

The Administration has proposed additional trailer bill for DCSS, with each described below, followed by staff commentary and recommendations.

1. ELIMINATE HEALTH INSURANCE INCENTIVES

Background. Pursuant to Welfare and Institutions Code Section 14124.93, DCSS is to provide an incentive to LCSAs of $50 per case for obtaining third-party health coverage/insurance for cases that have never had - and/or have lapsed - coverage/insurance. These incentives have been suspended since fiscal year 2002-03; the suspension ends after 2011-12. This Section has been amended three times over the past ten years to suspend the health insurance incentive payments to the LCSAs due to budget constraints.

Proposal. The Administration proposes to eliminate the requirement in lieu of an additional time-limited extension. Part of the administration's justification is that the incentives, when not suspended, are paid for with 100 percent General Fund (GF). There are no federal matching funds available. The budgeted amount for 2001-02 for these incentives was $3.0 million GF. Current data is not readily available on the costs as the form that LCSAs submitted the data on was discontinued in 2002-03.

2. ELIMINATE PERFORMANCE INCENTIVES

Background. Pursuant to Family Code Section 17706, effective with fiscal year 2000-01, the top ten performing LCSAs, as defined per Family Code Section 17704, are to receive an incentive equal to five percent of the state's share of their LCSA's assistance recoupment. These incentives have been suspended since 2002-03; the suspension ends after 2011-12. Family Code Section 17706 has been amended three times over the past ten years to suspend the top ten performance incentive payments to the LCSAs due to budget constraints.

Proposal. The administration proposes to eliminate the top ten-performance incentive statute and provide no further incentive funds to be transferred to the LCSAs. The incentives, when not suspended, are paid with 100 percent General Fund. There are no federal matching funds available. The budgeted amount for 2001-02 was $1.0 million GF.

3. INVESTMENT AUTHORITY

Proposal. The administration states that an amendment to Family Code (FC) section 17311.5 is needed to provide specific investment authority to DCSS. DCSS holds funds for the child support payments it has disbursed to the participants of the child support program until such time as they are negotiated. The non-negotiated child support payments are held in an Investment Sweep Account (ISA) outside the state treasury (State Administrative Manual Section 8002, FC 17311). In 2005, when the child support collection and disbursement activities were transitioned from the counties to the state, the Department of Finance (DOF) granted DCSS approval to invest under broad authority in FC 17308.

The ISA account average daily balance is over $30 million. Absent investment, the account will require collateralization, which the administration asserts will create a budget pressure on the state. Funds in the ISA are invested each night in funds that comply with Section 16430 of the Government Code. Undisbursed child support funds are held in the Child Support Payment Trust Fund and are invested by the state treasury in the Surplus Money Investment Fund. The administration also states that statutory change will also resolve a contract issue with the vendor responsible for collecting and disbursing child support collections. Additionally, investing collections funds would maximize the utilization of these funds. In an effort to provide more clarification regarding this issue, DCSS is seeking explicit legislative authority.

PANEL

- Department, please describe each trailer bill proposal.
- Department of Finance (DOF), please provide any additional comments.
- Legislative Analyst's Office (LAO), please provide any comments or additional insight.
- Public Comment.

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: COMMUNITY CARE LICENSING – BUDGET REVIEW AND PROGRAM UPDATE

BACKGROUND AND OVERVIEW

Community Care Licensing (CCL) oversees the licensure of approximately 83,000 facilities, and has the responsibility to protect the health and safety of the individuals served by those facilities. For the last several years, DSS has provided an update on the current status of CCL's workload and performance with respect to statutory requirements. The Department will provide this update again during this hearing.

The facilities licensed by CCL include childcare centers; family childcare homes; foster family and group homes; adult residential facilities; and residential care facilities for the elderly. CCL does not license skilled nursing facilities (these are licensed by the Department of Health Care Services) or facilities that provide alcohol and other drug treatment (these are licensed by the Department of Alcohol and Drug Programs). All individuals seeking to be licensed to operate, work in, or reside at a community care facility (approximately 197,000 in 2009-10) must first complete a criminal background check that is processed (and in some circumstances investigated) by CCL. CCL is also responsible for reviewing and responding to any reports of criminal activity that lead to an arrest subsequent to an initial background check. CCL also performs regular inspection visits to licensed facilities and responds to complaints regarding facilities.

DSS is required to conduct pre- and post-licensing inspections for new facilities, including when a previously licensed facility changes hands. In addition, CCL must conduct unannounced visits to licensed facilities under a statutorily required timeframe. Prior to 2003, these routine inspection visits were required annually for all facilities except family childcare homes (which received at least triennial inspections). In 2003, a human services budget trailer bill (AB 1752, Chapter 225, Statutes of 2003) reduced the budget for CCL by $5.6 million and reduced the frequency of these inspections. As a result, CCL must visit a small number of specified facilities and conduct random, comprehensive visits to at least 10 percent of the remaining facilities annually. Ultimately, the CCL must visit all facilities at least once every five years. In addition, there was a "trigger" by which annually required inspections increase if citations increase by 10 percent from one year to the next. Finally, CCL is required to respond within 10 days to complaints and may conduct related onsite investigations.

PANEL

- Community Care Licensing, please respond to the following requests and questions:
  - Please provide an overview of the funding (total funds and General Fund) and staffing (total number of positions, total vacancies) for CCL in recent years and how the department has performed with respect to its criminal background check, routine inspection, and complaint investigation responsibilities.
  - What are the challenges CCL faces in meeting its statutory duties? Is there currently a backlog?

    - Describe the Key Indicator Tool (KIT) and the roll-out of this new protocol. What has changed as a result of use of the KIT?

- Department of Finance (DOF), please provide any additional comments.

- Legislative Analyst's Office (LAO), please provide any comments or additional insight regarding the overview topic of which the Legislature should be aware.

- Public Comment on any issue not otherwise agendized that relates to CCL.

ISSUE 2: PROPOSED TRAILER BILL LANGUAGE FROM THE ADMINISTRATION RELATED TO CCL

1. CHILD HEALTH AND SAFETY FUND

Background. AB 3087 (Speier), Chapter 1316, Statutes of 1992, established the Have A Heart, Be a Star, Help Our Kids specialized license plate program and requires that revenues derived from the special fees established for Kids' Plates be deposited in the Child Health and Safety Fund (CHSF). Welfare and Institutions Code (WIC) Section 18285 mandates that 50 percent of the monies derived from the Kids' Plates license plate program be appropriated to DSS to administer specific responsibilities surrounding child day care licensing. Of the remaining 50 percent, WIC 18285 (e) specifies that not more than 25 percent is also appropriated for child abuse prevention, while the remaining 25 percent is appropriated to programs that address the prevention of unintentional injuries to children.

Proposal. WIC Section 18285.5 (a) specifies that the programs set forth in WIC Section 18285 are to be funded and implemented in the order they are listed in statute. The CDSS proposes to amend this list. The remaining 50 percent would be appropriated first to child abuse prevention ,of which not more than 25 percent could be used for this purpose, then to the licensing activities of the DSS child day care program; and then to programs that address the prevention of unintentional injuries to children.

The administration states that the Kid's Plates program relies solely on income generated by the sale of Kids' Plates specialized license plates and makes all expenditure decisions to remain within the available annual appropriation. By allowing child day care licensing activities to receive an appropriation from the CHSF in FY 2012-13, CDSS is able to allocate $501,000 to fund the licensing activities of the CDSS child day care program. The General Fund (GF) allotment is proposed to be reduced by $501,000 accordingly.

2. FINGERPRINT LICENSING FEE EXEMPTION

Background. Sections 1522(a)(3) and 1596.871(a)(3) of the Health and Safety Code prohibit the Department of Justice (DOJ) and DSS from charging fingerprint fees after FY 2011-12, pursuant to past suspensions prohibiting this fee exemption from taking effect. These fingerprint fees are for fingerprinting an applicant for a license to operate a community care facility (other than a foster family home or certified family home) that provides nonmedical care for six or less children or a child day care facility (center) that serves six or fewer children or any family day care facility (large or small) (referred to below as "Applicant(s)"). The fingerprinting allows the DSS to complete a criminal background check of the Applicant to ensure the safety of the clients in care. For each fiscal year since 2003-04, sections 1522(a) (3) and 1596.871(a) (3) have been amended to allow the Department to charge a fee in the respective fiscal year. Most recently, the licensing fee exemption was continued on a two-year basis.

Proposal. The administration's trailer bill proposes to repeal the fee prohibition. The administration states, "One of the most important protections provided by the DSS is the requirement that individuals who are licensed to operate these facilities, provide care to facility clients, or adults who reside at designated facility types, receive a comprehensive background check. This check is intended to ensure that individuals with criminal histories are thoroughly evaluated and/or investigated before they are allowed to have contact with clients. Currently the DSS's cost for fingerprinting and obtaining criminal histories of Applicants is offset by a $35 fee paid by the individual ($16 Live scan fee and $19 FBI fee). Not charging this fee pursuant to sections 1522(a) (3) and 1596.871(a) (3) would result in a cost to the General Fund."

PANEL

- Department, please review each proposed piece of trailer bill for the Subcommittee.

- Department of Finance (DOF), please provide any additional comments.

- Legislative Analyst's Office (LAO), please provide any comments or additional insight.

- Public Comment.

ISSUE 3: DISABILITY DETERMINATION SERVICES DIVISION OVERVIEW AND PROGRAM UPDATE

BACKGROUND

The Disability Determination Service Division (DDSD) is responsible for determining the medical eligibility of California residents for benefits under United States Codes, Title II (Disability Insurance), Title XVI (SSI), and Title XIX (Medically Needy Only) of the Social Security Act. The state augments the SSI with the State Supplementary Payment (SSP). The State Division of DDSD is responsible for the development, evaluation, and adjudication of Medi-Cal, Medically Needy Only cases under Title XIX, which establishes eligibility for the full range of Medi-Cal services for those found disabled.

BUDGET CONTEXT

DSS requested, and was granted, as part of the 2011-12 Budget, $20.5 million (100 percent federal funds) to establish 245 new positions to process Social Security and SSI disability claims. The additional staff members would mainly be located in a new San Diego office and an expanded Roseville office.

Disability claims have recently been increasing nationwide by 12 to 14 percent, and the federal government expects this trend to continue for several more years. In 2008 in California, the DDSD processed 349,000 disability claims. That number jumped to 397,000 in 2009 and 412,000 in 2010. According to the Department, the requested positions were needed to keep pace with the growing workload associated with processing these applications for benefits and for conducting continuing disability reviews (CDRs). The Department also indicated that ten percent of CDRs result in decisions to discontinue SSA/SSI benefits, which leads to General Fund cost avoidance (as a result of the SSP portion of SSI/SSP benefits that would otherwise be paid).

DSS additionally requested, and was granted, also part of the 2011-12 Budget, $540,000 ($270,000 GF) for annualized increased rent costs related to the relocation of the LA branch of the DDSD to a site that meets the state's seismic criteria. The Department of General Services' Real Estate Services office identified the need for this move.

Currently, the LA branch occupies approximately 20,866 square feet at a rental rate per square feet of $1.78. The projected rental rate for relocation to a similar-sized space that is seismically compliant at current market rates is $4.00 per square foot, resulting in $45,000 of increased lease costs per month beginning in 2011-12. One-time costs in the amount of $633,750 (redirected General Fund) have also been placed in an Architectural Revolving Fund for this relocation. The lease for the current office space expired on April 30, 2009; however, a soft-term lease extension was negotiated and lasts through April 2012. The Department is continuing in the process of securing an alternative space.

PANEL

- DDSD, please provide an update on your caseload and current program efforts. Please describe the nature of the situation involving the two budgeted issues for 2011-12 reviewed in the agenda.

- Department of Finance (DOF), please provide any additional comments.

- Legislative Analyst's Office (LAO), please provide any comments or additional insight.

- Public Comment.

ISSUE 4: REALIGNMENT OVERVIEW AND ISSUES FOR LEGISLATIVE CONSIDERATION

BACKGROUND

In 2011-12, the State began a process to realign certain Public Safety, Health, and Human Services programs to counties. As originally envisioned, the realignment was to be coupled with a Constitutional amendment that would guarantee ongoing funding for the programs that would have been before voters in June of 2012. Because the June 2011 Special Election did not occur, the process for realigning responsibilities for these programs to counties was started, but it is still being implemented in the 2012-13 budget. The budget did dedicate 1.0625 percent of State sales tax and $462 million of Vehicle License Fee revenue for the realigned costs in 2011-12.

The Governor's temporary tax initiative would provide the Constitutional protection for this revenue dedicated to Realignment and guarantee that it would continue. This initiative would shield local governments from some future costs, as well as provide mandate protection for the state.

The 2011 Realignment included a diverse basket of programs, these included:

- Custody of Low-Level Offenders
- Juvenile Justice
- Adult Parole
- Court Security
- Mental Health Services
- Substance Abuse Services
- Foster Care and Child Welfare Services
- Adult Protective Services

The 2011-12 also included only a one-year temporary funding structure for the realigned programs, which essentially funded them at the same level as the prior year and did not allow counties flexibility to move funds from one program to another.

The 2012-13 Budget includes intent for a permanent funding structure and revenue allocation mechanism for realignment. This mechanism should address three major issues:

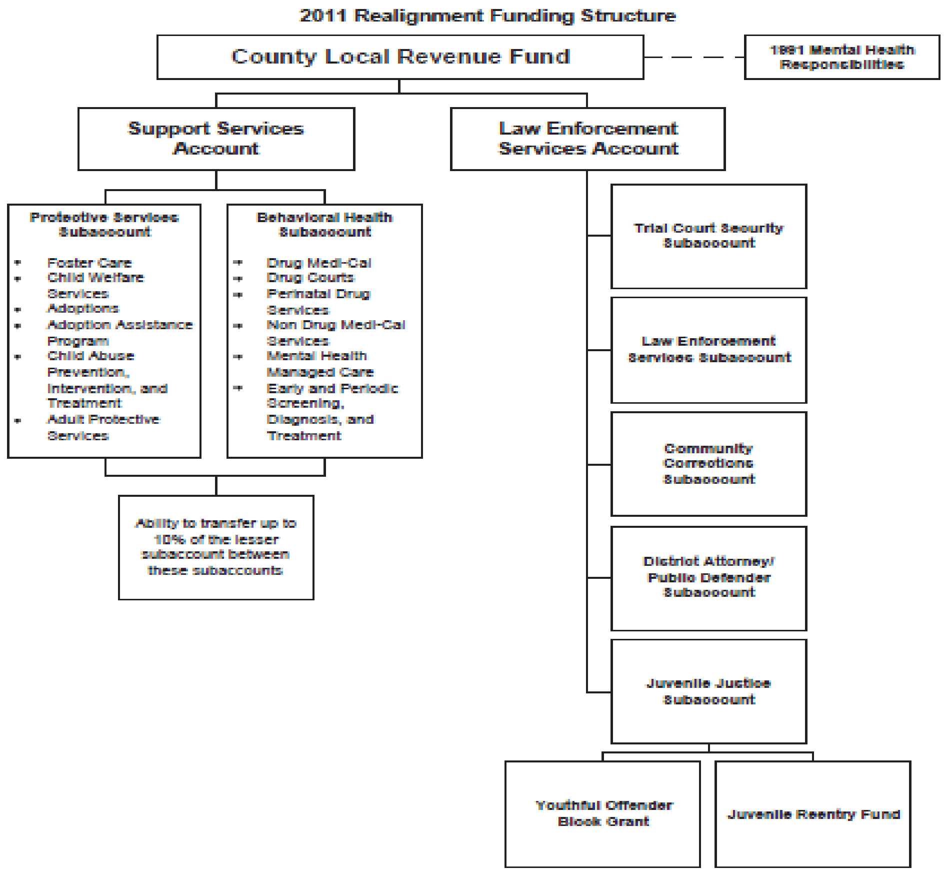
1) How much flexibility will counties have in moving money between programs?

2) How will funding be allocated to counties?

3) What happens to natural growth in the dedicated sales tax revenue?

FUNDING STRUCTURE

The administration provided the following charts as part of the Governor's January Budget.



The Administration states that the proposed funding structure is intended to provide local entities with a stable funding source for realigned programs. Within each Subaccount, counties will have the flexibility. Counties will also be able to use their funds to draw down the maximum amount of federal funding for these programs.

2011 Realignment Funding

(Dollars in Millions)

Program	2011-12	2012-13	2013-14	2014-15
Court Security	$496.4	$496.4	$496.4	$496.4
Local Public Safety Programs	489.9	489.9	489.9	489.9
Local Jurisdiction for Lower-level Offenders and Parole Violators				
Local Costs	239.9	581.1	759.0	762.2
Reimbursement of State Costs	957.0	-	-	-
Realign Adult Parole				
Local Costs	127.1	276.4	257.0	187.7
Reimbursement of State Costs	262.6	-	-	-
Mental Health Services				
Early and Periodic Screening Diagnosis and Treatment	-	544.0	544.0	544.0
Mental Health Managed Care	-	188.8	188.8	188.8
Existing Community Mental Health Programs	1,104.8	1,164.4	1,164.4	1,164.4
Substance Abuse Treatment	179.7	179.7	179.7	179.7
Foster Care and Child Welfare Services	1,562.1	1,562.1	1,562.1	1,562.1
Adult Protective Services	54.6	54.6	54.6	54.6
Existing Juvenile Justice Realignment	95.0	98.8	100.4	101.3
Program Cost Growth	-	180.1	443.6	988.8
Total	**$5,569.1**	**$5,816.3**	**$6,239.9**	**$6,719.9**
Vehicle License Fee Funds	462.1	496.3	491.9	491.9
1.0625% Sales Tax	5,107.0	5,320.0	5,748.0	6,228.0
Total Revenues	**$5,569.1**	**$5,816.3**	**$6,239.9**	**$6,719.9**

Growth Funding. The budget also proposes to distributes program growth on a roughly proportional basis, first among accounts, and then by subaccounts. Within each subaccount, federally required programs should receive priority for funding if warranted by caseload and costs. Growth funding for the Child Welfare Services (CWS) program would be a priority once base programs have been established. Over time, CWS would eventually receive an additional $200 million per year.

ISSUES FOR THE LEGISLATURE TO CONSIDER

The 2011 realignment package left a significant series of implementation matters unresolved, including critical issues such as the design of the funding system and allocation of revenues among counties. Over the months since enactment of the realignment package, the administration, counties, and some stakeholders have met to work on the implementing legislation.

The administration has indicated that it expects information and trailer bill language to be made available soon, more specifically prior to and at the May Revision. Thus far, nothing has been released publicly.

Due to the disadvantage this may place the Legislature in for adequate consideration and thoughtful deliberation of language, it is recommended that the Subcommittee schedule a hearing on May 2, 2012 to review all released information at that time on realignment of health and human services programs and to review what else is coming and the essential contents of what it will include.

These issues are technical and complex, and the Legislature should be afforded the opportunity to understand and deliberate on as much as possible prior to adoption of additional trailer bill on this subject as part of the 2012-13 Budget.

PANEL

- Department of Social Services and Department of Finance, please respond to the following questions:
  - What will be released prior to May 1 and what will this include? Similarly, what will be released after?
  - What efforts has the administration made to include feedback from stakeholders?
  - How can the Legislature be included as additional refinements are made prior to the official release so that the Legislature is party to the discussions?

- Legislative Analyst's Office (LAO), please provide any comments or additional insight on the realignment topic.

- Public Comment as time permits. Additional time for public comment will be provided on this subject at the May 2nd hearing.