

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES****ASSEMBLYMEMBER TONY THURMOND, CHAIR****WEDNESDAY, APRIL 20, 2016
3:00 P.M. - STATE CAPITOL, ROOM 444**

ITEMS TO BE HEARD		
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LIST OF PANELISTS IN ORDER OF PRESENTATION**5180 DEPARTMENT OF SOCIAL SERVICES**

ISSUE 1: HOME CARE CONSUMER PROTECTION ACT (AB 1217) BUDGET CHANGE PROPOSAL

- Pat Leary, Chief Deputy Director, Department of Social Services
- Pamela Dickfoss, Deputy Director, Community Care Licensing Division, Department of Social Services
- Chi Lee, Department of Finance
- Ginni Bella, Legislative Analyst's Office
- Public Comment

ISSUE 2: TRANSFER OF THE COMMODITY SUPPLEMENTAL FOOD PROGRAM SPRING FINANCE LETTER

- Pete Cervinka, Program Deputy Director for Benefits and Services, Department of Social Services
- Tyler Woods, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

0530 OFFICE OF SYSTEMS INTEGRATION**5180 DEPARTMENT OF SOCIAL SERVICES**

ISSUE 3: STATE HEARINGS DIVISION REQUESTS

- Manuel Romero, Deputy Director, State Hearings Division
- Cynthia Tocher, Deputy Director, Project Management Division, Office of Systems Integration
- Phuong La, Department of Finance
- Lourdes Morales, Legislative Analyst's Office
- Public Comment

ISSUE 4: CHILD WELFARE DIGITAL SERVICES REQUESTS

- Peter Kelly, Deputy Director, Child Welfare Services Division, Office of Systems Integration
- Kevin Gaines, Chief, Child Protection and Family Support Branch, Department of Social Services
- Phuong La, Department of Finance
- Lourdes Morales, Legislative Analyst's Office
- Public Comment

ISSUE 5: CASE MANAGEMENT, INFORMATION, AND PAYROLLING SYSTEM (CMIPS II) REQUEST

- Cynthia Tocher, Deputy Director, Project Management Division, Office of Systems Integration
- Pete Cervinka, Program Deputy Director for Benefits and Services, Department of Social Services
- Phuong La, Department of Finance
- Lourdes Morales, Legislative Analyst's Office
- Public Comment

ISSUE 6: COUNTY EXPENSE CLAIM REPORTING INFORMATION SYSTEM (CECRIS) REQUESTS

- Pat Leary, Chief Deputy Director, Department of Social Services
- Phuong La, Department of Finance
- Lourdes Morales, Legislative Analyst's Office
- Public Comment

0530 HEALTH AND HUMAN SERVICES AGENCY

ISSUE 7: OFFICE OF HEALTH INFORMATION INTEGRITY REQUESTS

- Elaine Scordakis, Assistant Director, Office of Health Information Integrity
- Jennifer Schwartz, Chief Counsel, Office of Health Information Integrity
- Chi Lee, Department of Finance
- Lourdes Morales, Legislative Analyst's Office
- Public Comment

ITEMS TO BE HEARD

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: HOME CARE CONSUMER PROTECTION ACT (AB 1217) BUDGET CHANGE PROPOSAL

PANEL

- Pat Leary, Chief Deputy Director, Department of Social Services
- Pamela Dickfoss, Deputy Director, Community Care Licensing Division, Department of Social Services
 - Please present briefly on the Administration's request.
- Chi Lee, Department of Finance
- Ginni Bella, Legislative Analyst's Office
- Public Comment

BACKGROUND

As required by statute, the Department of Social Services (DSS) conducts a rigorous background check process for individuals working in licensed facilities. Prior to Assembly Bill 1217, the Home Care Services Consumer Protection Act (Chapter 790, Statutes of 2013), Home Care Organizations (HCOs) were not required to be licensed, and Independent Home Care Aides (HCAs) were not required to meet any minimum qualifications or screenings.

Beginning January 1, 2016, AB 1217 required DSS to regulate HCOs and provide for background checks and a registry for affiliated HCAs, as well as independent HCAs who wish to be listed on the registry. An approved 2015-16 Budget Change Proposal (BCP) provided for additional DSS resources based on the projection of approximately 2,000 HCOs and 70,000 HCAs in the state that would be subject to fees under this bill. DSS has recently revised the projection to approximately 3,000 HCOs and 100,000 HCAs.

BUDGET CHANGE PROPOSAL

The Governor's Budget requests staff resources (6.5 positions) totaling \$1.0 million General Fund to implement the licensing and registration activities of the Home Care Services Consumer Protection Act, accommodate the updated projections noted above, and account for costs that had previously not been included in the prior BCP. The breakdown of the positions request is: 3.5 permanent positions in the Administrative Division, 1.0 two-year limited term position in the Legal Division, and 3.0 permanent positions in the Community Care Licensing Division. The BCP states that position needs may be updated throughout the budget cycle based on updated projections of HCOs and HCAs participating in the home care program.

This BCP also accounts for resources necessary for mailing, receiving, and processing of notices and fees for HCOs and HCAs. The prior BCP also did not account for any costs associated with complaints and responses to unlicensed care. This revised request attempts to account for those duties appropriately. The Administration proposes that a General Fund loan will cover the proposal's costs, which will be repaid with fee revenues from HCOs and Independent HCAs.

STAFF COMMENT

No issues have been raised thus far with this request.

Staff Recommendation:

Staff recommends holding this BCP open pending a vote-only action at the May Revision hearings.

ISSUE 2: TRANSFER OF THE COMMODITY SUPPLEMENTAL FOOD PROGRAM SPRING FINANCE LETTER**PANEL**

- Pete Cervinka, Program Deputy Director for Benefits and Services, Department of Social Services
 - Please present briefly on the Administration's request.
- Tyler Woods, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

BACKGROUND

The Commodity Supplemental Food Program (CSFP) is a United States Department of Agriculture (USDA) program currently administered by the California Department of Education (CDE) through six local food banks. The program was originally designed to improve the health of low-income seniors, women, infants, and children by supplementing their diets with nutritious USDA approved foods.

On February 7, 2014, the Agricultural Act of 2014 (P.L. 11 3-79), known as the Farm Bill, was signed into law. Prior to enactment of the Farm Bill, state and local agencies administering the CSFP were authorized to serve low-income seniors age 60 and older, women, infants, and children who met the eligibility requirements of the program. Section 4102 of the Farm Bill amended the eligibility requirements of the CSFP. Due to this amendment, state and local agencies began phasing out the participation of women, infants, and children in the CSFP and transitioning it to a low-income, seniors-only program. As a result, the CSFP no longer aligns with the CDE's mission to "provide a world-class education for all students, from early childhood to adulthood."

The DSS mission is to "serve, aid, and protect needy and vulnerable children and adults in ways that strengthen and preserve families," including the elderly. DSS administers various programs including the federal emergency food assistance program (TEFAP), which provides food assistance to needy families through a network of food banks. The CSFP has agreements with six local food banks, while the DSS has agreements with 48 local food banks, including five of the six served by the CSFP, to provide USDA foods to needy households.

SPRING FINANCE LETTER

DSS requests the transfer of one (1.0) permanent Associate Governmental Program Analyst position and associated funding from CDE effective July 1, 2016, designating DSS as the new state administrative agency for the CSFP. This position is federally funded and will support the CSFP, which will transfer officially from the CDE to DSS on October 1, 2016, making this is a General Fund neutral request. Absent the approval of

this request, DSS will not be able to assume responsibility for the state-level administration of the CSFP. The CDE has agreed to this transfer of funding, position, and responsibilities.

As referenced above, Section 4102 of the farm bill amended the eligibility requirements of the CSFP to provide food assistance only to eligible low-income seniors. The CDE is primarily focused on providing educational services to children. As a result, the CDE looked to transfer the program to an agency with experience providing food assistance and with an existing food distribution infrastructure to assume state administrative responsibility for the CSFP.

The CDE recently met with the DSS to discuss the viability of transferring the CSFP program. After several discussions, both agencies mutually agreed that due to DSS's administrative experience with similar food ordering, claim processing, and food bank monitoring activities, DSS could assume state administrative responsibility for the CSFP. The CDE agreed to provide a position to perform the activities necessary to oversee the CSFP program. The Administration states that the transfer of the program from the CDE to DSS will be nearly seamless since, as referenced above, both agencies perform similar functions, provide food assistance to needy families, and use the same food-ordering system, and since five of the six food banks servicing the CSFP also service TEFAP participants.

STAFF COMMENT

No issues have been raised thus far with this request.

Staff Recommendation:

Staff recommends holding this Spring Finance Letter open pending a vote-only action at the May Revision hearings.

**0530 OFFICE OF SYSTEMS INTEGRATION
5180 DEPARTMENT OF SOCIAL SERVICES****ISSUE 3: STATE HEARINGS DIVISION REQUESTS****PANEL**

- Manuel Romero, Deputy Director, State Hearings Division
 - Please present briefly on the DSS BCP request.
- Cynthia Tocher, Deputy Director, Project Management Division, Office of Systems Integration
 - Please present briefly on the OSI BCP request related to state hearings.
- Phuong La, Department of Finance
- Lourdes Morales, Legislative Analyst's Office
- Public Comment

BACKGROUND

State hearings, which are adjudicated by Administrative Law Judges (ALJs) employed through DSS, are used to provide due process to recipients of, and applicants for, many of California's health and human services' programs, including Medi-Cal, CalWORKs, CalFresh, and In-Home Supportive Services. When a recipient disagrees with a decision made by their local county welfare department, they are legally entitled to request a hearing to contest the decision. The *King v. McMahon* and *Ball v. Swoap* court decisions mandate that DSS provides recipients with timely due process for the adjudication of appeals hearings. Additionally, these court orders impose financial penalties on DSS for failing to adjudicate decisions within specified timeframes. The penalties are paid to the prevailing claimant. Federal mandates require that all requests for hearings be adjudicated within 90 days, or 60 days for CalFresh, of a recipient's request.

Under the court orders, the minimum daily penalty amount is \$5.00 per day, or a minimum of \$50, whichever is greater. However, if 95 percent of all decisions are not issued within the required deadlines in a given month, the daily penalty rate for that programmatic category increases by \$2.50 over the penalty rate being paid to claimants the previous month. In contrast, if 95 percent of all decisions related to that particular program are issued on time in a given month, the corresponding daily penalty rate decreases by \$2.50 from the penalty rate being paid the previous month. The maximum daily rate under the court orders is \$100 per day.

According to DSS, since August 1, 2013, the State Hearings Division (SHD) is currently achieving a 95 percent overall timeliness each month, creating a steady decline in the daily penalty rate in each program area. As of January 2016, the penalty rate per day of a late decision was \$47.50 for Medi-Cal, \$5.00 for CalWORKs, \$5.00 for CalFresh, and

\$57.50 for IHSS. Penalties levied on the state for untimely SHD adjudication in 2012-13 totaled \$4.4 million. In contrast, through January 2016, penalties for 2015-16 totaled \$55,980.

According to DSS, recent processing times, average penalties, and total penalties paid by program are listed below:

Program	Timeliness Requirement	Average Processing Time of Late Cases	Average Days Late	Average Penalty
(In Days)				
CalFresh	60	81.09	21.09	\$125.94
CalWORKs	90	104.28	14.28	\$209.04
IHSS	90	101.57	11.57	\$857.18
Medi-Cal	90	112.01	22.01	\$1,478.60

State Hearing Penalties by Program for the Last Five Fiscal Years Total Penalties Paid by Program					
FY	CalWORKs	CalFresh	Medi-Cal	IHSS	Total
FY 10/11	\$169,630	\$67,988	\$215,508	\$231,320	\$684,445
FY 11/12	\$176,133	\$59,170	\$482,280	\$389,158	\$1,106,740
FY 12/13	\$290,248	\$54,175	\$3,533,700	\$541,717	\$4,419,840
FY 13/14	\$91,952	\$8,807	\$423,363	\$71,133	\$595,255
FY 14/15	\$17,253	\$5,080	\$150,175	\$68,295	\$240,803
FY 15/16	\$1,220	\$1,600	\$35,272	\$17,888	\$55,980
YTD*					

The department notes several contributing factors to the increase in penalties from fiscal years 2008-09 through 2012-13, such as a 26 percent increase in overall workload and inadequate resources from a hiring freeze, furloughs, and retirements. The Medi-Cal spike was associated with Community-Based Adult Services cases and was considered one-time workload.

The increased workload is resulting primarily from the implementation of the Federal Affordable Care Act (ACA). ACA workload will increase the amount of hearing decisions by over 10,400, a 55 percent increase over the 2012-13 workload. This growth is due to the increased hearing requests in Scope of Benefits and Medi-Cal redetermination appeals. The overall total is projected to increase from approximately 89,200 hearing requests and 19,000 decisions in 2012-13 to 120,100 hearing requests and 27,500 decisions by the end of 2016-17.

BUDGET CHANGE PROPOSALS

1. **DSS Affordable Care Act Caseload BCP.** The Administration requests to make permanent the extension of 56 limited-term positions to continue to provide the required due process for Medi-Cal and Covered California (Covered CA) recipients. These positions were approved as limited-term in 2014-15 to adjudicate appeals associated with the ACA. Specifically, the positions DSS seeks to make permanent are as follows:

- 3.0 Administrative Law Judge II (ALJ II) Supervisor
- 11.0 ALJ II Hearing Specialist
- 17.0 Administrative Law Judge (ALJ I)
- 5.0 Office Technician (Typing)
- 1.0 Office Assistant (Typing)
- 10.0 Management Services Technician (MST)
- 6.0 Staff Service Analyst/Associate Government Program Analyst (SSA/AGPA)
- 2.0 Staff Services Manager I (SSM I) and
- 1.0 Staff Service Manager II (SSM II)

DSS is also seeking permanent funding for 1.0 Associate Informations Systems Analyst (AISA) and 1.0 Office Technician (Typing). The cost for all 58 positions is approximately \$7.3 million.

The ALJ II Specialist assists in the training and development of resource materials to meet the needs of the ALJ I's and shoulders the caseload associated with more complex hearings while assisting the ALJ II Supervisor and Chief Administrative Law Judge. The SSAs and SSM I assess the readiness of cases and interact with parties to reduce AJL time on these activities. Management Services Technician positions staff the ACA Bureau's Customer Service group, which is the first point of contact with the public and the processing of hearing requests. SSA/AGPA support staff performs prehearing functions. Office Technician and Assistant positions support post hearing functions and clerical support for ALJs.

As of May 2015, 1.3 million Californians have active health insurance under Covered California. Under the ACA, California's expansion of Medi-Cal has increased by three million enrollees from 2013 to 2015. The impact of expansion of Medi-Cal has resulted in an 85 percent increase in the category of scope of benefit hearings, and a similar increase is anticipated from the category of Medi-Cal redeterminations. There is also a workload increase anticipated with the implementation of the Resource Family Approval (RFA) program.

Due to the continually increasing ACA caseload and an inability to absorb this workload absent these positions, DSS asserts these positions are necessary to ensure timely due process for new Medi-Cal enrollees and Covered California

consumers. DSS notes that the conversion of limited-term positions to permanent status results in higher levels of staff retention and increased efficiency. DSS cites the increased efficiency from these positions as the primary reason they were able to meet the federal 95 percent timeliness requirement and avoid penalties.

2. **Office of Systems Integration (OSI) - Appeals Case Management System (ACMS) BCP.** This BCP requests an increase of \$237,000 in OSI spending (\$134,000 General Fund) authority for the ACMS project and the conversion of 7.0 existing state positions from limited-term to permanent. The expenditure authority increase is intended to align to the revised project schedule and the costs included in the DSS Local Assistance Estimate. The conversion of the limited-term positions, previously approved in the Feasibility Study Report (FSR), to permanent tenure strengthens the project's ability to carry out the tasks necessary for a successful implementation over the next several years. The system implementation date is expected to commence in November 2017.

The work of the SHD is supported by a mainframe application, the Appeals Case Management System (ACMS) which is housed at the Office of Technology in Sacramento, along with 21 ad-hoc applications. Collectively, these systems are known as the State Hearings System (SHS). The SHS tracks, schedules, and manages appeals requests received from all 58 counties. However, DSS indicates that the current SHS does not meet existing business requirements and will not be able to handle the continued increase in volume associated with the ACA implementation. DSS submitted an FSR for an automated system that was approved by the California Department of Technology in January of 2014. One condition with this approval was that OSI would provide project management support for the project. The 2014 Budget Act authorized 11.0 new state positions and \$4.5 million in funding for the project. The 2015 Budget Act authorized an increase in \$176,000 in OSI spending authority and the extension of a Senior Information System Analyst (SISA) position. The Administration states that the conversion to permanent status for these positions is being sought in order to strengthen the project's ability to successfully implement. Below is the ACMS project timeline and a list of key action dates:

Action	Dates
Release of RFP	10/2015
Contract Execution	6/2016
System Planning	8/2016
System Design	12/2016
System Development and Configuration	4/2017
User Acceptance Testing	6/2017
Pilot Evaluation	9/2017
User Training	10/2017
System Implementation	11/2017
Project Closeout	12/2018

STAFF COMMENT

No issues have been raised with these BCP requests.

Staff Recommendation:

Staff recommends holding these BCPs open pending a vote-only action on both at the May Revision hearings.

ISSUE 4: CHILD WELFARE DIGITAL SERVICES REQUESTS**PANEL**

- Peter Kelly, Deputy Director, Child Welfare Services Division, Office of Systems Integration
- Kevin Gaines, Chief, Child Protection and Family Support Branch, Department of Social Services
 - Please present briefly on the DSS and OSI BCP and SFL requests that are outlined in this agenda.
- Phuong La, Department of Finance
- Lourdes Morales, Legislative Analyst's Office
- Public Comment

BACKGROUND

The State has commenced several efforts to replace the current Child Welfare Services Case Management System (CWS/CMS), which is used by 20,000 county social workers to serve and protect the health and safety of children, youth, and their families in California. In November 2015, the State changed its typical procurement approach, from a monolithic multi-year Request for Proposal (RFP) estimated to cost over \$500 million and take five to seven years before implementation, to instead pursue an "agile" development approach for numerous smaller modules of functionality reflecting the same ultimate scope as the prior efforts. This change in approach will deliver necessary functionality to counties, licensing staff, and other users much faster and with less risk than previous efforts. The proposed approach, named the Child Welfare Digital Services (CWDS), entails short development "sprints" that are user-centric in design to produce needed functionality after each sprint and therefore can be made available to county and state workers, rather than waiting for a multi-year development effort to complete before validation of an end-product.

The Administration states that California must improve the technology used for child welfare and licensing. Implemented many years ago, the current systems do not deliver the necessary functionality and information to county and state end-users in a user-friendly and user-accessible manner. Their shortcomings, including aging mainframe architecture and unsupported software, a lack of mobile access for workers in the field, and no client self-service case information functionality, are well-documented in planning and procurement documents for CWS/CMS and licensing system replacement efforts. Previous efforts to modernize or replace the current systems have not been completed or were determined to be unlikely to be successful, but have contributed greatly to understanding the essential scope and functions of the CWDS project. The proposed iterative approach for sequentially developing and implementing various functionalities represents the greatest likelihood of success for adequately protecting children, youth, and their families in a timely manner.

**BUDGET CHANGE PROPOSAL AND
SPRING FINANCE LETTER**

OSI Child Welfare Services New System (CWS-NS) Project BCP. The Governor's January Budget requests 1.0 new permanent positions, the conversion of 8.0 limited-term positions to permanent and a net increase of \$171,000 in the OSI spending authority for the Child Welfare Service - New System (CWS-NS) Project. To ensure the CWS-NS is procured, developed and implemented with maximum effectiveness, the Governor's Budget states that it is imperative that the project be appropriately and consistently staffed. This BCP requests an Attorney III position as OSI does not currently have a dedicated attorney for the CWS-NS Project and this poses significant risk to the State as the Project progresses through the Procurement Phase and into the Design, Development and Implementation (DD&I) phase. The Project is requesting to redirect 8.5 CWS/CMS positions to leverage existing state staff from the CWS/CMS Office and transition them to the CWS-NS Project as specific skill sets are needed.

Spring Finance Letter Request. DSS and OSI, as the two departments involved in the CWDS effort, together request in a Spring Finance Letter (SFL) an augmentation of \$32.1 million in combined state and federal funding for the DSS local assistance costs as well as \$28.66 million in expenditure authority for OSI to develop and implement the Child Welfare Services-New System (CWS-NS) inclusive of children's residential facility licensing functionality, to replace the existing Child Welfare Services Case Management System (CWS/CMS). These costs include state, county, and vendor costs, as well as project support costs. This funding will be available until project completion and reviewed on an annual basis. Additionally, budget bill language is being requested which will allow for increased project funding beyond the appropriation authority, funds to be transferred to state operations for project related activities, and provides accountability via reporting requirements as specified in associated proposed budget bill language (included below).

The proposed approach for the CWDS project represents a new approach for state information technology development processes. Previously, large projects were pursued using a "waterfall" approach, which relies on a multi-year procurement and development process to produce a product reflecting pre-defined requirements, which is not tested and validated until completion of the entire development process. For projects of significant size, such as CWDS, this entails a multi-year period of managing a large system integration vendor, with little insight to the ultimate product until the development effort is complete. The Administration states that demonstrating the value of this approach also will allow other large projects, such as Medi-Cal Eligibility Determination System (MEDS), to take a similar approach utilizing the experience and knowledge learned from the CWDS approach.

The following table shows total estimated one-time project costs, expenditures to date (July 2013 – March 2016) and the remaining budget balance.

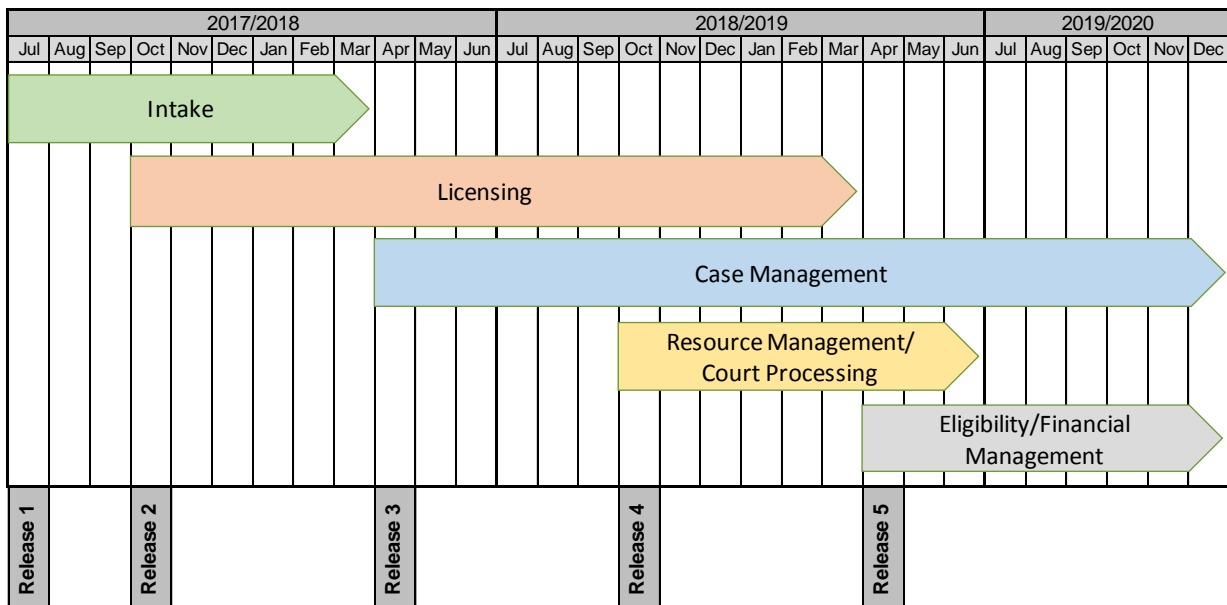
Project Costs

Total Estimated One-Time Cost	Expenditures to Date	Remaining Balance
\$397,918,394	\$22,825,584	\$375,092,810

The figure below shows the estimated CWS-NS implementation timeline of all digital services. This is subject to change based on the actual duration of the procurement and design/development processes.

- Key Dates:** 7/2017 – Release 1
 10/2017 – Release 2
 4/2018 – Release 3
 10/2018 – Release 4
 4/2019 – Release 5

Estimated CWS-NS Implementation



The following table provides a display of all budget changes proposed in the 2016-17 SFL request. The Budget Items column identifies the high-level budget items and each subsequent column identifies the budget changes consistent with the SFL.

BUDGET ITEMS (All dollars in thousands)	FY 2016-17 Governor's Budget	FY 2016-17 Revised Budget	SFL Redirection	SFL Request
OSI Costs				
Personnel Services Total	\$ 4,061	\$ 4,358	-	\$ 297
Consultant Services	-	-	-	-
County Consultants	\$ 653	\$ 1,604	-	\$ 951
Project Support Consultants	\$ 2,912	\$ 4,888	-	\$ 1,976
Digital Service Vendors	-	\$ 10,484	-	\$ 10,484
Implementation Vendors	-	\$ 9,619	-	\$ 9,619
Operations Support Vendors	-	\$ 3,528	-	\$ 3,528
Data Center Services	\$ 237	\$ 576	-	\$ 339
Facilities	\$ 40	\$ 1,026	-	\$ 986
OE&E Total	\$ 1,462	\$ 3,150	-	\$ 1,688
CWS/CMS Redirected Funding	-	-	\$ (1,205)	\$ (1,205)
Total OSI Costs	\$ 9,365	\$ 39,233	\$ (1,205)	\$ 28,663
CDSS Local Assistance Costs				
Consultant Services	\$ 2,383	\$ 6,341.00	-	\$ 3,958.00
Training	\$ 168	\$ 168.00	-	-
OE&E	\$ 332	\$ 332.00	-	-
County Participation	-	\$ 9,451.00	-	\$ 9,451.00
CWS/CMS Redirected Funding	-	-	\$ (10,000)	\$ (10,000)
Total CDSS Local Assistance Costs	\$ 2,883	\$ 16,292	\$ (10,000)	\$ 3,409
Total Local Assistance (OSI + CDSS)	\$ 12,248	\$ 55,525	\$ (11,205)	\$ 32,072
Funding Split (General Fund)	\$ 6,124	\$ 27,039	-	\$ 16,036
Funding Split (Federal Fund)	\$ 6,124	\$ 27,038	-	\$ 16,036
Total CDSS State Operations	\$ 2,832	\$ 2,832	-	-
Total Project Budget	\$ 15,078	\$ 58,357	\$ (11,205)	\$ 32,074

Proposed Budget Bill Language for DSS.

Add Provision 11 to Item 5180-151-0001:

11. (a) Of the funds appropriated in Schedule (1) of this item, \$29,179,000 is for the support of activities related to the Child Welfare Services-New System (CWS-NS) project. Expenditure of these funds is contingent upon approval of project documents by the Department of Finance and the Department of Technology. This amount may be increased by the Department of Finance, up to a maximum of \$5,000,000 during the 2016-17 fiscal year, upon approval of revised project

documents. Any such increase shall be authorized upon notification to the Legislature.

(b) The Department of Finance may authorize the transfer of funds appropriated for the CWS-NS project in Schedule (1) of this item to Item 5180-001-0001 for project-related activities, including but not limited to necessary personal services expenditures, interagency agreements, and contracts.

(c) The Department of Social Services, in coordination with other state entities and counties involved in the CWS-NS project efforts, shall: (1) provide stakeholders, counties, and the Legislature project status reports monthly, including newly executed contracts, their purpose, and cost; and (2) convene a regularly scheduled quarterly forum to provide project updates to stakeholders and legislative staff. The forums shall include updates on the progress of project development and implementation; expenditures incurred to date; significant issues and risks overcome in the prior quarter and presently being addressed; and upcoming project milestones and significant events.

Amend Provision 1 in Item 5180-151-0890 as follows:

“1. Provisions 1, 3, and 5, and 11 of Item 5180-151-0001 also apply to this item.”

Proposed Budget Bill Language for OSI.

Add provisional language to Item 0530-001-9745 as follows:

5. Notwithstanding Provision 1, the Department of Finance is authorized to increase expenditure authority in this item to support project management activities associated with the Child Welfare System-New System project.

LAO RECOMMENDATION

The LAO released an analysis on the CWDS on February 25, 2016, so it doesn't account for the Spring Finance proposals as yet. The LAO analysis supports the BCP requests and recommends the following related to reporting: “[That] the Legislature revise the project’s reporting requirement to reflect the planned shift from the traditional to an agile implementation approach. Specifically, we recommend the addition of the following issues to the existing reporting requirement: (1) a description of each of the modules, their current status, and any associated risks and issues (including impacts on county child welfare programs); (2) a description of how the agile approach has affected the project’s overall cost and schedule; (3) a description of how the Department of Technology’s approval and oversight processes are being applied to the agile implementation approach; and (4) information on how lessons learned from the agile implementation of the CWS-NS project can be leveraged by other state IT projects. We

think that revising the reporting requirement to reflect the shift in implementation approach could help the Legislature (1) evaluate the progress of the CWS-NS project and (2) assess the benefits and challenges of using the agile implementation approach on future IT projects."

ADVOCACY PROPOSAL

The County Welfare Directors Association of California (CWDA) has proposed trailer bill language that will codify the new "agile" approach to CWS automation. The proposed language would require:

- DSS, OSI, and CWDA to jointly seek resources to enable the necessary level of engagement by the counties in the Child Welfare Digital Services agile development and maintenance process.
- Counties have a voting seat on all governance bodies.
- The existing CWS/CMS operations and functionality be maintained and not decommissioned until the full statewide implementation of the Child Welfare Digital Services system in all counties.
- Continuation of the existing monthly updates to the Legislature and stakeholders on efforts to develop and implement the Child Welfare Digital Services system and regularly scheduled quarterly forums offered to provide project updates to stakeholders and legislative staff.

STAFF COMMENT

The Administration has indicated that they have reviewed the proposed trailer bill language and don't disagree with the CWDA-proposed approach. As there is some overlap between what is covered in the proposed Budget Bill Language from the Administration and the proposed trailer bill language from the advocates, as well as intersection with the LAO recommendation, staff will continue to work with interested parties to reconcile the approach on project governance, monitoring, and reporting.

The \$5 million discretionary allowance in the proposed Budget Bill Language is a piece for additional consideration. Allowing this much discretion for project spending outside of the usual budgeting and appropriation process requires additional dialogue and scrutiny and the Legislature may wish to ultimately deny this piece of the BBL.

Staff Recommendation:

Staff recommends holding the BCP and SFL related to the Child Welfare Digital Services project open pending vote-only actions at the May Revision hearings.

**ISSUE 5: CASE MANAGEMENT, INFORMATION, AND PAYROLLING SYSTEM (CMIPS II)
REQUEST****PANEL**

- Cynthia Tocher, Deputy Director, Project Management Division, Office of Systems Integration
- Pete Cervinka, Program Deputy Director for Benefits and Services, Department of Social Services
 - Please present briefly on the CMIPS II BCP request.
- Phuong La, Department of Finance
- Lourdes Morales, Legislative Analyst's Office
- Public Comment

BACKGROUND

DSS is responsible for the administration of the IHSS program for the State. DSS contracted with the Office of Systems Integration (OSI) to manage the CMIPS II prime vendor contract to design, develop, maintain, and operate the CMIPS II System to replace the outdated Legacy CMIPS System. The CMIPS II prime vendor contract was awarded to Hewlett Packard (HP) on March 31, 2008 after a competitive bid was conducted. Effective January 2014, the CMIPS II project transitioned into the Maintenance and Operations (M&O) phase. The State will continue to implement system changes to ensure the CMIPS II system supports IHSS program compliance.

BUDGET CHANGE PROPOSAL

This BCP requests a 2016-17 increase of \$4.8 million in the OSI spending authority and 1.0 permanent position for the CMIPS II project and a corresponding increase of \$8.7 million in CDSS Local Assistance budget authority. Details on this spending are included below and described broadly as:

- \$4.8 million in new additional funding is being requested to fund workload increases in the following activities:
 - Staffing
 - Annual Base Operational Costs
- \$3.9 million is requested in DSS Local Assistance funding for data center services.

Additionally, for informational purposes only, the CMIPS II project costs have increased \$16.3 million in the current year due to schedule shifts, a delay in implementing changes related to the Federal Fair Labor Standards Act (FLSA) and workload

increases in base operational costs. These increased costs have been identified in the current year DSS Local Assistance budget, and include \$11.4 million that was previously appropriated in 2014-15. The OSI will request an increase of \$14.1 million in expenditure authority consistent with Provision 1 of Item 0530-001-9745, Budget Act of 2015 (Chapter 10, Statutes of 2015) for the associated increases in the CMIPS II project costs.

- \$11.4 million was previously appropriated in 2014-15 and is being shifted to 2015-16 for the following activities:
 - Flexible Payment Option (In-Home Supportive Services (IHSS) Overtime)
 - FLSA Curam Licenses
 - Statewide Training
- \$2.7 million in new additional funding is being requested for workload increases in base operational costs in the following activities:
 - Timesheet processing due to increase in caseload growth
 - Ongoing costs associated with travel forms processing
 - Ongoing costs associated with the transactional costs component of blind and visually impaired system enhancements
- \$2.2 million is requested in DSS Local Assistance funding for data center services.

This BCP requests a 2016-17 increase of \$4,764,034 in OSI spending authority and 1.0 permanent position, and a corresponding increase of \$8,657,061 in the DSS Local Assistance budget authority.

The following table identifies the specific activities associated with this request.

2016-17 Activities

BY 2016-17 Activities	Activity Duration	OSI Spending Authority	CDSS Local Assistance
State Staff and OE&E		\$ 180,994	\$ 180,994
Salary and Wages	Ongoing	\$ 156,350	\$ 156,350
OE&E	Ongoing	\$ 24,644	\$ 24,644
Prime Vendor Services		\$ 4,583,040	\$ 4,583,040
Ongoing Base Operational Costs	Ongoing	\$ 4,583,040	\$ 4,583,040
Data Center Services	Ongoing	\$ -	\$ 3,893,027
Total		\$ 4,764,034	\$ 8,657,061

Staffing - \$170,994. This BCP requests a 2016-17 increase of \$180,994 to establish an Attorney III and the corresponding Operating Expense and Equipment (OE&E) for this position.

Attorney III - \$156,350. The CMIPS II project is transitioning to its M&O phase, which will require the procurement of a new systems integrator and begin a new critical phase that requires the dedicated support of experienced counsel. The OSI does not currently have sufficient legal resources to meet the increased demand for services in areas such as reprourement document drafting and negotiation, representation of the project in interactions with control agencies and stakeholders, and advising project staff regarding matters such as IT procurement issues, contract and vendor management issues, and intellectual property law. By adding an attorney early in the procurement process, the project will avoid serious legal risks that arise when large projects begin work without the benefit of attorney assistance. The attorney brings not only specialized legal expertise but carries perspectives from a variety of IT projects, broadening the experience of the project team and mitigating risks associated with long engagements with a single vendor.

The CMIPS II Attorney III will assist the project in developing contract terms and structuring a request for proposal (RFP) that encourages competition and improves the likelihood of receiving proposals from multiple qualified vendors. In addition, the Attorney III will advise and represent the OSI in a variety of personnel related issues that naturally increase with the addition of state and contractor staff and the expansion of their duties. The Attorney III will also advise and represent the OSI with respect to contract administration and enforcement, Public Records Act requests, oversight agency issues and communications with sponsors and stakeholders.

Prime Vendor Services - \$4.6 Million. This BCP requests 2016-17 adjustments to prime vendor services costs as follows:

Annual Base Operational Costs - \$4.6 Million. \$4,583,040 is requested to support the following ongoing transactional based activities:

- \$3,625,699 for the continuation of 2015-16 Base Operational costs increases.
- \$381,557 for annual base M&O to align the budget and spending authority with the executed contract costs.
- \$472,597 for additional transaction costs (timesheet processing, direct deposit, liens and withholding management) to ensure funding is available to support the estimated 3.7 percent caseload growth in 2016-17 based on CDSS IHSS caseload estimates.
- \$103,187 for the consumer price index adjustment and caseload increases applicable to the travel forms processing costs.

Data Center Services - \$3.9 Million. This BCP requests ongoing funding of \$3,893,027 in 2016-17 for data center services to support increased capacity requirements, IHSS caseload growth, and the impact from current legislative changes. Of this amount, \$2,203,600 is for the continuation of 2015-16 data center services cost increases.

CMIPS II PROJECT BUDGET

Activity	2015-16 Budget Act	2015-16 Proposed Budget	2015-16 Current Year Request	2015-16 Budget Act	2016-17 Proposed Budget	2016-17 Budget Year Request
OSI Staff	\$ 3,716,725	\$ 3,716,725	\$ -	\$ 3,716,725	\$ 3,873,075	\$ 156,350
Other	\$ 2,485,603	\$ 2,485,603	\$ -	\$ 2,485,603	\$ 2,500,247	\$ 14,644
CMIPS II Prime Contract	\$ 39,017,741	\$ 53,085,175	\$ 14,067,434	\$ 39,017,741	\$ 43,600,781	\$ 4,583,040
State Support Contracts	\$ 2,620,281	\$ 2,620,281	\$ -	\$ 2,620,281	\$ 2,620,281	\$ -
Interfaces	\$ 1,662,490	\$ 1,662,490	\$ -	\$ 1,662,490	\$ 1,662,490	\$ -
Facilities	\$ 403,000	\$ 403,000	\$ -	\$ 403,000	\$ 413,000	\$ 10,000
OSI Cost	\$ 49,905,840	\$ 63,973,274	\$ 14,067,434	\$ 49,905,840	\$ 54,669,874	\$ 4,764,034
County Travel	\$ 120,240	\$ 120,240	\$ -	\$ 120,240	\$ 120,240	\$ -
Data Center Services	\$ 14,690,666	\$ 16,894,266	\$ 2,203,600	\$ 14,690,666	\$ 18,583,693	\$ 3,893,027
CDSS Cost	\$ 14,810,906	\$ 17,014,506	\$ 2,203,600	\$ 14,810,906	\$ 18,703,933	\$ 3,893,027
Total Local Assistance	\$ 64,716,746	\$ 80,987,780	\$ 16,271,034	\$ 64,716,746	\$ 73,373,807	\$ 8,657,061
Local Assistance General Fund	\$ 32,714,315	\$ 40,939,323	\$ 8,225,008	\$ 32,714,315	\$ 37,134,484	\$ 4,420,169
Local Assistance Other Funds	\$ 32,002,431	\$ 40,048,457	\$ 8,046,026	\$ 32,002,431	\$ 36,239,323	\$ 4,236,892
State Operations Cost	\$ 1,400,049	\$ 1,400,049	\$ -	\$ 1,400,049	\$ 1,400,049	\$ -
State Operations - CDSS	\$ 1,400,049	\$ 1,400,049	\$ -	\$ 1,400,049	\$ 1,400,049	\$ -
Total CMIPS II Budget	\$ 66,116,795	\$ 82,387,829	\$ 16,271,034	\$ 66,116,795	\$ 74,773,856	\$ 8,657,061

STAFF COMMENT

The Subcommittee heard and held open a BCP in the DSS budget related to CMIPS II and the workload associated with the Universal Assessment Tool at its March 9, 2016 hearing.

No issues have been raised thus far with this BCP request.

Staff Recommendation:

Staff recommends holding this BCP open pending a vote-only action at the May Revision hearings.

ISSUE 6: COUNTY EXPENSE CLAIM REPORTING INFORMATION SYSTEM (CECRIS) REQUESTS**PANEL**

- Pat Leary, Chief Deputy Director, Department of Social Services
 - Please present briefly on the DSS and OSI Spring Finance Letter requests.
- Phuong La, Department of Finance
- Lourdes Morales, Legislative Analyst's Office
- Public Comment

BACKGROUND

DSS received approval of Special Project Report (SPR) 1 in February 2012 for the County Expense Claim Reporting Information System (CECRIS) project, but subsequent analysis projected a significant increase in both schedule and cost for its recommended commercial off-the-shelf/modified off-the-shelf (cots/mots) solution. In December 2014, the project was suspended to allow DSS an opportunity to re-evaluate the proposed solution in order to move forward with the project. The resulting new proposed solution in SPR 2 is the most cost effective, efficient, and quality approach to meet the business needs of the project which will utilize a Solution Integrator (SI) in tandem with internal resources.

During the SPR 2 process, a gap was identified in internal resources on the project for the system's technical design, requirements for development, implementation and support for the application. These workloads are critical to the successful development and implementation of CECRIS that supports \$14 billion in assistance and administrative costs for 58 counties.

SPRING FINANCE LETTER

DSS requests a permanent staff augmentation of three (3.0) staff in the Information Systems Division (ISD) comprised of two (2.0) Systems Software Specialists II (SSS II) positions and one (1.0) Associate Information Systems Analyst (AISA) position to migrate validated business rules to a claiming system that resides on sustainable architecture that leverages and builds upon existing shared enterprise technology. OSI requests the permanent re-establishment with limited-term funding of a Senior Information Systems Analyst (SR. ISA) position that was approved in the 2014-15 BCP, CECRIS project support. The costs associated with the request are \$291,000 total funds (\$115,000 General Fund) in 2016-17, rising slightly in the out-years.

Without the requested resources to develop and maintain the system, the Administration states that CECRIS would be unable to perform the necessary and frequently changing processes associated with state and federal required reporting and authorization for monthly and quarterly payments to the counties by the state controller's office. In turn, the counties would be unable to disburse funds to the state's

vulnerable clients. The following two charts have been provided by the Administration to display how the SPRs for CECRIS have changed.

Cost	SPR 1	SPR 2 Current
Procurement Method	RFP	MSA / RFO
Solution Vendor	\$3,570,400	\$2,345,600
Solution Vendor Contingency		\$231,840
OCM	\$0	\$427,800
Financial Systems Auditor	\$0	\$455,800
IPOC	0	\$422,100
IV&V	\$312,000	\$453,250
Other Contracts	\$679,190	\$529,028
Software/Licenses	\$0	(one-time) \$292,094 (continuing) \$129,708
Hardware	\$0	\$9,910
BCP Staff and Overhead	\$0	\$1,394,000
“new” Funding	\$4,561,590	\$6,691,130
Existing Staff and Overhead	\$3,179,004	\$3,891,963
TOTAL PROJECT COST	\$7,740,594	\$10,583,093

Major Milestones	SPR 1 Completion Dates	SPR 2 Completion Dates	Months Extended
Project Management Plans Updated	10/2014	4/18/2016	18
Implementation Advanced Planning Document Approval	None	5/2016	N/A
Procurement – Solution Vendor (SV)	10/2014	9/2016	23
To-Be End-To-End Process Analysis/Requirements	10/2014	10/2016	24
System Design	5/2015	4/2017	23
System Development	12/2015	3/2018	27
Testing (Integration & User Acceptance)	9/2016	8/2018	23
Rollout	11/2016	1/2019	26
Project Close Out Artifacts	1/12/2017	3/21/2019	26
Post Implementation Evaluation Report	5/2017	6/2020	37

STAFF COMMENT

No issues have been raised thus far with this request.

Staff Recommendation:

Staff recommends holding this SFL open pending a vote-only action at the May Revision hearings.

0530 HEALTH AND HUMAN SERVICES AGENCY**ISSUE 7: OFFICE OF HEALTH INFORMATION INTEGRITY REQUESTS****PANEL**

- Elaine Scordakis, Assistant Director, Office of Health Information Integrity
- Jennifer Schwartz, Chief Counsel, Office of Health Information Integrity
- Please present briefly on the BCP and Trailer Bill Language requests.
- Chi Lee, Department of Finance
- Lourdes Morales, Legislative Analyst's Office
- Public Comment

BACKGROUND

CalOHII is responsible for planning, policy articulation, education, monitoring, tracking, and evaluation of HIPAA implementation as a whole. Successful implementation requires close coordination and communication between CalOHII and HIPAA-impacted departments. CalOHII interprets HIPAA for all HIPAA-impacted entities and works with individual departments to ensure that HIPAA is implemented uniformly across the departments.

According to the Administration, now that CalOHII and the other HIPAA-impacted departments have established HIPAA programs, the purpose of CalOHII's activities has shifted to a "maintenance and operation" mode. Consequently, a review of the positions, funding, and workload revealed that CalOHII activities can focus on monitoring of departments and periodic updates to statewide HIPAA policy, thereby, allowing for a reduction in positions and operating expenses.

The Health Insurance Portability and Accountability Act (HIPAA) of 2001, established CalOHII and specified the office's responsibilities and authority, including:

- Statewide leadership, coordination, policy formulation, direction, and oversight responsibilities for HIPAA implementation by impacted state departments;
- Authority relative to state entities to establish policy, provide direction to state entities, monitor progress, and report on HIPAA implementation efforts; and,
- Responsibility for determining which provisions of state law concerning personal health information are preempted by HIPAA for state agencies.

The federal government continues to update existing HIPAA regulations periodically. The federal government utilizes HIPAA to govern the privacy and security requirements associated with its efforts to promote nationwide adoption of health information technology (HIT) and promote health information exchange (HIE). Because HIT and HIE are in the early stages of implementation, it is expected the federal government will be issuing and modifying HIPAA rules for years to come.

BUDGET CHANGE PROPOSAL AND TRAILER BILL
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This is a budget reduction proposal. Based on a Zero Base Budget analysis, CalOHII requests to reduce its staffing and amend its statutory obligations. CalOHII will continue to serve as the state's authority on the Health Insurance Portability and Accountability Act (HIPAA) matters, but will reduce the scope of its activities to updating statewide HIPAA policy and monitoring progress of HIPAA impacted and covered departments. Continuation of these activities requires four positions (1.0 CEA, 1.0 Attorney III, 1.0 Staff Services Manager (SSM) II, and 1.0 SSM I (2-year limited term)) and limited consultant funding at a cost of \$1.7 million (\$849,000 General Fund, \$849,000 Other Funds). This proposal eliminates five positions and operating expenses for a net reduction of \$1.365 million (\$1.255 million General Fund, \$110,000 Other Funds).

The Administration also proposes trailer bill language to implement these changes, available at the Department of Finance website, www.dof.ca.gov. The Administration states that the TBL does the following: "This proposal would make technical and clarifying changes to the California Office of Health Information Integrity's (CalOHII) duties with regard to continued compliance with the federal Health Insurance Portability and Accountability Act (HIPAA)." The trailer bill proposes, among many changes, to eliminate language regarding an advisory committee of stakeholders, which the Administration states is no longer necessary, as statewide HIPAA implementation activities have been accomplished.

STAFF COMMENT

No issues have been raised thus far with this request, though the trailer bill is still being reviewed by staff.

Staff Recommendation:

Staff recommends holding this BCP and trailer bill request open pending a vote-only action at the May Revision hearings.