AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER TONY THURMOND., CHAIR

TUESDAY, MAY 19, 2015
9:00 A.M. - STATE CAPITOL, ROOM 126

ITEMS TO BE HEARD

ITEMS TO BE HEARD

GOVERNOR'S MAY REVISION PROPOSALS

7730 FRANCHISE TAX BOARD

ISSUE 1: STATE EARNED INCOME TAX CREDIT

PANEL

- Department of Finance
- Franchise Tax Board
- Legislative Analyst's Office
- Public Comment

GOVERNOR'S MAY REVISION PROPOSAL

The Subcommittee heard the State Earned Income Tax Credit (EITC) issue at its February 25, 2015 hearing on "State Strategies to Reduce Poverty in California."

The May Revision proposes the creation of the state's first EITC to help the poorest working families in California. This targeted credit will provide a refundable tax credit for wage income and would focus on the lowest-income Californians—households with incomes less than $6,580 if there are no dependents or $13,870 if there are three or more dependents. The proposed state program complements the existing federal Earned Income Tax Credit. The proposed state credit would match 85 percent of the federal credits up to half of the federal phase-in range and then begin to taper off relative to these maximum wage amounts. This targeted approach will allow a greater benefit per household. The credit will be available beginning with tax returns filed for wages earned in 2015. The tax credit is expected to reduce revenues by $380 million annually beginning in 2015-16. It will benefit an estimated 825,000 families and 2 million individuals. The estimated average household benefit is $460 per year with a maximum credit for a household with three or more dependents of over $2,600.

Background. The federal EITC is the largest tax benefit for families with children and is the third largest social welfare program in the United Stated behind Medicaid and food stamps. The EITC was first enacted at the federal level in 1975 as a modest refundable credit of up to $400. The credit equals a percentage of earnings for an individual until the earnings reach a maximum amount (phase-in range). The credit then plateaus for additional levels of income (flat range) until reaching a specified income level, at which point the credit is gradually phased out (phase-out range). Because the EITC is targeted at lower-income households, it includes a phase-out as income levels rise. For 2015, the maximum federal credit for a single worker with no children is estimated to be $503 based on a 7.65-percent credit rate on earnings up to $6,580. The maximum credit for a family with three children is estimated to be $6,242 on a 45-percent credit rate on earnings up to $13,870.

Twenty-five states plus the District of Columbia currently have an EITC. The majority (21) provide a refundable credit. All states set their EITC as a percentage of the federal credit, and most states conform to the federal program in all other aspects such as eligibility requirements and income levels. California has never offered an EITC.

In 2012, approximately 3.2 million Californians filed a federal tax return claiming this credit. Although the proposed program will not benefit all these filers, it is expected to provide a significant benefit to the poorest working families in California.

Proposal Components. The proposed state EITC is structured to complement the federal EITC and will provide a refundable tax credit for the lowest-income Californians—households with incomes less than $6,580 if there are no dependents or $13,870 if there are three or more dependents. The proposed state credit would match 85 percent of the federal credits up to half of the federal phase-in range and then begin to taper off relative to these maximum wage amounts. This targeted approach will allow a greater benefit per household. The table on the following page illustrates the interaction between the state and federal EITC and the total benefits estimated until the California EITC maximum is reached for two taxpayer classifications. Note: individuals earning more than the state credit maximums will continue to receive a federal EITC through the phase out range—$14,820 for an individual and $53,267 for a married couple (filing joint) with three dependents.

	No Dependents				Three or More Dependents			
	Wage Income	Federal EITC	State EITC	Total EITC	Wage Income	Federal EITC	State EITC	Total EITC
Phase-in	1,000	77	65	142	2,000	900	765	1,665
	2,000	153	130	283	4,000	1,800	1,530	3,330
	3,000	230	195	425	6,000	2,700	2,295	4,995
Phase-out	3,290	252	214	466	6,935	3,121	2,653	5,773
	4,500	344	135	480	10,000	4,500	1,480	5,980
	6,580	503	-	503	13,870	6,242	-	6,242

Given the high levels of improper refund payments that have been experience by both the federal EITC and in other states, various options were considered to limit potential overpayments. First, the state EITC will generally follow the income levels and eligibility requirements of the federal EITC, but will be limited to wage income, excluding self-employment income. In addition, additional staff is proposed for the Franchise Tax

Board to educate taxpayers and tax professionals, accelerate review of refund claims before issuance of payments, and modify the Enterprise Data to Revenue system to provide automated checks. These safeguards will prevent limited funds available for this program from being improperly paid to individuals and allow the program to help millions of low-income Californians.

The proposal includes resources for the Franchise Tax Board to implement the state EITC. This includes one-time contract funds ($12.9 million) to support system changes required to implement a refundable tax credit and a six-month delay associated with the Enterprise Data to Revenue project that is necessary to implement the EITC for the 2015 filing season. A total of 98 positions, including temporary help, and $22 million is needed in 2015-16 as outlined below. In 2016-17 these costs decrease to $11.6 million.

- Return processing (33 positions)
- Tax payer advocacy/call center support (30 positions)
- Fraud prevention (26 positions)
- Information technology/tax forms (9 positions)

In addition, the budget proposes provisional language to specify the annual adjustment factor applied to the credit rate (85 percent for 2015) to allow the rate to be adjusted annually as part of the budget development process.

Staff Recommendation:

Staff recommends approval of the Governor's May Revision State EITC proposal, with the associated funding and position authority at the Franchise Tax Board, for 2015-16 and as an ongoing tax credit in California for working families. As part of this, adopt associated trailer bill as placeholder, subject to further refinement if needed in the trailer bill process, and add the following language to the trailer bill:

> "It is the intent of the Legislature that the State EITC established in this section will be expanded in future years, as state budget conditions permit, to benefit a broader section of working poor Californians."

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: CALWORKS

PANEL

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

MAY REVISION CHANGES

The 2015 May Revision includes $5.6 billion in total funding for FY 2015-16 for the core CalWORKs program, an $84.0 million net decrease in TANF/GF from the 2015-16 Governor's Budget. This reflects more costs shifting from GF to county welfare departments (CWDs) based on the latest projection of available Realignment and Family Support Subaccount and Child Poverty and Family Support Subaccount funds. The 2015 May Revision also reflects the impacts of federal immigration reform, increased costs for childcare and an increase in TANF used for CalGrants at the Student Aid Commission.

The overall CalWORKs caseload for FY 2015-16 is projected at 525,000, which represents a 1.5 percent decline over the 2015-16 Governor's Budget. The FY 2015-16 costs also reflect a slightly slower rate of increase in the employment services caseload to about 240,000 cases. Stage One Child Care is projected to increase to about 44,000 children, an 8.1 percent increase over the 2015-16 Governor's Budget.

1. Federal Immigration Reform Impact. This is a new budget issue to provide funding for increased caseload to CDSS programs as a result of the President's Immigration Accountability Executive Orders.

On November 20, 2014, President Obama issued executive orders to expand the population eligible for the Deferred Action for Childhood Arrivals (DACA) program to people who entered the United States (U.S.) before the age of 16 and have lived in the United States continuously since January 1, 2010, and to include new Deferred Action for Parents of Americans (DAPA). The DAPA expansion will allow parents of U.S. citizens and lawful permanent residents to request deferred action and employment authorization for three years, provided they have lived in the U.S. continuously since January 1, 2010, and pass required background checks.

The implementation of the executive orders has been suspended due to a Temporary Restraining Order issued by the federal court. Assuming the suspension will be lifted and U.S Citizenship and Immigration Services will be accepting applications for DACA and DAPA programs in the near future, the 2015 May Revision reflects impacts to CDSS programs beginning October 1, 2015.

Recipient/Consumer Impacts. This issue impacts the following DSS programs with partial-year phase-in:

- *CalWORKs and CalFresh:* CalWORKs and CalFresh will potentially increase by 8,800 and 1,040 citizen children, respectively, as a result of DAPA eligible individuals seeking benefits for their citizen children who currently are not receiving benefits. The FY 2015-16 costs reflect $19.2 million TANF/GF for CalWORKs and $0.04 million GF for CalFresh.

- *Adult Programs:* The Cash Assistance Payments for Immigrants (CAPI) program caseload will increase by approximately 250 resulting in a $1.4 million GF cost in FY 2015-16. The IHSS Residual caseload will increase by approximately 2,034 resulting in a $13.9 million GF cost for the services and administration in FY 2015-16.

- *Special Programs:* This premise includes $4.8 million GF for non-profit legal service organizations to provide application assistance to undocumented immigrants eligible for deferred action under the President's Order.

2. WTW 24-Month Clock. After 24 months, recipients in CalWORKs are required to focus on the employment-related activities that satisfy federal work participation requirements. If CalWORKs clients are unable to achieve the employment focused post-24 month requirements, they may receive a grant reduction. The WTW 24-Month Clock was effective January 1, 2013; however, it is assumed that the clock did not fully implement statewide until April 2013, which means that recipients will first begin to reach the end of their WTW 24-Month Clock in April 2015. 2015-16 is the first year of anticipated savings for cases that will receive a grant reduction when not meeting the federal participation requirements after using 24 months of WTW services.

The 2015-16 Governor's Budget was based on participation status and time on aid under the CalWORKs 48-Month Assistance Clock since data reflecting the implementation of the 24-Month Clock was not yet available. Data on the 24-Month Clock shows significantly fewer cases will ultimately have their grant reduced as a result of the 24-Month Clock. The estimate methodology was also revised to exclude individuals who are either exempt from WTW or in sanction status, assuming these cases are not impacted by the 24-Month Clock.

Recipient/Consumer Impacts. After 24 months of WTW services and the conciliation process, approximately 1,500 cases who are not meeting federal participation requirements will have the adult's portion of grant removed by June 2016. This number, cumulatively, is expected to increase to 9,000 cases by the end of 2016-17. This issue and the potential harm to families of the recent CalWORKs changes have been the subject of intense and ongoing concern for the Subcommittee.

3. CalWORKs Non-MOE Long-Term Sanction. This is a new budget issue. Effective March 1, 2015, adults who have been in sanction status for not complying with WTW requirements for 12 consecutive months or more are receiving benefits and services with solely state GF that will not count toward MOE. This fund shift is estimated to increase the state's TANF WPR by approximately 0.93 percent in FFY 2015 and 1.59 percent on an ongoing basis.

This fund shift frees up TANF funds in FY 2014-15 that will carry forward to FY 2015-16. These TANF funds will be transferred to the California Student Aid Commission in FY 2015-16 to offset the GF needed to fund these cases. Overall, this funding shift is cost neutral and permitted under CDSS' administrative authority. Statute changes that parallel the treatment of child support for the other non-MOE GF cases will be necessary.

<u>Recipient/Consumer Impacts.</u> Approximately 14,550 CalWORKs cases are in long-term sanction status. This policy change will be transparent from the recipients' perspective, but there will be a change in how child support is treated for these cases. Since the funding for these cases is switched to non-MOE GF, they will no longer have to assign their child support to the state and the Department of Child Support Services will no longer be required to track these cases. To the extent that this child support income can be reasonably anticipated, it could be factored into recipients' grant calculations.

<u>Associated Trailer Bill Proposal.</u> Since March 2015, long-term sanctioned CalWORKs recipients have been funded with non-MOE General Fund--this increases the state's work participation rate by about 1.6 percent. Because of this funding shift, federal law recognizes these cases as "former TANF," and thus entitled to the direct pass through of any child support collected from the absent parent. The May Revise includes a trailer bill proposal that seeks to align state law with federal law for these cases, allowing them to receive their child support. Chapter 29, Statutes of 2014 (SB 855) took an identical approach for the safety-net cases that were moved to non-MOE General Fund in 2014.

4. Trailer Bill Clean-Up of Statute Affecting Eligibility. The May Revise includes a trailer bill proposal that deletes a drug felony conviction as a mandatory mid-period reporting requirement, consistent with the policy and budget decisions around eligibility adopted as part of the 2014 Budget.

5. Trailer Bill Clean-Up for CalWORKs Housing Support Program. The May Revise includes a trailer bill proposal that seeks to clarify language around the awarding of funds under the CalWORKs Housing Support Program adopted as part of the 2014 Budget.

Staff Recommendation:

Staff recommends holding these issues open pending final decisions around the Subcommittee's plan.

ISSUE 2: DAPA/DACA LEGAL SERVICES FUNDING

PANEL

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

MAY REVISION CHANGES

Background. Proposed additions to Welfare and Institutions (W&I) Code sections 13301.5 and 13301.6 to provide application assistance to persons who are eligible to apply for or renew Deferred Action for Childhood Arrivals (DACA) status based on the guidelines issued by the Department of Homeland Security.

On June 15, 2012, the Secretary of Homeland Security announced that certain individuals who came to the United States (U.S.) as children and meet several guidelines may request consideration of deferred action for a period of two years, subject to renewal.

To be considered for the DACA program a person must meet the following criteria:

- Was under the age of 31 as of June 15, 2012;
- Have entered the U.S. before the age of 16;
- Have lived in the U.S. continuously since June 15, 2007;
- Been born since June 15, 1981;
- Have been physically present in the U.S. on June 15, 2012, and at the time of making a request for consideration of deferred action with the United States Citizenship and Immigration Services (USCIS);
- Not have lawful status as of June 15, 2012;
- Be currently in school, have graduated or obtained a certificate of completion from high school, have obtained a general education development (GED) certificate, or is a honorably discharged veteran of the Coast Guard or Armed Forces of the U.S.; and
- Have not been convicted of a felony, significant misdemeanor or three or more other misdemeanors, and do not otherwise pose a threat to national security or public safety.

On November 20, 2014, President Obama expanded the DACA program to include changes to the DACA and create the Deferred Action for Parents of Americans and Lawful Permanent Residents (DAPA) program. Changes to the DACA program include persons of any age who have lived in the U.S. continuously since January 1, 2010 and extending the period of DACA and work authorization from two years to three years. The DAPA program allows parents of U.S. citizens and lawful permanent residents to request deferred action and employment authorization for three years. The President's 2014 executive actions are currently being challenged in court, but the 2012 guidelines for DACAs remain in effect.

To be considered for the DAPA program, a person must meet the following criteria:

- Have lived in the U.S. continuously since January 1, 2010, up to the present time;
- Have been physically present in the U.S. on November 20, 2014 and at the time of making a request for consideration of DAPA with USCIS;
- Had no lawful status on November 20, 2014;
- Had on November 20, 2014, a son or daughter, of any age or marital status, who is a U.S. citizen or lawful permanent resident; and
- Have not been convicted of a felony, significant misdemeanor, or three or more misdemeanors; do not otherwise pose a threat to national security; and are not an enforcement priority for removal.

Deferred action is a use of prosecutorial discretion to defer removal action against an individual for a certain period of time. A person who has been granted deferred action also may apply for work authorization.

<u>May Revision Proposal.</u> The May Revision includes $5.0 million from the General Fund (GF) and one position (leaving $4.8 million for local assistance) for the California Department of Social Services (CDSS) to contract with qualified nonprofit legal services organizations to provide application assistance to persons residing in California who are eligible for or to renew DACA or DAPA status. These legal services include culturally and linguistically appropriate services provided by attorneys, paralegals, interpreters and other support staff for assistance in applying for DACA or DAPA status or renewal of that status with the USCIS.

The administration states that the proposed funding will help persons residing in California achieve DACA or DAPA status. This funding and trailer bill language request is aligned with CDSS' mission statement to serve, aid and protect needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility and foster independence. This program will be virtually identical to the existing $3 million GF program for Unaccompanied Undocumented Minors, but will be targeted to a different population of eligibles.

Staff Recommendation:

Staff recommends holding this issue open pending final decisions around the Subcommittee's plan.

ISSUE 3: CHILDREN AND FAMILY SERVICES PROGRAMS

PANEL

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

MAY REVISION CHANGES

The updated caseload data reflects that the total Aid to Families with Dependent Children-Foster Care cases have increased approximately 2.1 percent from the FY 2015-16 Governor's Budget for FY 2014-15 and the caseload is projected to increase 0.1 percent for FY 2015-16.

The Kinship Guardianship Assistance Payment (Kin-GAP) population reflects a slight increase over what was projected in the 2015-16 Governor's Budget. Overall, there is a decrease in the state Kin-GAP program due to more cases being federally eligible. The FY 2015-16 Governor's Budget assumed 43.9 percent of the total Kin-GAP population to be federally eligible. For the 2015 May Revision, federally eligible cases now represent 47.03 percent for FY 2014-15 and 46.64 percent for FY 2015-16.

The FY 2015-16 cost increase for the Child Welfare Services programs is due to the inclusion of the indirect cost rate for the Child Welfare Training program as well as updated assumptions for the CWS Case Record Reviews and Strengthening Families Act premises.

1. Services to Commercially Sexually Exploited Children (CSEC) and Strengthening Families Act. This budget issue reflects costs associated with the federal Preventing Sex Trafficking and Strengthening Families Act (PL 113-183). The Act requires additional social worker activities related to Another Planned Permanent Living Arrangements, Transition Plans, Reasonable and Prudent Parent Standard, Relative Notifications, Pregnant Minors and Non-Minor Dependents. In addition, it includes development and implementation of policies and procedures and reporting incidences of CSEC.

<u>Change from the 2015-16 Governor's Budget.</u> To comply with the new federal statutory requirements, funding for additional social worker activities and time need to be added, including new components under the Strengthening Families Act premise that includes relative notification, foster youth credit reports, compilation of data on pregnant minors and non-minor dependents. There are also activities for the development of CSEC policies and procedures that have been added to the CSEC premise.

Recipient/Consumer Impacts. This federal requirement will affect all child welfare and probation youth. County social workers will be required to work with eligible youth, parents of youth and caregivers on items including long-term case and transition plans, relative notification and reviewing credit reports. The law also requires the collection and recording of data on pregnant minors and non-minor dependents as well as identifying victims of child sex trafficking

Advocates' Feedback. The County Welfare Directors Association has written in opposition to the administration's proposal, stating that the proposal would essentially divert $3.25 million of the $14 million General Fund appropriation provided as part of the 2014 Budget for CSEC services.

2. CWS Case Record Reviews. This budget issue reflects funding for additional federally mandated activities for California Child and Family Services Reviews. In order to comply with the August 27, 2012, federal ACF Children's Bureau memorandum 12-07, funds were needed for a state Continuous Quality Improvement system. This included caseworkers conducting ongoing case reviews to measure the quality of casework provided by CWDs. California's existing Continuous Quality Improvement system does not contain this element.

Change from the 2015-16 Governor's Budget. There is no change in FY 2014-15. The FY 2015-16 increase reflects additional FTEs needed to complete all of the federally mandated activities. After counties started implementing the caseworker reviews, it was determined that there were not enough resources funded to complete all of the activities required by the federal government.

Recipient/Consumer Impacts. There is no impact to clients.

3. Child Welfare Training Program. This budget issue reflects the costs of providing a statewide coordinated training program designed specifically to meet the needs of county social workers assigned to ER, FM, FR, PP and Adoption responsibilities. The Child Welfare Training Program includes training for other public agencies, including county probation departments, who provide child welfare case management services. The training includes crisis intervention, investigative techniques, rules of evidence, indicators of abuse and neglect, assessment criteria, intervention strategies, family-based services, legal requirements of child protection, indicators of mental health needs, case management and the use of community resources.

Change from the 2015-16 Governor's Budget. This premise provides increased funding to cover the cost of a ten percent indirect cost rate for these three Universities. This will allow the Universities to continue to provide the training and avoid a more costly alternative if they can no longer provide the training. Should the increase not be approved, CDSS will have to reduce current contract deliverables to the counties in order to cover these additional expenses. If the partnership with the universities ends precipitously, it will have negative consequences for the state related to federal compliance that could lead to significant fiscal penalties.

Recipient/Consumer Impacts. There is no impact to clients.

4. Performance Data on Psychotropic Medication for Children in Foster Care. This new budget issue seeks to establish a contract to match Medi-Cal data with foster care data at regular intervals. This data match is a new effort to meet federal requirements under Public Law 112-34. DSS and DHCS do not currently have the capacity to produce the data required by federal regulations.

Federal requirements mandate a state's health care oversight plan include an outline of protocols for the appropriate use and monitoring of psychotropic medications. To meet the federal requirements, California has engaged with DHCS and stakeholders to develop guidelines, protocols and educational materials. The CDSS and DHCS have conducted cross-system data matching to inform policy decisions for effective oversight and monitoring. This contract will allow for data analysis, including case specific information which will be shared with counties. Counties will use the information to improve administration and oversight of psychotropic medications at the local level.

Recipient/Consumer Impacts. DSS states that there will be no impact to clients.

5. Trailer Bill Proposal on Intensive Treatment Foster Care (ITFC) Rate. The May Revision proposes to extend the sunset for the ITFC rate. ITFC is a home-based placement for eligible youth who are emotionally disturbed. SB 1380 (Chapter 486, Statutes of 2008) expanded the number of children eligible for the ITFC program by including youth with serious behavioral problems who would otherwise require placement into group homes Rate Classification Level (RCL) 9 through 11. Interim rates were added by SB 1013 (Chapter 35, Statutes of 2012). SB 1013 provided for an increase in rates, including a California Necessities Index increase, intended to ensure providers keep pace with the costs of providing care, recruitment, and retaining qualified foster caregivers for children needing intensive treatment in a home-based setting. The ITFC placement addresses the needs of the Katie A. population pending development of the therapeutic foster home and implementation of the continuum of care for foster children.

The ITFC's rate is due to sunset June 30, 2015. ITFC's will be an integral part of the overall continuum of care reform anticipated to begin implementation January 1, 2017. In order to ensure continuity of care, it is imperative that there be an extension of the ITFC rate. The ITFC foster care rate is incorporated in the 2011 Realignment, which realigned state funding to the counties through the 2011 Local Revenue Fund (LRF) Protective Services Subaccount. The LRF value has been held at the 2011 Realignment base from FY 2011-12, while the federal and county funding receive adjustments based on updated assumptions.

Staff Recommendation:

Staff recommends holding these issues open pending final decisions around the Subcommittee's plan.

ISSUE 4: CALFRESH AND OTHER FOOD ASSISTANCE

PANEL

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

MAY REVISION CHANGES

The 2015 May Revision includes $2.0 billion ($0.7 billion GF) for CalFresh administration in FY 2015-16, which represents a $59.7 million ($29.1 million GF) decrease from the 2015-16 Governor's Budget. This decrease is largely a result of slower caseload growth and a lower impact of the Affordable Care Act (ACA) than was previously estimated. The entire ACA impact on the CalFresh program has been fully realized and the revised budget includes an adjustment to distinguish cases that have come onto CalFresh as a result of ACA from the base administrative funding.

The CalFresh caseload is projected to reach an average of 1.9 million households in FY 2015-16 after accounting for all new policy impacts, a decrease of 2.9 percent from the 2015-16 Governor's Budget projections. Over 241,000 new households (467,000 new individuals) are receiving CalFresh with the implementation of ACA. After showing strong increases in the last year, the California Food Assistance Program (CFAP) caseload and corresponding benefits have begun to stabilize and return to a more moderate growth rate. The CFAP caseload is projected to increase by another 6.7 percent to 20,700 households in FY 2015-16.

The 2015 May Revision includes funding for other key food assistance programs. The WINS program is expected to reach 158,800 CalFresh households in FY 2014-15 and 184,200 households in FY 2015-16. As the California drought continues to affect key counties, the 2015 May Revision includes a two-year appropriation with additional funding for the Drought Emergency Food Assistance Program to address food needs into FY 2015-16.

1. Drought Food Assistance Program (DFAP). The DFAP premise is the temporary program developed in response to the Governor's Drought Emergency Declaration in January 2014 to provide food assistance to impacted agricultural communities with high levels of unemployment.

In March 2015, the program was expanded to five new counties and funding was extended with a two-year appropriation to allow the program to continue operating through FY 2015-16. Additional funding of $12 million will extend the program past October 2015 and $5 million will expand the program in the five additional counties for 14 months. The 2015 May Revision budgeted total of $23.1 million in FY 2014-15 reflects $12.1 million in spending authority requested to date, plus provisional authority for an additional $11 million in the current year. The FY 2015-16 total for 2015 May Revision reflects additional provisional authority of $13.9 million, making the total funding for DFAP $37 million to be available through FY 2015-16.

Recipient/Consumer Impacts. This program distributes approximately 51,000 food boxes each month to counties which are experiencing significant loss of income due to the drought. The additional funding allows for them to continue receiving the same level of food aid through FY 2015-16, and also allows five new counties to receive approximately $600,000 worth of food aid each month through FY 2015-16.

2. CalFresh Reporting Simplification: Eliminate Change Reporting (CR). This premise reflects the net cost and savings of eliminating CR effective January 1, 2016. Households containing elderly or disabled individuals or seasonal or migrant workers were subject to CR when California originally implemented Quarterly Reporting, and continued CR when SAR was implemented. However, federal rules currently allow semi-annual reporting (SAR) for all households. Therefore, all CR households will be converted to SAR and implementation will be phased over the subsequent year at the recipient's recertification month. State statute is not required to implement this change.

This premise includes one-time automation total cost of $50,000 ($25,000 GF) in FY 2014-15 and $1.3 million ($656,000 GF) in FY 2015-16 to dismantle CR and additional administrative costs for the new SAR period for these households. The costs to convert these cases to SAR of approximately $2.2 million are offset by administrative savings of approximately $13.8 million due to fewer change reports throughout the year, as well as an assumed workload reduction associated with over issuance of benefits to households who do not properly report changes.

Change from 2015-16 Governor's Budget. The implementation of this premise has been delayed from October 1, 2015, to January 1, 2016, to coincide with the completion of necessary automation changes. The increased savings is due to an increase in the number of change reporters in CalFresh.

Recipient/Consumer Impacts. Approximately 269,400 CR households in CalFresh will be converted to SAR beginning January 2016 at the household's annual redetermination. Rather than reporting when experiencing a change of $25 in gross earnings as required under CR, these households will only be required to submit one report every six months. If the household exceeds the Income Reporting Threshold under SAR, then they are required to report mid-period. Consolidating to a single SAR system reduces administrative complexity for the counties and helps reduce quality control errors and benefit over issuances from some households who fail to report under CR.

Staff Recommendation:

Staff recommends holding these issues open pending final decisions around the Subcommittee's plan.

ISSUE 5: ADULT PROGRAMS

PANEL

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

MAY REVISION CHANGES

1. Supplemental Security Income/State Supplementary Payment (SSI/SSP).
The SSI/SSP program reflects a decrease of $15.5 million GF in FY 2014-15 and $21.4 million in FY 2015-16 from what was budgeted in the 2015-16 Governors' Budget. This is due to a decrease in caseload projection by 0.2 percent in FY 2014-15 (1,300,184 versus 1,302,668) and by 0.2 percent in FY 2015-16 (1,307,789 versus 1,310,997) as compared to Governor's Budget.

2. In-Home Supportive Services (IHSS). The IHSS program reflects a decrease of $52.8 GF million in FY 2014-15 and an increase of $216.9 million GF in FY 2015-16. The decrease in FY 2014-15 reflects delayed implementation of FLSA until FY 2015-16. For FY 2015-16, the increase reflects an increase in caseload (467,000 versus 462,648), an increase in hours and wages and implementation of the President's Federal Immigration Orders.

IHSS Caseload Impact of the ACA. This premise reflects enhanced funding of 100 percent Title XIX through June 2016 for newly eligible recipients under the ACA. These recipients are adults between the ages of 19 and 65 with incomes that do not exceed 138 percent of the federal poverty level who are receiving full-scope no cost Medi-Cal. It includes recipients enrolled in the Low Income Health Program, Medicaid Covered Expansion transition to Medi-Cal program on December 31, 2013 and express lane enrollment recipients. The decrease reflects a lower caseload than previously projected based on actual IHSS data from January 2014 through January 2015. The FY 2014-15 average monthly caseload is projected to be 2,658 compared to 19,679 projected for FY 2014-15 in the 2015-16 Governor's Budget. For FY 2015-16, caseload is projected to be 5,718 versus 20,126 in the 2015-16 Governor's Budget.

Recipient/Consumer Impacts. The ACA has provided access to IHSS services that were not previously available due to expanded Medi-Cal eligibility.

Staff Recommendation:

Staff recommends holding these issues open pending final decisions around the Subcommittee's plan. There are no changes to actions previously taken by the Subcommittee on FLSA or the 7 Percent Hours Restoration for IHSS.

4170 CALIFORNIA DEPARTMENT OF AGING
4260 DEPARTMENT OF HEALTH CARE SERVICES

ISSUE 1: MULTIPURPOSE SENIOR SERVICES PROGRAM TRANSITION TIMELINE

PANEL

- California Department of Aging
- Department of Health Care Services
- Department of Finance
- Legislative Analyst's Office
- Public Comment

MAY REVISION CHANGE

The Governor proposes trailer bill language in the May Revise regarding the Multipurpose Senior Services Program (MSSP). Information from the administration on the proposal is provided below:

Background. Current statute authorizing the Coordinated Care Initiative (CCI) states that the Multipurpose Senior Services Program (MSSP) will transition from a federal waiver to a managed care benefit after 19 months of MSSP beneficiary enrollment into managed care. This proposal will extend the transition deadline to December 31, 2017, but would allow an earlier transition in a county or region when the MSSP sites and managed care plans mutually agree they are ready to transition and want to transition early; in addition both the MSSP sites and managed care plans would have to demonstrate that they have met readiness criteria that is developed by the Department of Health Care Services (DHCS), California Department of Aging (CDA), MSSP providers, managed care plans and stakeholders.

SB 1008 (Committee on Budget and Fiscal Review, Chapter 33, Statutes of 2012) enacted the CCI as a framework for integrating delivery of medical, behavioral and LTSS through a single health plan for seniors and persons with disabilities and dual eligible beneficiaries. (LTSS include IHSS, MSSP, Community-Based Adult Services (CBAS), and nursing facilities.) The CCI includes two parts: 1) mandatory enrollment of all Medi-Cal beneficiaries (including dual eligible beneficiaries) into managed care for all Medi-Cal benefits, including LTSS; and 2) optional enrollment into integrated managed care that combines Medicare and Medi-Cal benefits under a federal demonstration, known as "Cal MediConnect."

The CCI was implemented in 2014 in six demonstration counties: Los Angeles, San Diego, San Mateo, Riverside, San Bernardino, and Santa Clara. MSSP participants in these counties have enrolled into Medi-Cal managed care or Cal MediConnect. Orange County will be the last county to begin CCI implementation, which is scheduled for July 2015, and will passively enroll dual eligible MSSP participants into Cal MediConnect in

August 2015. Under existing law, managed care plans became financially responsible for MSSP services when MSSP became a covered benefit into the plan; however, the delivery of MSSP services continues to be subject to the separate MSSP waiver requirements and limitations on participation. The CCI statute envisioned that full integration of MSSP services into managed care would occur through a phased-in approach, with the MSSP care planning and coordination becoming increasingly more integrated as a managed care plan responsibility over the transition period. The separate MSSP waiver requirements would no longer be operative following the end of the transition period.

May Revision Proposal. Pursuant to current Welfare and Institutions (W&I) Code 14186(b)(7)(A), 14186.3(b)(2), and 14186.3(b)(4)(A), MSSP shall transition from a federal 1915(c) waiver program into a managed care plan benefit and will commence January 1, 2015, or nineteen months after completion of beneficiary enrollment into a managed care plan, whichever is later. This proposal amends those sections to replace reference to January 1, 2015, and the 19-month-period. Instead, the proposed language specifies that in CCI counties, the full integration of the MSSP benefit would be delayed until December 31, 2017; however, the integration could occur sooner if both MSSP Sites and managed care plans in a particular CCI county or region mutually agree to an earlier transition and also meet readiness criteria. The proposed language specifies that DHCS, CDA, MSSP providers, managed care plans, and stakeholders shall develop readiness criteria for the transition to managed care. DHCS shall also perform an evaluation to determine the readiness of managed care plans and MSSP providers to begin the transition.

With the proposed extension of the implementation deadline, MSSP's transition to a managed care benefit will occur over the three-year Cal MediConnect demonstration period in all managed care counties, unless managed care plans and MSSP providers within a county or region are ready and agree to transition sooner. The proposal makes a technical change to W&I Code Section 14186.1(c)(3) by redefining MSSP services as a managed care plan benefit, rather than a waiver benefit, effective January 1, 2018. The proposed language, extending the transition deadline to a maximum of 36 months, or sooner if MSSP providers and managed care plans mutually agree to an earlier transition and also meet readiness criteria shall only be implemented to the extent necessary federal approvals are obtained and federal financial participation is available. The proposed language also requires DHCS to notify the appropriate fiscal and policy committees of the Legislature 30 days in advance of the MSSP services transition to a managed care plan benefit in CCI counties.

Staff Recommendation:

Staff recommends holding this issue open pending final decisions around the Subcommittee's plan.