

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES****ASSEMBLYMEMBER HOLLY MITCHELL, CHAIR****WEDNESDAY, MARCH 21, 2012  
1:30 P.M. - STATE CAPITOL ROOM 444**

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## ITEMS TO BE HEARD

### 0530 HEALTH AND HUMAN SERVICES AGENCY

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#### ISSUE 1: WORKFORCE CAP PLAN

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##### BACKGROUND

This is an informational Budget Change Proposal (BCP) to identify the decrease in positions and spending authority in the California Health and Human Services Agency (HHS) as requested by the Department of Finance in Budget Letter 11-26. This letter requested that each state department reduce their statewide workforce by five percent. This five percent workforce cap was a permanent reduction and decreased the department base funding level amounts for FY 2010-11 and on.

The budget adjustment reflects the elimination of 12.0 positions and \$1,017,000 (\$91,000 GF) in authority for HHS. The components of this include:

- The Office of the Secretary identified \$64,000 (\$28,000 GF) in savings. This savings amount was achieved by significantly reducing temporary help and natural attrition.
- The Office of Health Information Integrity identified \$96,000 (\$63,000 GF) in savings, achieved by allocating personal services expenditures that were once charged to the General Fund to the more accurate funding source of the office's \$38.8 million federal American Recovery and Reinvestment Act grant.
- Lastly, the Office of Systems Integration identified \$857,000 of their special fund for this reduction. This savings amount was achieved through reductions in the Interim Statewide Automated Welfare System (ISAWS) project and reflected in the 2010 Spring Finance Letter. This also includes a reduction of 12.0 positions associated with the ISAWS Project.

##### PANEL

- HHS and DOF, please describe the reductions due to the workforce cap. Please describe any programmatic impacts that were a result of the reductions.
- Legislative Analyst's Office (LAO), please provide any comments.
- Public Comment

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#### Staff Recommendation:

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This is an informational item only and no action is required.

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

**ISSUE 1: CHILD WELFARE SERVICES/CASE MANAGEMENT SYSTEM AND THE CHILD WELFARE SERVICES AUTOMATION STUDY TEAM**

**BACKGROUND ON CWS/CMS**

The Child Welfare Services/Case Management System (CWS/CMS) is the automated system used by the California Department of Social Services (DSS) and the 58 California county Child Welfare Services (CWS) agencies. The CWS program is a federally required program operated by each of the 50 states.

The Department of Finance Office of Information Technology approved the initial Feasibility Study Report (FSR) for the development of the CWS/CMS on December 15, 1989. In 1998, the CWS/CMS system was fully implemented and transitioned to the operational phase. California is one of 11 states that operate on a State-supervised/county-administered model of governance for the CWS program. Under this system, the CDSS is responsible for the design and operation of the CWS program.

The DSS develops and implements the regulatory and statutory requirements governing the program, provides overall guidance to the counties (including monitoring and supporting counties through regulatory oversight, administration, and the development on policies and laws), and each of California's 58 individual counties administers the child welfare program on behalf of the CDSS. The CWS/CMS is funded through the CDSS Local Assistance budget via a combination of state and federal funding.

The DSS has overall responsibility for CWS/CMS within the State of California and is the project sponsor. The CDSS is responsible for development and resolution of program and policy issues and providing project and program direction to the Office of Systems Integration (OSI). The OSI provides information technology expertise and is responsible for the acquisition, implementation and day-to-day operations of the CWS/CMS.

The CWS/CMS project is in maintenance and operations. The Post Implementation Evaluation Report (PIER) was approved in February 2006.

<b>Prime Contractor</b>	<b>Term of Contract</b>	<b>Extensions</b>
IBM Global	January 23, 1992 through November 30, 2016	Three 1-Year Extensions

**Funding in (in 000's)**

	<b>FY 2011-12</b>	<b>FY 2012-13</b> (Governor's Budget)
Total Funds	\$79,351	\$81,549
State (General Funds)	\$36,380	\$37,363

**BACKGROUND ON CWS/WEB**

In part due to limited functionality with CWS/CMS, the Child Welfare Services/Web (CWS/Web) project was started. For the 2011-12 Budget, the Governor proposed and the Legislature approved the indefinite suspension of CWS/Web to achieve cost savings. With this suspension, the Budget included trailer bill language in Assembly Bill (AB) 106 (Committee on Budget), Chapter 32, Statutes 2011 requesting a study by the administration for the following:

1. Determine and describe the degree to which CWS/CMS system:
  - a. Is in compliance with current law, regulation, and policy.
  - b. Supports current Child Welfare System (CWS) practice, including but not limited to key CWS functions, ease of access to case and service information, multidisciplinary case management, and ease of use.
  - c. Links to information that enhances investigation, case management, or efficiency.
  - d. Provides ready access to data for reporting, planning, management, and program outcome monitoring.
2. Determine the best approach to address any missing functionalities that are critical to CWS operations. Options shall include building functionality into the current CWS/CMS, restarting the CWS/Web procurement, or developing a new procurement.
3. Assess and report on communication from the federal government regarding requirements of the system, both by the January 10, 2012 deadline and thereafter when there is additional direction on federal expectations.
4. Recommend next steps, including a timeline, for implementing the recommended approach or approaches.

**POST-SUSPENSION WORK**

The Child Welfare Services Automation Study Team (CAST) was established after the indefinite suspension of the Project in fiscal year 2011-12. The CAST was formed with representatives from the California Department of Social Services and Office of Systems Integration, and partnered with the legislative staff, County Welfare Director's Association, California Technology Agency, counties, and other stakeholders to determine the best approach to replace the current Child Welfare Services/Case Management System (CWS/CMS). The CWS/Web system, a web-based technical solution, was supposed to replace the CWS/CMS M&O system.

**The general functions of the CAST are to:**

- Closeout the CWS/Web Project.
- Prepare a report due to the Legislature in January 2012 containing the following: an assessment of the business needs of CWS; an assessment of the existing system; an analysis of viable automated system options to meet critical business needs; communication from the federal government regarding Statewide Automated Child Welfare Information System (SACWIS) redesign requirements; and a recommendation on next steps, including a timeline and implementation approach.
- Prepare federal funding documents.
- Prepare state funding documents.
- Prepare a state feasibility study report.
- Conduct further research on technical alternatives, including the potential of leveraging technical infrastructures and services from other state projects.
- Conduct a functional gap analysis and update the capabilities matrix, business use cases, and business process workflow diagrams.
- Conduct a county time/cost study.
- Conduct an infrastructure support study.
- Prepare the organizational change management strategy and plan.
- Prepare the transition strategy and plan.
- Coordinate the conversion of historical adoption case records.

PANEL
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- OSI and DOF:
  - Please describe the status of the report, how it was developed, and the expected release date.
  - Summarize the status of SACWIS requirements and any other relevant information from the federal government that might influence decision-making on our state system.
  - Describe how realignment of CWS interacts with this conversation on the statewide system.
- LAO, please provide any comments.
- Public Comment

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**Staff Recommendation:**

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Staff has no formal recommendation at this time, however staff urges the Subcommittee to secure a date for release of the report from the administration to allow the public time to review and respond to the issue prior to the May Revision hearings.

**ISSUE 2: CASE MANAGEMENT, INFORMATION AND PAYROLLING SYSTEM II (CMIPS II) PROJECT****PROJECT DESCRIPTION**

The Case Management, Information and Payrolling System II (CMIPS II) Project was created to award and administer a contract to design, develop, maintain and operate a replacement for legacy CMIPS. CMIPS II will be used to administer the In-Home Supportive Services (IHSS) programs in the DSS and all 58 counties.

The general functions include:

- Case Initiation to accept IHSS applications, determine eligibility, assess need for IHSS service, authorize service hours, enroll providers, and assign providers to recipients,
- Case maintenance – support annual eligibility redetermination, reassess need for services, update recipient and provider information, support county transfers and case terminations,
- Payroll to process over 900,000 timesheets monthly to pay recipients and providers through warrants or direct deposit. Determine and pay related taxes, fees, or liens,
- Generation of forms and reports for IHSS state and county staff, recipients, providers, and other stakeholders
- General accounting and funding source management, and;
- Share critical information through 55 external interfaces.

Where legacy CMIPS is principally a data repository, the CMIPS II will provide enhanced automation and is intended to improve the integrity and quality of program support for the all program initiatives. For example, the CMIPS II is a case management system that will better support the IHSS program transition to managed care than the legacy system.

**CURRENT STATE OF DEVELOPMENT**

The CMIPS II project has completed system design, coding, and functional testing. The project plans to complete user acceptance testing and rollout the system to 58 counties and DSS starting in summer 2012.

The design, development and implementation contract was awarded to Hewlett Packard (HP).

Prime Contractor	Term of Contract	Extensions
Hewlett Packard Enterprise Services	July 1, 2008 to June 30, 2015	3 optional one-year extensions to June 2018

#### Funding in (in 000's)

	FY 2011-12	FY 2012-13 (Governor's Budget)
Total Funds	\$75,271*	\$72,973
State (General Fund)	\$27,792*	\$31,496

\*A one-time reduction of \$4.6 million (\$2.3 million) GF has been captured per Control Section 3.91(b), Budget Act of 2011.

#### CURRENT BUDGET REQUESTS

The OSI BCP requests the following:

- A BCP from OSI requests a decrease in the DSS Local Assistance budget in 2011-12 of \$6.2 million (\$2.3 million GF, \$3.9 million Other Funds) and a corresponding decrease of \$4.6 million in OSI Spending Authority. The budget adjustments reflect a schedule shift due to changes in the development cycle strategy, and transition into the maintenance and operations phase of this project.
- The BCP also requests a decrease in DSS Local Assistance budget in 2012-13 of \$14.9 million (\$1.0 million GF, \$13.9 million Other Funds), with an increase of \$3.0 million to OSI Spending Authority, due to planned ramp down of cost as the project moves into M&O. The increase in OSI cost is related to planned payment milestones and increased operational costs as CMIPS II is implemented statewide.
- The BCP also requests one limited term Senior Information Systems Analyst starting July 1, 2012, ending June 30, 2012, to replace an expiring position.

The OSI BCP states that the design, development and implementation (DDI) schedule had to be pushed back due to the vendor not being able to meet planned milestones. The two pilots originally planned for October 2011 and November 2011 would be deployed in December 2011 and February 2012 respectively. However, since the drafting of the BCP, the project has experienced further delays and neither of the pilots were deployed. Project staff have not yet completed a new schedule, so the deployment of CMIPS II is currently unknown.

Project staff attribute this latest delay once again to the vendor, Hewlett Packard, citing generally poor quality of work. Specifically, there have been multiple defects with converted data, interfaces, and testing and the vendor has been asked to re-work/repair poor quality deliverables. The OSI has requested HP provide a corrective action plan, which is normal course for a vendor when there are issues with performance. Once OSI staff has reviewed the



plans, the state will be in a better position to determine a go-forward plan. The administration anticipates submitting a spring finance letter that will address the cost changes due to the delay.

The DSS Request.

- Related to the above-noted delays, DSS requests the one-year extension of eight (8.0) existing Limited Term (LT) positions to support the CMIPS II project at a cost of \$929,000 (\$464,000 GF). These positions are set to expire June 30, 2012 and all are currently filled. The one-year extension of these positions will enable the Adult Programs Division (APD) to partner with the OSI and the vendor in implementation and providing support for the implementation of the project. They will also provide the M&O activities and will enable APD to provide support to all CMIPS II participants as the Legacy CMIPS system to the CMIPS II system as well as assist in DDI needs of the project.

PANEL
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- OSI and DOF:
  - Please describe the types of performance issues that have caused the schedule delay. Provide a review of the schedule for CMIPS II as it was originally conceived and how much of a delay this current request is furthering for the project.
  - How is a corrective action plan developed and when is it expected from HP?
  - Describe the protections, if any, that the contract and management of the contract holds for the state when a vendor's performance causes delays. How does this affect project costs and how are even further delays and issues mitigated?
- DSS:
  - Describe the functions of the eight positions you are requesting extension for, and how their daily work now is influenced by the project delay.
- LAO, please provide any comments.
- Public Comment

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**Staff Recommendation:**

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As further information on the project timeline and corrective action plan is expected from the vendor and administration, and most likely to come to the Legislature at May Revision, staff recommends holding this issue open at this time, with encouragement to the administration to provide as much information as possible to the Subcommittee, LAO, and the public on how the request may change prior to the May Revision if at all possible.

**ISSUE 3: STATEWIDE AUTOMATED WELFARE SYSTEM (SAWS)****BACKGROUND ON SAWS**

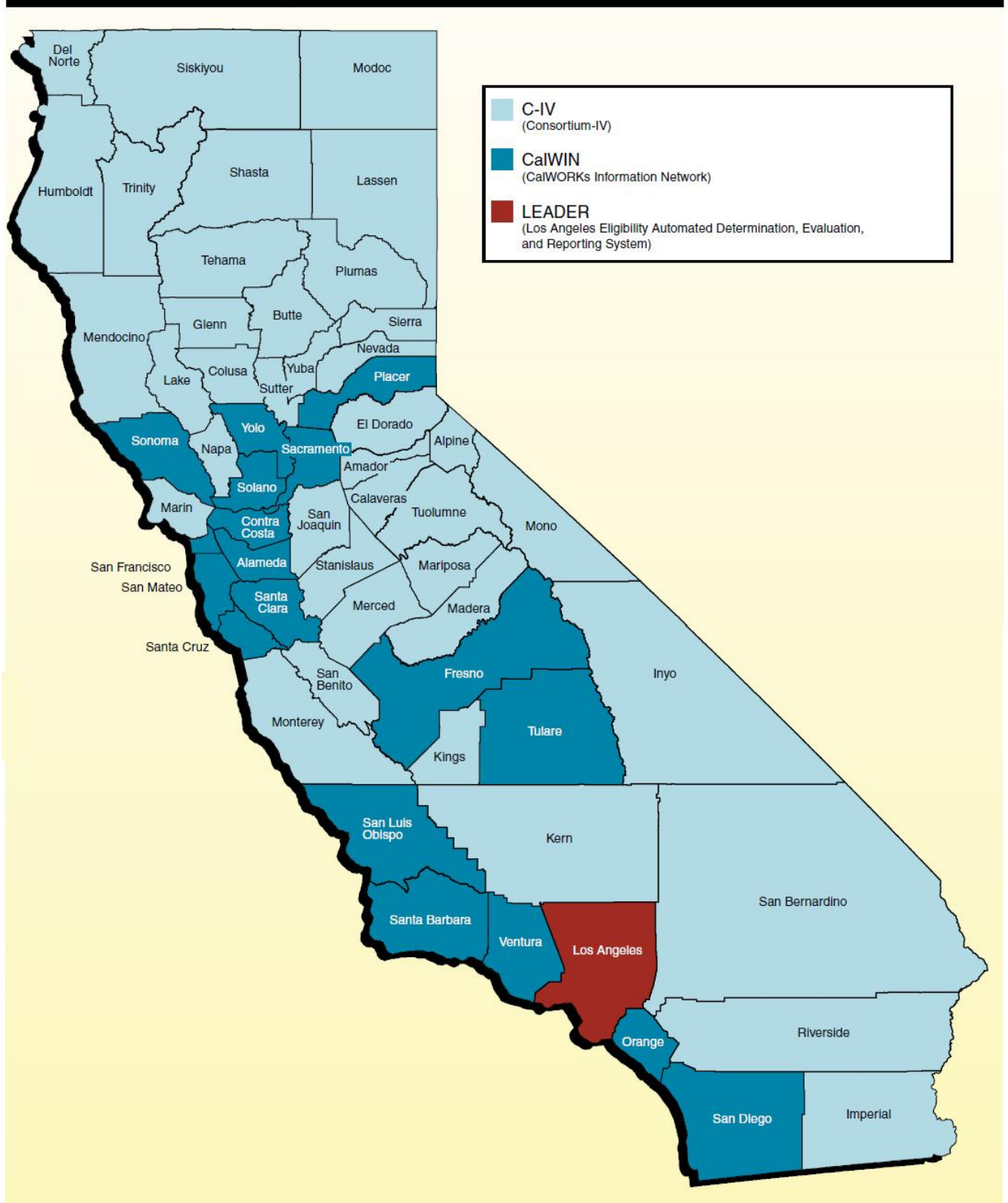
The Legislative Analyst's Office (LAO) released a report February 13, 2012 on California's Statewide Automated Welfare Systems (SAWS). Background narrative and figures from this report are included below for the Subcommittee's background and review of the issue.

In 1995, the Legislature approved a strategy whereby a limited number of systems, called consortia, would make up SAWS. Specifically, the Legislature instructed the Health and Welfare Data Center, now called the Office of Systems Integration (OSI), to work with the counties on a consortia strategy that would include "no more than four county consortia." The Legislature chose ISAWS and LEADER as two of these consortia. The OSI and counties decided that two other county-developed systems, the CalWORKs Information Network (CalWIN) and Consortium IV (C-IV), would round out the four.

In 2006 legislation, the Legislature expressed its preference to reduce the number of consortia. The administration had proposed migrating the 35 counties utilizing ISAWS to the C-IV consortium, rather than build a new system that would replace an aging ISAWS. A migration, in simplest terms, is the effort of moving data housed in one county consortium system to another county consortium system. The Legislature approved this plan and ISAWS Migration, as that effort was called, was completed in mid-2010. That migration cost about \$210 million (\$130 million General Fund) and brought the number of consortia to three. See Figure 1 for a current map of California counties by consortia.

Figure 1

California Counties by Consortia



The consortia systems have been a sizable financial commitment for the state. Once developed, the state has been responsible for paying the annual maintenance and operations (M&O) costs on these systems, totaling tens of millions of dollars.

See Figure 2 for details on consortia development and maintenance costs.

## Figure 2 Costs for the Statewide Automated Welfare System

(In Millions)

Consortium	Total/General Fund Costs <sup>a</sup>		
	Development	Maintenance and Operation	
		2010–11	2011–12
ISAWS (fully implemented in 35 counties in 1998)	\$110/\$90 <sup>b</sup>	\$20/\$11	— <sup>c</sup>
LEADER (fully implemented in LA County in 2001)	110/75	31/16	\$31/\$15
C–IV (fully implemented in 4 counties in October 2004)	280/215	46/24	71/37 <sup>d</sup>
CalWIN (fully implemented in 18 counties in 2006)	525/350	78/41	76/39
<b>Totals</b>	<b>\$1,025/\$730</b>	<b>\$175/\$92</b>	<b>\$178/\$91<sup>d</sup></b>

<sup>a</sup> Includes federal Temporary Assistance for Needy Families block grant funds, which are fungible to the General Fund.

<sup>b</sup> ISAWS development costs exclude planning expenses as the ISAWS system was built as part of an already existing system.

<sup>c</sup> Maintenance and operation costs for ISAWS counties included in overall C–IV consortium costs.

<sup>d</sup> Reflects updates to the original publication as of March 12, 2012.  
ISAWS = Interim Statewide Automated Welfare System; LEADER = Los Angeles Eligibility Automated Determination, Evaluation, and Reporting System; C–IV = Consortium IV; CalWIN = CalWORKs Information Network.

### LEADER REPLACEMENT

As LEADER's maintenance contract approached an end in spring of 2005, the state and LA County considered building a replacement system rather than procure another vendor for continued maintenance. Project staff stated LEADER's dated technology could no longer meet the business needs of the county. Additionally, staff explained that when the LEADER system was originally designed, it was built using proprietary hardware and software, which meant that only the development vendor had the ability to maintain and update the system. These maintenance services have not been easily replaced and the state has had to enter into multiple "sole source" contracts with the development vendor for continued support. Sole source contracts are generally more expensive than contracts that have been competitively bid, where the presence of other vendors tends to drive down costs.

In 2005, the administration proposed moving LA County from the LEADER system to an existing consortia system, so as to no longer be dependent on a single vendor for its maintenance. However, in 2007, the administration decided to open the procurement to all viable and interested vendors, stating that the existing consortia systems did not meet all of LA County's program and business needs. The Legislature approved this change of approach, thus allowing LA County to go forward with a LEADER replacement system (LRS).

Since the Legislature's approval of LRS development, the state and LA County have proceeded with project activities. After several years of planning and preparing a request for proposal for LRS, the procurement for a vendor was planned for completion by July of 2008 and work was to begin on the system by summer of 2009. However, there have been several delays:

- In the 2009–10 Budget Act, the Legislature delayed the LRS project by six months, deferring expenditures in light of the state's financial condition. This delay pushed out the design, development, and implementation (DD&I) activities. Procurement efforts continued, however, and by the fall of 2009, project staff had selected Accenture LLP as the winning vendor to build the new system.
- In early 2010, the administration proposed delaying the project another six months to again defer DD&I activities and costs. The Legislature approved this additional delay.
- In the 2011–12 Governor's May Revision, the administration proposed another stop to LRS development, this time proposing an indefinite suspension of all project activities. However, the Legislature approved continued funding for LRS development in the 2011–12 Budget Act, but at less than one-half of the funding level included in the Governor's 2011–12 January budget proposal. The Legislature reduced the General Fund appropriation from the initially proposed \$27 million to \$12 million. In making this appropriation, the Legislature was aware that the administration was preparing a long-term plan for the SAWS systems to submit to the federal government.

Based on Accenture LLP's proposal for LRS development, project staff estimated the new system would take four years to build and cost about \$475 million (total funds). Generally, the federal government has paid about 60 percent of the total development costs for the state's other welfare automation systems. It is important to note that the consortium has not yet entered into a contract with the vendor and will only do so once it has received federal approval to proceed with LRS development and is guaranteed federal financial participation for the new system.

#### REVIEW OF RECENT LEGISLATION

AB 7 X4 (Evans), Chapter 7, Statutes of 2009, directed the Department of Health Care Services (DHCS) and the Department of Social Services (DSS) to implement a statewide enrollment determination process for many of the programs administered by the SAWS consortia. The goals of Chapter 7 included (1) using state-of-the-art technology to improve the efficiency of eligibility determination processes and (2) minimizing the overall number of technology systems performing the eligibility process. The statute required DHCS and DSS to develop a comprehensive plan, including costs and benefits of possibly building a single statewide system, to streamline the eligibility determination process.

To ensure the Legislature was kept informed of the plan, Chapter 7 required that the administration submit a strategic plan for a (minimum) 45-day legislative review period prior to a request for an appropriation to begin work on a new system related to eligibility determination process changes. While the administration did take initial steps to implement Chapter 7, a plan was never submitted to the Legislature for review. Ultimately, the administration suspended planning when the federal Patient Protection and Affordable Care Act (ACA) was passed in early 2010. In large part, this was due to the fact that the ACA will create significant changes to eligibility and enrollment processes for state health programs, such as Medi-Cal and Healthy Families, and will therefore impact the state systems, like SAWS, that support them. Additionally, ACA creates health benefit exchange systems that will need to interact with SAWS for information and data exchange. Eligibility changes, pursuant to ACA, could result in significant changes to the SAWS systems and therefore the administration paused in planning for a new system.

Through its actions in the 2011-12 Budget Act, the Legislature made known its intent that the administration should proceed with LRS development. Additionally, the Legislature enacted AB 16 X1 (Blumenfeld), Chapter 13, Statutes of 2011 to further highlight its priorities for the future of SAWS. Specifically, Chapter 13 states that there will be two consortia systems that make up SAWS. It directs OSI to migrate the 39 counties currently in the C-IV consortium to a system that would replace both the LEADER and C-IV consortia. The Legislature determined that the CalWIN consortium would be the state's other system.

#### LAO REVIEW AND RECOMMENDATIONS

The administration's current plans are to proceed with the LRS procurement results and amend the Accenture LLP contract for LRS to include the migration of C-IV. However, the LAO advises that this plan could lead to potentially significant cost increases for the state, some of which could potentially be avoidable. The result of this plan could be very similar to the results under a non-competitive bid or sole source contract where no other vendors are allowed to compete for the work. These types of contracts can lead to increased costs, as no other vendors are present to potentially drive down costs or offer alternative solutions. To better control for cost increases due to the migration, the state may wish to consider alternative procurement options that would infuse more competition for the migration work, potentially offering different, less costly alternatives. The LAO offers several options, further detailed in their full report.

- **Option 1: Reopen the LRS Procurement.** Rather than amend the current Accenture LLP proposal for LRS, the state could reopen the LRS procurement to the original vendors who submitted proposals, adding the C-IV migration as a component.
- **Option 2: Plan Migration as a Separate Project.** Another option for the state to consider is to continue with the proposed LRS project using the administration's chosen vendor, leaving the C-IV migration as a separate project. This option would require conducting a second procurement for a vendor who would migrate the 39 C-IV counties to LRS once it has been implemented in LA County.
- **Option 3: Break Migration Into Multiple Contracts.** Breaking the migration work into separate service contracts and hiring vendors for each service could create a more competitive environment and potentially reduce the state's costs for the overall migration. This option would require the state to elicit vendors for major components of

the migration—such as project management, data conversion, testing, training, service desk, and change management.

The LAO additionally urges consideration of a "cost–reasonableness assessment" or a study conducted by contracted experts who collect data on the costs of a particular effort (for example, building a new IT system) from other public and private–sector experiences. They extrapolate what costs might be for California to proceed with a similar effort, and then compare these results with the information included in a vendor's proposal.

**The LAO recommends the following:**

- **Recommend Legislature Direct Administration to Review Feasible Options for Migration.** Given the lack of information the state has regarding the cost for a C–IV migration, the LAO recommends the Legislature direct the administration to report on the extent to which the procurement options provided above (or others not presented here) may be feasible and potentially less costly alternatives to its current plans. The Legislature could require the administration to conduct an FSR or other analysis, such as a cost–reasonableness assessment or cost–benefit analysis. This exercise could provide vital information on the best and most cost–effective approach to consolidating the consortia systems. The state has not yet signed a contract for LRS development. Therefore, this could be an opportunity for the state to conduct its analyses of migration alternatives without being committed to a specific vendor or proposed plan.
- **Recommend Enhanced Reporting to the Legislature.** By statute, OSI is required to report to the Legislature each February 1st on the general state of SAWS. Reports must include any significant schedule, budget, or functionality changes that occur to any of the consortium. Chapter 13 adds that OSI include the projected timeline and key milestones for LRS development in this same report. No other legislative reporting requirements are stipulated. Given the significant costs and magnitude of building a new eligibility system for LA County as well as the effort to migrate 39 counties to that system, more frequent reporting requirements may be necessary to enhance the Legislature's oversight of this project.

The LAO additionally recommends that, during budget hearings, the Legislature direct the administration to conduct regularly scheduled briefings between the administration and legislative staff as LRS progresses and as the administration goes forward with its migration planning. The frequency could vary depending on the phase of the project. For example, the Legislature may want monthly or as–needed updates during key points, such as the testing and piloting of LRS or the transfer of data during the migration effort.

- **Recommend Clarifying or Reconciling Statute.** Chapter 7's goals deal mainly with streamlining the eligibility determination processes for health and human services programs. However, as discussed above, Chapter 7 leaves open the door for the creation of a single statewide welfare system. If the Legislature's long–term plan is the maintenance of a two-consortia system, with the benefits of competition, there could be potential conflicts between Chapter 7 and Chapter 13 goals. The LAO recommends that the Legislature consider enacting legislation that would clarify its intent, which could include repealing or amending portions of Chapter 7 to correspond with Chapter 13 goals.

## Summary of Issues and Recommendations for Legislative Consideration

Issue	Recommendation
Lack of planning for a Consortium–IV migration to a new LEADER Replacement System could potentially result in significant, but to some extent avoidable, costs for the state.	Direct the administration to conduct a thorough analysis of feasible options for a Consortium–IV migration (including, but not limited to, the options provided in the LAO report) through a feasibility study report, cost–reasonableness assessment, or other cost–benefit analysis.
Lack of additional reporting requirements in place to keep the Legislature abreast of major milestones in the LEADER Replacement System development and Consortium–IV migration effort.	Direct the administration to schedule regular briefings throughout LEADER Replacement System development and Consortium–IV migration.
Depending on the Legislature's long–term plan for the make–up of the Statewide Automated Welfare System, there may be conflicting statutory goals.	Consider enacting legislation that clarifies the Legislature's long–term plan for the number of systems included in the Statewide Automated Welfare System.
LEADER = Los Angeles Eligibility Automated Determination, Evaluation, and Reporting System.	



PANEL
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- OSI and DOF:
  - Please describe the current status of the SAWS system. Update the Subcommittee on LRS activities in the current year and what is planned for 2012-13.
- DSS:
  - Has a response been received from the federal government regarding its approval for the state to proceed with LRS development and its continued financial participation?
- LAO, please provide any comments to add to or support what is represented in this agenda from your report.
- Public Comment

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**Staff Recommendation:**

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Staff recommends the continued review of possible direction to the administration on the review of feasible options for migration, with no specific action at this time. Staff also recommends specifying a date by which the currently outstanding annual February 1<sup>st</sup> report on SAWS be delivered to the Legislature and available to the public for review prior to the May Revise.

Staff recommends the following actions for the Subcommittee:

1. Adoption of the LAO recommendation and direction to the administration to conduct regularly scheduled briefings between the administration and legislative staff as LRS progresses and as the administration goes forward with its migration planning. The frequency of this will be a subject of the first meeting, to be conducted prior to May 15, 2012.
2. A request to the administration to provide a written update to the Subcommittee on any policy decisions made by the Health Exchange Board describing how it may affect SAWS and applicant and recipient access to programs, including Medi-Cal benefits, and those expanded under the Affordable Care Act, CalWORKs, and CalFresh.
3. To clarify statute toward the goals as specified in Chapter 13, repeal Chapter 7, for which the administration has suspended activities indefinitely and for which purpose Chapter 13 fulfills in its statement of intent for SAWS and for which its implementation is pending approval from the federal government.

**ISSUE 4: Electronic Benefit Transfer (EBT)****PROJECT BACKGROUND**

EBT is the automated delivery, redemption, settlement, and reconciliation of issued benefits. The California EBT system provides recipients on public assistance with electronic access to food and cash assistance benefits through the use of magnetic-stripe cards at point-of-sale terminals and automated teller machines. The programs currently part of the EBT system are the CalFresh Program (federally known as the Supplemental Nutrition Assistance Program), the California Work Opportunity and Responsibility to Kids program (federally known as Temporary Assistance for Needy Families program), the Refugee Cash Assistance/Entrant Cash Assistance Program, Cash Assistance Program for Immigrants, and General Assistance/General Relief. During 2011, the California EBT system processed over \$6.7 billion in issued food benefits, over \$3.7 billion in issued cash assistance benefits, and approximately 1.8 million EBT cardholders used the EBT system and applicable client services each month.

Because the California EBT system operates in conjunction with the state's three separate eligibility systems, the United States Department of Agriculture's Food and Nutrition Service required California to implement an independent, automated reconciliation system to standardize the reconciliation process of EBT data reported by each of California's 58 counties, with the EBT system data maintained by the EBT prime contractor. The Statewide Automated Reconciliation System provides counties the ability to perform their daily reconciliation tasks in a uniform manner, allows for state-level and county-level reporting, and is used by county and federal investigative units to identify potential fraudulent activity. The EBT Project operates the EBT Operations Help Desk, which handles calls from the counties, consortia, retailer community, fraud investigators, and district attorneys, along with responding to EBT-related questions sent to the public website.

The EBT Project is in M&O. ACS State & Local Solutions, Inc. provides 24/7 EBT operations, client and retailer call centers, county helpline, client website, card production/mailings, disaster services, equipment to support the Restaurant Meals (currently authorized in Los Angeles, Sacramento, San Francisco, Santa Clara, and Tuolumne counties) and Farmers' Market programs, and other system/service deliverables.

<b>Prime Contractor</b>	<b>Term of Contract</b>	<b>Extensions</b>
ACS State & Local Solutions, Inc.	March 28, 2008 to March 27, 2015	Three 1-year Extensions

**Funding in (in 000's)**

	<b>FY 2011-12*</b>	<b>FY 2012-13</b> (Governor's Budget)
Total Funds	\$25,790*	\$28,385
State (General Fund)	\$7,407*	\$8,038

\*A one-time reduction of \$2.2 million (\$348,000 GF) has been captured per Control Section 3.91(b), Budget Act of 2011.

PANEL
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- OSI and DOF:
  - Please describe system and vendor improvements that have been made to limit or solve disruptions in the receipt of benefits for recipients, any occurrences in the last twelve months, and what is planned going forward.
- LAO, please provide any comments.
- Public Comment

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**Staff Recommendation:**

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Staff recommends approval of the EBT budget for 2012-13.

**ISSUE 5: STATEWIDE FINGERPRINT IMAGING SYSTEM (SFIS)****PROJECT BACKGROUND**

Using stakeholder input, SFIS applies biometric technology to detect and deter multiple aid fraud in public assistance programs managed and operated by the State of California. SFIS is by county social services departments to fingerprint image CalWORKs applicants and recipients, and at the county's option, General Assistance/General Relief (GA/GR) applicants and recipients. The fingerprint imaging solution ranges from desktop computers that are permanently placed in county offices, and to laptops that are specifically designed for outreach and disaster initiatives.

The SFIS was created in response to Senate Bill (SB) 1780 (Committee on Budget and Fiscal Review), Chapter 206, Statutes of 1996, which required applicants and recipients of the CalWORKs and CalFresh programs to be fingerprint imaged as a condition of eligibility. The law exempts dependent children and persons who are physically unable to be fingerprint imaged. The requirement for fingerprint imaging is intended to detect and deter duplicate aid fraud in the CalWORKs and the CalFresh programs. In addition, twenty-three counties use the system to fingerprint image and match prints for their GA/GR population. The SFIS has been in the Maintenance and Operations (M&O) phase since the Department of Finance approved the SFIS Post Implementation Evaluation Report in February 18, 2004. Legislation enacted as part of the 2010 budget process expanded the use of SFIS into the In Home Supportive Services (IHSS) program (Welfare and Institutions Code Section 12305.73) for the imaging of its recipients in their homes. Legislation subsequently removed the IHSS and CalFresh fingerprint imaging requirement.

**Legal Authority:**

- Legal Authority for using SFIS in the CalWORKs, Food Stamps and GA/GR - SB 1780 (Chapter 206, Statutes of 1996), Welfare and Institutions Code 10830
- Legal authority for using the SFIS for imaging IHSS Recipients - Welfare and Institutions Code Section 12305.73
- CalFresh imaging requirement removed – AB 6 (Fuentes), Chapter 501, Statutes 2011
- IHSS imaging Requirement removed – SB930 (Evans), Chapter 649, Statutes of 2011

The SFIS is in the M&O phase. The current M&O contract was executed in September 2009 and the project is currently refreshing the existing 10 year old equipment.

Prime Contractor	Term of Contract	Extensions
Hewlett Packard Enterprise Services	September 1, 2009 to August 31, 2017	No extensions

**Funding in (in 000's)**

	FY 2011-12	FY 2012-13 (Governor's Budget)
Total Funds	\$12,014	\$11,983
State (General Fund)	\$2,149	\$0

**PANEL**

- OSI and DOF:
  - Please describe the effect of AB 6 on SFIS.
- LAO, please provide any comments.
- Public Comment

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**Staff Recommendation:**

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Staff recommends approval of the SFIS budget for 2012-13.

**5180 DEPARTMENT OF SOCIAL SERVICES****ISSUE 1: CALFRESH PROGRAM AND ADMINISTRATION****BUDGET ISSUE**

CalFresh is California's name for the national Supplemental Nutrition Assistance Program (SNAP, formerly known as "food stamps"). As the largest food assistance program in the nation, SNAP aims to prevent hunger and to improve nutrition and health by helping low-income households buy the food they need for a nutritionally adequate diet. Californians are expected to receive a total of \$7.2 billion (all federal funds) in CalFresh benefits in 2011-12, rising to \$8.4 billion in 2012-13.

The Governor's 2012-13 budget includes \$1.6 billion (\$540.0 million GF) for CalFresh administration costs, which are shared 50/50 federal/non-federal funds (with non-federal funds shared 35/15 by the state/counties). Since 1997, the state has also funded the California Food Assistance Program (CFAP), a corresponding program for around 40,000 legal immigrants who are not eligible for federal nutrition assistance. The proposed CFAP budget includes \$68.5 million GF for food benefits in 2012-13.

**ELIGIBILITY AND BENEFITS**

Most CalFresh recipients must have gross incomes at or below 130 percent of the federal poverty level (which translates to approximately \$2,008 per month for a family of three) and net incomes of no more than 100 percent of the federal poverty level (\$1,545 per month for a family of three) after specified adjustments. CalFresh benefits are provided on electronic benefit transfer cards and participants may use them to purchase food at most grocery stores and at convenience stores or farmers' markets that accept them. The average monthly benefit per household is around \$335 (\$150 per person).

**CASELOAD**

The CalFresh caseload grew every year from 1988-89 through 1994-95 and then declined each year until 1999-2000. The caseload has risen each year since that time, including recent growth of around 30 percent in 2009-10 and 20 percent in 2010-11. The Governor's budget assumes 16 percent growth in 2011-12 and 15 percent growth in 2012-13.

State Fiscal Year	# of Households
2007-08	625,511
2008-09	776,079
2009-10	1,009,292
2010-11	1,207,837
2011-12*	1,402,103
2012-13*	1,607,426

\*Estimated

**PROGRAM PERFORMANCE**

The federal government assesses states' performances in the administration of SNAP programs via measures that include participation rates and administrative error rates. Participation rates rely on samples to estimate how many people who are eligible for SNAP or CalFresh benefits are receiving those benefits. They are measured for the population as a whole and specifically for the working poor. Nationally, 72 percent of eligible people received SNAP benefits in federal fiscal year 2009 (the last year for which data is available). In the western region of the country, the overall participation rate was lower at 63 percent. The participation rate for the working poor population was 60 percent nationally. California's overall participation rate was the lowest in the nation at an estimated 53 percent. California's participation rate for the working poor population was also the lowest in the nation at an estimated 36 percent. While California's caseload has doubled in recent years, this does not necessarily alter the state's participation rate in a significant way because the number of eligible households and individuals has also risen steeply.

Accuracy or error rates are measured through state and federal review of a sample of cases to determine how frequently benefits were over- or under-issued. States are subject to federal sanctions when their error rates exceed six percent for two consecutive years. As of September 2011, California's error rate was 4.1 percent. The national average was 3.6 percent. DSS notes that the federal government does not count the state's "cash-out" policy for SSI/SSP recipients (whereby those individuals receive a small food assistance benefit through SSP and are not eligible for additional CalFresh benefits) in its participation rate. The Department estimates that the state's participation rate could be higher at 58 percent if 542,000 of those individuals who would otherwise be eligible for CalFresh were counted as participating because of the cash-out policy. The state would still have the lowest participation rate in the nation, but would then be closer to the next lowest ranked states (Wyoming and New Jersey, which have estimated participation rates of 59 percent). California was sanctioned \$11.8 million, \$114.3 million, and \$60.8 million in 2000, 2001, and 2002, respectively.

**PROPOSED CHANGES**

The Governor's budget includes the following proposals related to CalFresh administration in 2012-13:

1. A **budgeting adjustment** to take into account counties' expenditure patterns for the past few years. The January budget estimated that this adjustment would result in savings of \$71.9 million GF in 2012-13. However, the administration has since indicated that potential changes to this estimate are pending.
2. Various changes under a "**Refresh Modernization**" initiative to reduce administrative complexity, remove barriers to accessing the program, and modernize in advance of health care reform [with costs of policy changes assumed to be fully offset by administrative savings and economic benefits of increased federal CalFresh benefits, and \$1.1 million (\$385,000 GF) for automation].

The proposed changes were developed in consultation with stakeholders, including advocates and the County Welfare Directors Association. They include: a) waiver of a face-to-face interview at recertification for households of people who are aged or who have a disability and do not have any earnings (estimated to reduce the time it takes to

recertify these cases by half), b) implementing alternatives to face-to-face interviews at initial intake in 15 counties that have not yet done so, and c) automation solutions, including emailing certain notifications to recipients, permitting the use of telephonic signatures, and developing online case access for recipients. The components of the Initiative are listed in the table below, provided by DSS.

Item No.	Item Description	Target Date	Progress to Date
1	Requiring the Use of the Face-to-Face Interview Waiver at Application and Recertification	2/28/12	Under development
2	Adopt Statewide Policies for Required Verifications	Done	Already done
3	Improve the Enrollment Process for Transitional CalFresh (TC) for Receipt of Ongoing Benefits	Done	Already done
4	Average Monthly Student Income	7/31/12	Under development
5	Outreach Focused on Immigrants and Senior Citizens	Ongoing	Under development
6	Nutritional Education of CalFresh Recipients	Ongoing	Under development
7	Require All Eligible Counties to Participate in Able Bodied Adults Without Dependents (ABAWD) Waivers	9/1/12	Under development
8	Postponed Expedited Service (ES) Interview	8/1/12	Under development
9	Waive Interview at Recertification for Elderly/Disabled Households Without Earnings	8/15/12	Under development
10	Provide a Two-Week Interview "Window" to Applicants or to Recertify Clients	2/15/13	Under development
11	Develop On-Line Case Access for Clients	1/1/13	Under development
12	Request Waiver to Email Notices to Clients	7/1/13	Under development
13	Electronic Verification of Client Income and Assets	9/1/13	In planning phase
14	Permit Use of Telephonic Signatures	5/1/13	In planning phase
15	Implement Statewide Interactive Voice Response (IVR) Access	8/1/12	In planning phase
16	Implement Regional or Consortia-based Call Centers	3/31/13	In planning phase
17	Application Assistor's Portal for Consortiums	11/30/12	In planning phase
18	Increase in Certification Periods from 12 Months to 24 Months	11/30/13	Under development



3. Changes to state policies regarding **transitional recertifications** so that counties initiate aspects of the process rather than households (with costs of \$370,000 GF in 2012-13 and automation changes assumed to be made without additional funding). This change is proposed in order to bring the state into compliance with federal rules about to avoid breaks in food benefits for households moving from transitional to ongoing benefits.
4. Increased funding as a result of **recently enacted legislation**, including:
  - o \$32.1 million (\$12.5 million GF) for AB 6 (Fuentes), Chapter 501, Statutes of 2011,
  - o \$3.8 million (\$1.4 million GF) for AB 69 (Beall), Chapter 502, Statutes of 2011, and;
  - o \$1.9 million (\$960,000 GF) for AB 402 (Skinner), Chapter 504, Statutes of 2011.

The changes in these statutes include elimination of a requirement to fingerprint CalFresh recipients, conversion from a quarterly to a semi-annual reporting system for eligibility determinations in CalFresh and CalWORKs, creation of a utility outreach service benefit, allowances for counties to rely on existing information regarding low-income seniors that is already collected by the federal government, and streamlining of the CalFresh application process through partnerships with local school districts. Of the total costs for implementing AB 6 in 2012-13, \$13.8 million (\$3.7 million GF) are associated with automation and training activities that are expected to end after 2013-14.

DSS indicates that California is making significant program changes to increase access to the CalFresh program. Several of these changes are included in the recently enacted legislation referenced above. The administration also intends for the CalFresh Refresh Modernization referenced above to simplify the program's administration and remove barriers to access. Other efforts include a streamlined inter-county transfer process and state-level outreach planning, including a new partnership with the Department of Aging.

Staff recommends that the Subcommittee approve the above-described changes to the budget for CalFresh administration, except for the adjustment related to county expenditure patterns, which staff recommends that the Subcommittee hold open.

#### COUNTY MATCH WAIVER

As part of the 2010-11 Budget Act, the Legislature and administration enacted trailer bill language (WIC Section 18906.55) that allowed counties to draw down a portion of their CalFresh administration General Fund allocation without the corresponding match of county funds as long as the county met their full Maintenance of Effort (MOE) obligation for CalFresh/CalWORKs in CalFresh Administration.

With the continued weakness of the economic recovery, CalFresh caseloads and caseload growth remains high. County revenues are beginning to grow again, but slowly. Add the state deferrals of funds to the counties due to the state's cash flow crises in recent year, and counties are stating that they don't have enough county funds to move to CalFresh administration fast enough to fully draw down our state and federal allocations. Without extension of the waiver, counties will have to leave millions of state and federal dollars on the table, and will be forced to lay off county eligibility staff and eliminate many CalFresh outreach activities, with likely negative impacts on California's CalFresh participation and error rates.

The County Welfare Directors Association is urging consideration of an extension of the county match waiver.

<b>PANEL</b>
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- DSS and DOF:
  - Please describe the factors contributing to California's low CalFresh participation rate. How can the state better ensure that more eligible low-income Californians receive federally funded food benefits?
  - Are there additional efficiencies that the state could achieve in order to increase participation while utilizing existing administration funding?
  - Please discuss the implementation of the county match waiver.
- LAO, please provide any comments.
- Public Comment

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**Staff Recommendation:**

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Staff recommends the following:

1. Approval of the above-described changes to the budget for CalFresh administration, except for the adjustment related to county expenditure patterns, which staff recommends that the Subcommittee hold open until further information is received, expected from the administration at May Revision.
2. Approval of a two-year extension of the county match waiver, with adoption of placeholder trailer bill language to implement this extension.