AGENDA – PART I

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER TONY THURMOND, CHAIR

WEDNESDAY, MAY 18, 2016
10:00 A.M. - STATE CAPITOL, ROOM 447

ITEMS TO BE HEARD

ITEMS TO BE HEARD

5180 DEPARTMENT OF SOCIAL SERVICES – MAY REVISION PROPOSALS

ISSUE 1: CONTINUUM OF CARE REFORM

PANEL

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

PROPOSAL

The Governor's May Revision budget proposes $127 million in General Fund ($166 million total funds) for the implementation of the Continuum of Care Reform (CCR) effort. This funding is proposed to be distributed among county child welfare, probation, and mental health departments, the Department of Social Services (DSS), and the Department of Health Care Services (DHCS). The January budget proposed $61 million General Fund ($95 million in total funds) for CCR implementation. The following description of the CCR May Revision proposal is from the Legislative Analyst's Office (LAO) and summarizes the May Revision well for review by the Subcommittee.

Funding for Child Welfare and Probation Departments. The Governor's May budget proposes $117 million General Fund ($148 million in total funds) in 2016-17 for CCR implementation for county child welfare and probation departments. This represents a $60 million increase over the $58 million in General Fund that the Governor proposed in January. The main drivers of the proposed increase in CCR-related spending in 2016-17 are (1) funding for counties to cover the costs of the new Home-Based Family Care rates that will replace the old assistance payment rates paid to foster caregivers and providers, (2) additional funding for counties to carry out required child and family teaming activities, (3) augmentations to how much funding counties will receive for foster parent recruitment and retention, and (4) an elimination of the assistance payment savings that were assumed to offset General Fund costs in the Governor's January proposal.

The chart below shows the differences in funding between the Governor's January and May proposals for CCR implementation.

Proposed CCR State Spending for County Child Welfare and Probation Department Implementation (In Millions)

Activity	FY 2015-16 General Fund	FY 2015-16 Total Funds	FY 2016-17 (January) General Fund	FY 2016-17 (January) Total Funds	FY 2016-17 (May) General Fund	FY 2016-17 (May) Total Funds	Change from January to May General Fund	Change from January to May Total Funds
Foster parent training, recruitment, retention, and support	$17.2	$25.8	$32.2	$47.4	$43.3	$54.7	$11.1	$7.3
Home-Based Family Care Rate					$32.9	$35.7	$32.9	$35.7
Child and family teaming			$9.7	$14.4	$22	$27.4	$12.3	$13
Resource Family Approval[a]			$11.2	$16.2	$8	$12	-$3.2	-$4.2
Case planning assessment, reviews, and training			$4.4	$6.6	$4	$8.1	-$0.5	$1.5
2015-16 FFA rate increase[b]	$4.3	$7.3	$4.5	$7.6	$3.8	$3.8	-$0.7	-$3.8
Automation and performance measure development			$0.5	$0.8	$1.9	$3	$1.5	$2.2
Accreditation			$1.4	$2.8	$1.4	$2.8		
Assumed foster care payment savings at the county Level[c]			-$6.4	-$7.3			$6.4	$7.3
Total[d]	**$21.5**	**$33.1**	**$57.5**	**$88.6**	**$117.3**	**$147.6**	**$59.9**	**$59**

[a] The estimated total spending for Resource Family Approval is net of estimated county savings.
[b] The January Budget's assumed foster care payment savings at the county level were distributed among the activities, reducing estimated state funding support for implementing each individual activity.
[c] 2015-16 FFA social worker rate increase is incorporated into the rates paid to FFAs beginning January, 2017. Half year funding for this component is included in the Home-Based Family Care Rate component.
[d] This figure does not include the approximately $10 million General Fund ($17.9 million total funds) in the Governor's proposed budget to support DSS state operations, DHCS state operations, and county Mental Health Plans' CCR implementation efforts.
CCR = Contiuum of Care Reform FFA = Foster Family Agency, DSS = Department of Social Services, DHCS = Department of Health Care Services

Funding for County Mental Health Departments. The Governor's May Revision proposal augments CCR-related funding for county mental health plans (MHP) under DHCS's budget. The May budget proposes the following changes from January:

- $5 million General Fund ($10 million total funds) for MHPs to participate in child and family teams. DHCS's January proposal previously budgeted $69,000 in General Fund ($139,000 total funds) to implement this component.
- $1.5 million General Fund for CCR-related training for mental health professionals.
- $50,000 General Fund ($100,000 total funds) for MHPs to certify Foster Family Agencies to provide mental health services. No funding for this purpose was included in the Governor's January proposal.

Home-Based Family Care Rates. DSS has released the new assistance payment rates that will be paid to foster caregivers and providers. The new rates are called Home-Based Family Care (HBFC) Rates. Under the new rates, which become available January 2017, the assistance payment rate paid to a foster caregiver or provider will vary depending on the Level of Care (LOC) of the child in his or her care rather than by the age of the child. The LOC will be determined by a needs assessment carried out by county social workers in cooperation with the child and family team. Based on estimates in the May Revision, Figure 1 breaks down the percentage of children the administration estimates will enter each LOC in 2016-17.

Figure 1: Estimated Percentage of Foster Children in Each Level of Care (LOC)	
LOC	Percent of All Foster Children in Home-Based Family Care
1	55%
2	15%
3	15%
4	15%

HBFC Rates Funding. The Governor's May Revision includes $33 million in General Fund ($38 million in total funds) for counties to begin paying the new HBFC rates starting in January 2017. The Governor's May Revision provides enough funding for all home-based family caregivers to receive rates under the new HBFC rate system beginning January 2017, though some group homes will continue to be paid under the existing group home Rate Classification System passed that date.

County savings from children transitioning to less costly placements were assumed in the Governor's January proposal. These savings have been eliminated from the May proposal. Instead, the net costs associated with assistance payments to foster caregivers and providers under the new HBFC rate system are expected to increase in 2016-17 before declining in 2017-18 and beyond. The administration estimates $33 million in General Fund is needed to fund the new rate system in 2016-17. The amount proposed represents the estimated difference between the new HBFC rates and the assistance payment rates counties currently pay to foster caregivers and providers.

FFA Services Only Rates. The Governor includes $300,000 in funding for counties to pay Foster Family Agencies (FFA) to provide supportive services to children not placed in FFAs. This roughly $300,000 represents an initial three months of funding for counties to pay FFA services only rates and is included in the $33 million in General Fund estimated to pay for the new rate system in 2016-17. After three months, DSS expects that counties opting to pay these FFA services only rates will do so by reinvesting savings from children transitioning to less costly placements to fund the FFA services only rates. The CCR does not require counties to pay a services only rate for these children.

Comparison of New HBFC Rates and Current Rates Paid to Foster Caregivers and Providers. Below is a description of the new rate structure and a comparison to the existing rate structure which is expected to expire for most foster caregivers and providers on January 1, 2017. The amounts listed under the existing rate structure in all the comparison tables include a projected 2016-17 cost of living adjustment based on the California Necessities Index (CNI).

Rates Paid to Home-Based Family Caregivers. Home-based family caregivers include, among other placements, relative caregivers, county-approved foster family homes, and foster homes overseen by Foster Family Agencies (FFA). While the existing assistance payment rate varies according to age, the new HBFC rates fundamentally change the rate structure by having the rate vary according to LOC. Figure 2 compares the new HBFC rate structure beginning in January 2017 to existing foster caregiver rates.

Figure 2: Rates Paid to Home-Based Family Caregivers

CCR Home-Based Family Rate		Projected Current Basic Rate*	
LOC-1	$889	Ages 0-4	$707
LOC-2	$989	Ages 5-8	$765
LOC-3	$1,089	Ages 9-11	$805
LOC-4	$1,189	Ages 12-14	$843
		Ages 15-21	$883

*Projected based on 2015-16 basic rates using the CNI of 2.76%.

Rates Paid to FFAs. The FFA rate is separated into two main components, the first of which goes to the family caregiver as an assistance payment and the second of which goes to the FFA for administrative and social work activities. Figure 3 compares FFA rates under the HBFC Rate and existing rate structures.

Figure 3: Foster Family Agency (FFA) Rates

CCR FFA Rate				Projected Current FFA Rate*			
	Family Caregiver	FFA	Total	Age	Family Caregiver	FFA	Total
LOC-1	$889	$1,060	$1,949	0-4	$901	$937	$1,838
LOC-2	$989	$1,260	$2,249	5-8	$959	$959	$1,918
LOC-3	$1,089	$1,304	$2,393	9-11	$999	$977	$1,976
LOC-4	$1,189	$1,383	$2,572	12-14	$1,037	$1,010	$2,047
				15-21	$1,077	$1,040	$2,117

*Projected based on 2015-16 FFA rates using the CNI of 2.76%.

Rate Paid to Therapeutic Foster Care (TFC). The Therapeutic Foster Care model is scheduled to debut in January 2017. Like the Intensive Treatment Foster Care (ITFC) model currently utilized in California, the TFC model provides intensive therapeutic services to children with high levels of need within in a home-based family setting. The HBFC rate structure divides the TFC rate into two major components: the first is a $2,259 rate paid to the TFC caregiver and the second is a $3,682 rate paid to the FFA that provides administrative and supportive services for the TFC placement.

Rate Paid to Short Term Residential Therapeutic Programs (STRTP). CCR replaces group homes with STRTPs, which are intended to provide short term, therapeutic services to stabilize children so that they may quickly return to a home-based family care setting. A single STRTP rate will replace the 14 level rate system that currently governs payments to group home providers. Figure 4 compares the STRTP rate to the highest group home level receiving the highest rate under the existing rate structure.

Figure 4: Short Term Residential Therapeutic Program (STRTP) Rates	
STRTP Rate	Projected RCL-14 Rate*
$11,770	$10,410
*Projected based on 2015-16 group home rates using the CNI of 2.76%.	

FFA Services Only Rates. CCR allows counties to pay FFAs to provide services to children who are not placed in FFAs, allowing children in relative and county-approved homes to access supportive services if the county chooses to provide funding. The rates paid to FFAs to provide these services are called the FFA services only rates. Currently no statewide system exists to allow FFAs to receive payment to provide services to children that are not placed in an FFA. Figure 5 displays the FFA services only rates (which would go to an FFA or community-based organization) and the amounts foster caregivers will receive, the latter of which correspond to the rates listed in Figure 2. Only LOCs 2 through 4 are listed because LOC 1s are not expected to receive the FFA Services Only Rate.

Figure 5: FFA Services Only Rates and Home-Based Family Care Rates

	Family Caregiver	FFA Services Only Rate	Total
LOC-2	$989	$740	$1,729
LOC-3	$1,089	$784	$1,873
LOC-4	$1,189	$863	$2,052

Proposed Increase in Foster Parent Recruitment, Retention, and Support Funding. The Governor's May Revision proposes $43 million General Fund ($55 million in total funds) for foster parent recruitment, retention, and support. This represents an increase of $11 million General Fund ($7 million in total funds) over the January proposal. Unlike the 2015-16 recruitment and retention funding, counties will not be required to submit plans outlining how they intend to use the funding as a condition of receiving funding. Instead, it is the understanding that DSS will require counties to report on the activities for which the funding is used and the recruitment outcomes that these activities achieve.

LAO COMMENTS AND QUESTIONS

Upon initial review of the Governor's May Proposal, the LAO identifies several outstanding questions for legislative consideration. Though some of these issues have been discussed since the release of the May Revision on Friday, May 14, 2016, understanding is still developing given the complexity of the package of changes.

Questions Around the New HBFC Rates. The new HBFC rates are higher than the rates counties are currently required to pay under the existing rate system. Higher rates are expected to fund the new services and requirements that are expected of FFAs and STRTPs under CCR. It is uncertain at this time how the new HBFC rates take into account these new service requirements. While DSS has promulgated guidance around what services will be required, it remains uncertain which children will be entitled to what services and what levels of services are expected. Without further policy detail on how the new CCR service requirements will be implemented, it is difficult to assess the adequacy of the proposed HBFC rate structure.

Relatedly, how did DSS determine the HBFC rates of the four LOCs and how do the increments reflect the additional care and services needs of children? While the LAO understands that developing a new rate structure is fundamentally difficult, it would be worthwhile to understand what historical data and what reasoning underlie the proposed HBFC rates. Moreover, because the HBFC rate structure represents a new set of rates and a new way of determining what rate a child receives, understanding how DSS intends to evaluate the new rate system following implementation may help ensure that any initial defects in the new rate system are identified and addressed.

How Did DSS Estimate the Number of Children in Each LOC? The new HBFC rates vary depending on the children's LOC, as determined by the child and family team. The Legislature has requested additional information from DSS on the differences between the LOCs and has received some descriptive information. Programmatically, a child's LOC will help determine what financial resources his or her caregiver is entitled to and what level of supportive services will be available. Assigning the appropriate LOC to each child will be important for ensuring the success and stability of each foster care placement. Fiscally, the number of children in each LOC will impact the costs of implementing the new HBFC rate structure. Three critical questions the LAO has identified and believe are worth exploring are:

- How did DSS estimate the number of children in each LOC?
- How will DSS ensure the consistent application of LOC determinations across counties both during and after the assessment pilot?
- How and when will the initial LOC assessment be made so children can receive the appropriate LOC HBFC rate beginning in January 2017.

Legislative Oversight Pre and Post CCR Implementation. The LAO advises that Legislature may wish to consider what kinds of monitoring and reporting on CCR implementation it would like in order to ensure adequate legislative oversight. Such monitoring could be accomplished through supplemental reporting language or regularly required briefings from DSS. Topics of the reports or briefings may change depending on where CCR is in the implementation process, but could include such things as (1) the status of DSS guidance to counties and stakeholders on the various components of CCR implementation, (2) county costs and savings related to CCR implementation, and (3) foster child outcomes like the number of children transitioning out of group homes and STRTPs into home-based family placements.

BACKGROUND

The Subcommittee heard the CCR proposal at its April 6, 2016 hearing. Please see that agenda for additional and detailed background on the CCR effort and the Governor's January proposal, which this May Revision alters.

STAFF COMMENT/QUESTIONS

The LAO raises important questions for the Legislature's consideration of these May Revision changes to the CCR.

The complexity of the rate changes and their importance for the success of the CCR warrant thorough examination, which is difficult to accomplish when these changes are received in May, when both the Legislature and external stakeholders have limited time and bandwidth to evaluate, prioritize, and respond effectively.

Staff recommends holding this issue open and consideration of an approach when this issue comes back for a vote, if it is slated for approval in whatever form, that would allow for the Legislature and community stakeholders to have more time to work with DSS, DHCS, and DOF to moderate the rates and other components of the CCR if compelling reasons come to light. This would mean that these May Revision changes would be approved on an interim basis only, pending additional time, consultation, and decision-making.

Additionally, staff is interested in an implementation monitoring tool pursuant to the conversation in the Subcommittee at the April 6th hearing, much like what is suggested by the LAO and others. Staff continues to work with the LAO and stakeholders to develop an SRL option for vote-only at the close-out hearing of the Subcommittee.

Some additional question staff raises at this time include:

- What has been the response of the behavioral health services/provider community and what does this portend for the implementation of CCR?

- What is the county administrative true-up process that is part of the May Revision proposal? How does it work and what controls are available to ensure transparency to the Legislature and public?

- To what degree were the rates mitigated by fiscal constraints? What process would be in place to evaluate them and alter them on an on-going basis?

Staff Recommendation: Hold open.

ISSUE 2: APPROVED RELATIVE CAREGIVER PROGRAM PARITY

PANEL

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

PROPOSAL

The Administration requests consideration of trailer bill language in the May Revision associated with the Approved Relative Caregiver (ARC) Funding option and program parity. DSS states that it seeks to clarify that a relative who has been approved under the resource family approval (RFA) process and who is federally ineligible for Aid to Families with Dependent Children-Foster Care (AFDC-FC) is authorized to receive a CalWORKs grant and a supplement amount equal to the resource family basic amount paid to children who are federally eligible for AFDC-FC. DSS also asserts that this proposal allows all relatives who are approved under the RFA process to receive an amount equal to the resource family basic rate, regardless of federal eligibility.

The Administration's proposed trailer bill language can be found at: http://dof.ca.gov/budgeting/trailer_bill_language/health_and_human_services/documents/637ARCProgramParity.pdf

BACKGROUND

The ARC program was enacted in 2014 by SB 855 (Chapter 29, Statutes of 2014), which allows counties that opt in, to provide payments to federally ineligible relative caregivers an amount equal to the foster care basic rate received by federally eligible relative caregivers of dependent children. Approved relatives in these counties would receive a grant payment which would consist of funds from CalWORKs, General Fund, and county, if necessary. For fiscal year 2016-17, 48 of 58 counties have opted to participate in the ARC program.

AB 340 (Chapter 464, Statutes of 2007) established the RFA pilot program. SB 1013 (Chapter 35, Statutes of 2012) required RFA to be implemented statewide by 2019. AB 403 (Chapter 773, Statutes of 2015) changed the statewide implementation transition to begin by 2017, and directed the department to develop a new rate structure for all foster care licensure categories. The new rate structure is comprised of resource parents, home-based family agencies, formerly known as Foster Family Agencies, and short-term residential therapeutic programs. Most significantly changed, rates are based on a new tiered/Level of Care structure driven by a child/youth's level of need.

STAFF COMMENT/QUESTIONS

Advocates have raised significant concerns with the proposed language and state that it would work to achieve the opposite of program parity, making it clear that relatives are not included when caring for non-federally eligible children, except at the counties' option and through a different program entirely (i.e. ARC).

The Subcommittee may wish to ask the Administration:

- How are you working to resolve the issues raised by stakeholders and avoid building inequities into the system that are inconsistent with CCR?

- Why is this trailer bill needed now? Could this be reviewed in tandem with clean-up efforts being considered on a longer timeline for AB 403?

Staff Recommendation: Hold open.

ISSUE 3: CHILD NEAR FATALITIES REPORTING AND DISCLOSURE

PANEL

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

PROPOSAL

The federal Child Abuse Prevention and Treatment Act (CAPTA) requires that states receiving funds under CAPTA must disclose to the public findings and information about child abuse and neglect cases that result in fatalities or near fatalities. On December 8, 2015, the federal Administration for Children, Youth, and Families (ACYF) notified DSS of non-compliance with federal guidelines regarding public disclosure procedures in cases where a child dies or nearly dies as the result of abuse or neglect.

Last year, DSS proposed language in the May Revision to bring state law in to compliance with federal requirements. However, there was no consensus among stakeholders regarding whether it would be most appropriate for the state to model its disclosures in the cases of near-fatalities after the requirements established by SB 39 (Migden), Chapter 468, Statutes of 2007 for disclosures in the cases of fatalities, or to create different procedures. Ultimately, no action was taken by the Legislature.

The Administration has proposed trailer bill language in the May Revision for near fatalities that contains the following provisions. The proposed trailer bill language can be found at:
http://dof.ca.gov/budgeting/trailer_bill_language/health_and_human_services/documents/638ChildNearFatalitiesReportingandDisclosure.pdf

The proposed trailer bill language:

- Defines "near fatality" as the identical meaning in federal law, except in specified circumstances.

- Defines a "near fatality case" as one that meets all of the following conditions:
  - A licensed physician determines that the child is in serious or critical condition.
  - A child's condition is the result of abuse or neglect, as defined in federal law.

- Establishes that abuse or neglect is determined to have resulted in a child's near fatality if one of the following conditions is met:

  - A law enforcement investigation concludes that child abuse or neglect occurred.
  - A county child welfare services agency determines that the child abuse or neglect was substantiated.

- Establishes that abuse or neglect does not included near fatalities caused by an alleged perpetrator who was unknown to the child or family prior to the abuse that caused the near fatality, or a minor (unless acting in the role of caretaker) who is alleged to have caused the near fatality.

- Requires that findings or information disclosed regarding the child near fatalities, upon request, must consist of a written report that includes all of the following information:

  - A child's age and gender;
  - The date the abuse or neglect occurred that resulted in the near fatality, and the date that a licensed physician determined the child victim to be in serious or critical medical condition, if known;
  - Whether the child resided in foster care or in the home of his or her parent or guardian at the time of the near fatality.
  - The cause and circumstances of the near fatality.

- Requires a description of reports received, child protective or other services provided, and actions taken by the county child welfare services agency regarding all of the following:

  - Suspected or substantiated abuse or neglect of the child near fatality victim, and suspected or substantiated abuse or neglect of other children pertinent to the abuse or neglect of the near fatality victim.
  - A written narrative that includes the dates of reports, investigations, services rendered, actions taken, and the investigative disposition for each report.

- Requires a county welfare department or agency to disclose to the public, upon request, all risk and safety assessments related to the near fatality victim.

- Requires a county welfare department or agency to release all required findings and information to the public, if disclosure is requested, within 30 calendar days (instead of the timeframe under existing law of 10 days) of either the request or the disposition of the investigation, whichever is later.

- Provides that a county may choose to establish its own policy that is in compliance with certain provisions of this section, through the disclosure of the emergency response referral information form and the emergency response notice of referral disposition form completed by the county child welfare agency relating to the abuse or neglect that caused the near fatality.

  - A county that implements such a policy would disclose those redacted case file documents in place of a detailed written description.

- Prohibits the following information and records from being disclosed:

  - Names, addresses, telephone numbers, ethnicity, religion, or any other identifying information of any person or institution, other than the county or the Department of Social Services.
  - Any information that would jeopardize a criminal investigation or proceeding.
  - Any psychiatric, psychological, therapeutic evaluations, clinical or medical reports, evaluations or other similar materials pertaining to the child or child's family.

- Requires the county welfare department or agency to notify and provide a copy of the request to counsel for any child who is connected to the juvenile case file, and that if counsel for a child objects to the release of any part of the information, they may petition the court to prevent the release of any document or part of a document requested.

- Provides that juvenile case file records that are not subject to disclosure pursuant to this section shall only be disclosed upon an order by the juvenile court pursuant to Section 827.

- Authorizes the Department of Social Services (DSS) or county welfare department to comment on the case once documents have been released. If a county welfare department or agency comments on the case, the social worker on the case may also comment publicly about the case.

- Establishes that this law shall only apply to near fatalities that occur on, or after, January 1, 2017.

- Clarifies that nothing in this section of law requires a county welfare department or agency to obtain documents not in the case file.

The Administration has also proposed changes to current statute regarding fatalities, including:

- Establishes that abuse or neglect does not included near homicides committed by an alleged perpetrator who was unknown to the child or family prior to the abuse that caused the fatality, or a minor (unless acting in the role of caretaker) who is alleged to have caused the fatality.

- Adds that a description of child protective or other services provided, and actions taken by the county child welfare services agency regarding any services and actions not otherwise disclosed within other documents required to be released.

- Requires a county welfare department or agency to release all required findings and information to the public, if disclosure is requested, within 30 calendar days (instead of 10 days) of either the request or the disposition of the investigation, whichever is later.

- Requires that any information for an adult whose activities are not related to the abuse or neglect that led to the child fatality be redacted.

- Provides that juvenile case file records that are not subject to disclosure pursuant to this section shall only be disclosed upon an order by the juvenile court pursuant to Section 827.

BACKGROUND

The federal Child Abuse Prevention and Treatment Act (CAPTA) and its implementing regulations establish requirements regarding the disclosure of findings and information in child near fatality incidents resulting from abuse and neglect. The Administration states that achieving compliance with CAPTA is necessary this year in order for California to continue receiving $4.8 million annually in federal child abuse prevention funding. The federal Administration for Children, Youth, and Families (ACYF) has confirmed in April 2016 that this proposal, when enacted, would comply with CAPTA.

California must comply with the requirements of CAPTA concerning the disclosure of findings and information in child near fatality cases. California has been out of compliance since 2012, when federal guidance was issued, because California has no existing laws governing the disclosure of information following near-fatal incidents for children.

At the end of 2015, the ACYF required California to prepare a Program Improvement Plan describing how the State will comply with CAPTA Section 106(b)(4), as a condition of retaining its $3 million CAPTA grant and its $1.8 million Children's Justice Act grant administered by the California Office of Emergency Services. DSS asserts that achieving compliance is necessary to continue receipt of the federal grants identified.

Over $500,000 in combined state and federal funding for this proposal is displayed as the "Reports of Child Near Fatalities" premise in the CDSS Local Assistance Budget. The budgeted amounts reflect the costs associated with compiling and publishing reports, and disclosing information on all near fatalities caused by suspected child abuse or neglect.

STAFF COMMENT/QUESTIONS

If the state is unable to comply with federal reporting requirements, California could lose up to a total of $4.8 million in CAPTA funds. The Administration asserts that a number of approaches could satisfy the federal requirement, including the current Administration proposal, which the Administration has vetted with the federal AYCF.

The Subcommittee may wish to ask about the process by which the Administration crafted this proposal and what stakeholder consultation it has conducted to ensure a proper vetting of this proposed policy.

Staff Recommendation: Hold open.

ISSUE 4: TRIBAL APPROVED RELATIVE CAREGIVER PROGRAM

PANEL

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

PROPOSAL

The Administration's May Revision provides an augmentation to the rate paid for non-federally eligible Foster Care (FC) children who are placed with relatives. Currently, this county optional program provides an additional amount above the CalWORKs grant to bring the total payment for non-federally eligible children placed with relative caregivers up to the same amount as the rate paid for federally eligible children in AFDC-FC eligible homes. DSS proposes to allow non-federally eligible foster youth placed with relative caregivers under the jurisdiction of the tribal court receive a foster care basic rate amount equal to payments made to federally eligible relative caregivers in tribes that possess a Title IV-E Agreement with the state.

In order to better serve tribal youth, the 2016 May Revision includes a $0.2 million increase for a Tribal ARC Program to include cases that are under the jurisdiction of the tribal court for Yurok and Karuk tribes, which are not included in the current ARC caseload. Actual implementation, however, may be delayed to ensure a comprehensive consultation period that can be conducted with the Yurok and Karuk tribes. The 2016 May Revision projects an annual Tribal ARC Program caseload of 28 cases.

This proposal will require trailer bill language, which is also proposed in the May Revision. The Administration's trailer bill proposal can be found here: http://dof.ca.gov/budgeting/trailer_bill_language/health_and_human_services/documents/636TribalARCProgram.pdf

BACKGROUND

The Approved Relative Caregiver (ARC) Funding Option program was enacted in 2014 by Chapter 29, Statutes of 2014 (SB 855) which allows counties that opt in, to provide payments to federally ineligible relative caregivers an amount equal to the foster care basic rate received by relative caregivers of dependent children. Approved relatives in these counties would receive a grant payment which would consist of funds from CalWORKs, General Fund, and county, if necessary. For fiscal year 2016-17, 48 of 58 counties have opted to participate in the ARC program. Although two tribes currently provide child welfare services in their respective jurisdictions under Title IV-E agreements with the State, they are not authorized to participate in this optional program as it is only applicable to counties. Therefore, federally ineligible relative caregivers within the jurisdiction of these tribes are only eligible to receive a CalWORKs (or Tribal Temporary Aid to Needy Families [Tribal TANF]) grant.

It is estimated that 36 percent of all foster children in the State are in the care of a relative. An approved relative caregiver in California must meet health and safety standards that mirror those for a licensed foster parent, such as undergoing criminal background and child abuse index checks. While placement with a relative is generally preferred, the amount of assistance provided to relative caregivers can vary based on federal AFDC-FC eligibility. For a non-federally eligible child in foster care under the jurisdiction of the tribal court, an approved relative may only apply to receive a CalWORKs or Tribal TANF, if eligible, benefit on behalf of the child. Additionally, unlike AFDC-FC, CalWORKs/Tribal TANF grants typically are not based on a per-child payment, but rather on the size of the family as a whole, and are generally less than the AFDC-FC rate.

Funding is provided in the 2016 May Revision Budget, line item number 104 and titled Tribal ARC. The amount of SGF budgeted for Tribal ARC is $176,000 for Fiscal Year 2016-17 and annually adjusted for the cost of living based on the California Necessities Index. This funding will provide an additional amount above the Tribal TANF payment to approved relative caregivers to equal the foster family home basic rate (dependent on the child's age). State expenditures associated with all cases under the age of 18 are considered TANF/Maintenance of Effort-countable.

STAFF COMMENT/QUESTIONS

The Subcommittee is advised to request a review of the trailer bill language in the hearing and could raise the following questions:

- Has DSS consulted with tribal representatives on this proposed language? What were their concerns and feedback?
- What is the reaction of the child welfare advocates and county associations? Have their concerns been addressed?

Staff Recommendation: Hold open.

ISSUE 5: FAIR LABOR STANDARDS ACT (FLSA) REGULATIONS, OVERTIME, AND COMPLIANCE

PANEL

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

PROPOSAL

This May Revision proposal reflects an increase in 2016-17 to the IHSS program services and administration funding requirements and exemptions related to FLSA overtime. The FLSA statutes established limits on the number of authorized hours a provider in the IHSS and Waivers for Personal Care Services (WPCS) programs is permitted to work in a work week.

The 2015-16 decrease reflects updated actual expenditure and payment of overtime beginning February 2016, which results in less funding needed to pay for the provider overtime. The 2016 May Revision includes an additional $7.7 million total funds ($3.6 million GF) in 2015-16 and $47.4 million total funds ($22.2 million GF) in 2016-17 for the following exemptions to the FLSA hour limitations:

- Live-in family care providers (including, parent, grandparent, adoptive parent, step-parent or legal guardian) as of January 31, 2016, residing in the home for two or more disabled minor or adult children or grandchildren for whom they provide IHSS. The IHSS providers who meet these requirements will be able to work up to 90 hours per work week, not to exceed 360 hours per month. This exemption in 2016-17 will cost $4.3 million GF.

- Exceptions will be granted on a case-by-case basis for IHSS/WPCS providers who work for two or more IHSS recipients who have extraordinary incurable circumstances. These providers will be allowed to work up to 12 hours per day or 90 hours per week, not to exceed 360 hours per month. This includes recipient(s) at imminent risk of out-of-home institutionalized care if services are not provided. These exemptions will only be granted on a case-by-case basis, using on criteria defined through stakeholder involvement and individualized circumstances. This exemption in 2016-17 is projected to cost $17.9 million GF.

The 2016 May Revision also includes a technical adjustment to the calculation of the weekly hours cap so that the hours in a given month are divided by four weeks, rather than 4.33 weeks. This change is necessary to ensure that providers are not disadvantaged in months such as February, in which there are fewer days.

It is assumed that approximately 1,200 providers will be impacted by the first exemption. It is assumed that approximately 5,000 providers will be impacted by the second exemption.

Trailer bill language was expected from the Administration at the May Revision for both of the exemptions as well as the correction to the weekly hours cap, however DSS has indicated that this will not be sought after all.

BACKGROUND

The Subcommittee heard the FLSA issues at its March 9, 2016 hearing. Please see that agenda for additional and detailed background on the FLSA implementation issues and advocates' concerns.

STAFF COMMENT/QUESTIONS

The May Revision does not address the many implementation issues raised by the IHSS Coalition in the March 9th hearing, or a subset of their issues for which they continue to advocate. The Subcommittee may wish to ask the following questions of the Administration in the May Revision hearing:

- Why was trailer bill not proposed in the May Revision to crystallize the exemptions and the new workweek hours calculation?
- What can be done to ameliorate the concerns raised by the IHSS Coalition with relation to lack of county readiness to properly implement the violations policy and provide possible exemptions for the most vulnerable consumers in the program?
- What would be the approximate one-time costs of meeting the Coalition's updated request?
- Has the administration built in the state hearings capacity to address the possible wave of hearings requests connected to errors for providers and consumers that may occur as a result of the confusion and lack of preparedness to implement the restrictions included in the overtime rules?

Staff Recommendation: Hold open.

ISSUE 6: RESTORATION OF THE IHSS 7-PERCENT ACROSS-THE-BOARD REDUCTION

PANEL

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

PROPOSAL

This May Revision proposal reflects the cost of restoring the IHSS service hours that were reduced by 7 percent effective July 1, 2013 as part of the settlement agreement to the Oster v. Lightbourne and Dominguez v. Schwarzenengger class action lawsuits. The increase in total cost for 2015-16 and 2016-17 reflect caseload growth, higher costs per hour and hours per case as well as a shift of the restoration costs from the Managed Care Organization (MCO) tax fund to General Fund. The IHSS recipients will have their service hours restored by an average of 6.47 percent.

The Administration states that this proposal clarifies that the restoration of the seven percent reduction should remain in effect as long as the MCO tax is operational. If the MCO tax expires and/or the federal government disallows the tax, the seven percent reduction to IHSS should be reinstated.

The Administration's proposed May Revision trailer bill language connected to this proposal can be found here:
http://dof.ca.gov/budgeting/trailer_bill_language/health_and_human_services/documents/635IHSS7-PercentRestorationTBL.pdf

BACKGROUND

The 2015 Budget Act included one-time funding of $226.0 million GF to restore the IHSS service hours in 2015-16. The 2016-17 Governor's Budget proposed to fund the restoration of IHSS hours in 2016-17 with MCO tax revenues. The 2016 May Revision estimate reflects a shift in the funding from the MCO tax fund to GF and assumes the restoration will remain in effect as long as the MCO tax is operational.

STAFF COMMENT/QUESTIONS

The Administration should be asked to present the proposal and attached trailer bill language.

Staff Recommendation: Hold open.

ISSUE 7: UNIVERSAL ASSESSMENT TOOL

PANEL

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

PROPOSAL

The May Revision requests that Item 5180-111-0001 be decreased by $1,255,000 and reimbursements be decreased by $1,245,000 to reflect a delay in implementation of the Universal Assessment Tool pilot. The updated cost estimate reflects a more refined timeline which includes finalizing the assessment tool to be used for pilot testing, implementing the pilot testing in the selected counties, and assessing the impact of the tool on counties and information technology systems.

The following revised timeline was provided by DSS, the fiscal accommodations for which are included in this May Revision proposal.

UNIVERSAL ASSESSMENT TOOL (UAT)
FY 2015-16 and FY 2016-17 Estimated Timeline

ESTIMATED DATES*	ACTION	DESCRIPTION
May/June 2016	Focus groups	• Submit focus group protocols to UCLA Institutional Review Board, review recommendations with Advisory Team, update. • Recruit focus group participants, report to Advisory Team on challenges. • Conduct focus groups.
	Stakeholder participation	• Identify stakeholders to be included in reconstituted stakeholder group, • draft materials and agenda, • conduct stakeholder meeting w/public comment period, and • update UAT based on stakeholder participation.
	UAT Version 1.0	• Provide draft of Pre-Assessment Telephone Interview. • Provide item list for Advisory Team review. • Create first complete version of tool.

July/August 2016	Draft pilot design parameters	• Describe procedures to be followed in pilot testing UAT. • Obtain approval from UCLA Institutional Review Board.
September/October 2016	UAT Version 2.0 Final	• Finalize the UAT version to be used for pilot testing.
November 2016	Stakeholders' meeting	• Public comment period. • Review pilot testing version of UAT with stakeholders. • Incorporate feedback.
December 2016/January 2017	Prepare for pilot testing	• Identify counties to participate in pilot testing. • Meet with those counties to discuss pilot procedures and monitoring of pilot progress.
February/March 2017	Conduct pilot testing	• Participating counties will use the UAT for IHSS assessments and reassessments. • UAT team will observe during "ride-alongs."
April/May 2017	Pilot debriefing	• Meet with participating counties for feedback on experience with UAT pilot.
May/June 2017	UAT revisions	• Revise UAT, incorporating feedback from counties, with the goals of improving validity and reliability, adjusting and clarifying language, and improving the experience for the assessor and applicant. • Begin review analysis of impact to CMIPS.

*Note that these timelines are contingent on work with the vendor and are subject to change.

BACKGROUND

The Subcommittee heard a CMIPS II Maintenance and Operations BCP related to the UAT at its March 9, 2016 hearing. The BCP was held open and will be taken up for vote-only purposes when the Subcommittee closes out its issues.

STAFF COMMENT/QUESTIONS

The Subcommittee may wish to ask the Administration the following:

- What does the timeline change mean for consumers?
- What have been some of the key issues in the formulation and development of the UAT?

Staff Recommendation: Hold open.

ISSUE 8: COST OF LIVING ADJUSTMENT FOR THE STATE SUPPLEMENTARY PAYMENT PROGRAM

PANEL

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

PROPOSAL

This May Revision premise reflects the cash assistance payments to low-income aged, blind and disabled persons. The SSI portion is federal and the SSP portion is GF that California opted to pay to eligible recipients. Overall, the program reflects a net decrease of $19 million GF in 2015-16 and $44 million GF in 2016-17. The reduction is due to slower caseload growth and a lower average SSP grant than projected in the 2016-17 Governor's Budget.

Caseload. There is a slower caseload growth projected in the 2016 May Revision. The average monthly caseload is projected to be 1,289,815 cases for FY 2015-16 compared to the 1,201,167 cases projected in the 2016-17 Governor's Budget. The average monthly caseload for 2016-17 is projected to be 1,290,781 cases compared to 1,311,082 cases in the 2016-17 Governor's Budget. It is estimated that 43.6 percent of the SSI/SSP population will be over age 65. The SSP caseload is the same as reported for SSI/SSP as every recipient gets an SSP payment.

COLA Estimate. This premise reflects the 2016-17 Governor's Budget proposal to provide a one-time COLA increase to the SSP, Cash Assistance Program for Immigrants and California Veterans Benefit Program recipients. A California Necessities Index (CNI) of 2.76 percent will be applied to the SSP portion of the grant, effective January 1, 2017. The updated CNI went from 2.96 to 2.76 percent. The federal COLA expected for January 1, 2017, based on the CPI, has been revised to zero, which may change before the end of the calendar year.

The chart on the next page from the LAO reflects the updated SSI/SSP proposed grant amounts from the Administration.

Figure 1. SSI/SSP Monthly Maximum Grant Levels a>
Governor's May Revision

	2015-16	2016-17 Governor's May Revision b>	Change from 2015-16
Maximum Grant — Individuals			
SSI	$733.00	$733.00	$0.00
SSP	$156.40	$160.72	$4.32
Totals	**$889.40**	**$893.72**	**$4.32**
Percent of Federal Poverty Level c>	*90%*	*90%*	—
Percent of Supplemental Poverty Measure d>	*85%*	*85%*	
Maximum Grant — Couples			
SSI	$1,100.00	$1,100.00	$0.00
SSP	$396.20	$407.14	$10.94
Totals	**$1,496.20**	**$1,507.14**	**$10.94**
Percent of Federal Poverty Level c>	*112%*	*113%*	—
Percent of Supplemental Poverty Measure d>	*101%*	*102%*	—

a> The maximum monthly grants displayed refer to those for aged and disabled individuals and couples living in their own households, effective as of January 1 of the respective budget year.

b> Reflects (1) the Governor's May Revision assumption that the January 2017 federal COLA for the SSI portion of the grant will be zero, and (2) the finalized estimate Governor's one-time January 2017 state-funded COLA for the SSP portion of the grant based on the California Necessities Index.

c> Compares grant level to federal poverty guideline from the U.S. Department of Health and Human Services for 2016.

d> Compares grant level to the LAO estimate of the California weighted average Supplemental Poverty Measure from the U.S. Census Bureau from the most recent year available (2014).

BACKGROUND

The Subcommittee heard the SSI/SSP issues on March 9, 2016. Please see that agenda for additional program background.

STAFF COMMENT/QUESTIONS

Staff raises no questions with this May Revision adjustment at this time.

Staff Recommendation: Hold open.

ISSUE 9: CALWORKS OCTOBER 2016 MAXIMUM AID PAYMENT (MAP) INCREASE

PANEL

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

PROPOSAL

This May Revision premise reflects a 1.43 percent increase to the CalWORKs MAP effective October 1, 2016. In accordance with Welfare and Institutions Code 14450.025, estimated growth in revenues to the Child Poverty and Family Supplemental Support Subaccount will be used to fund CalWORKs MAP increases. This subaccount also provides funding for the two five percent CalWORKs MAP increases that occurred on March 1, 2014 and April 1, 2015.

Growth in the Child Poverty and Family Supplemental Support Subaccount is projected to provide funding of $326.1 million in 2015-16 and $350.2 million in 2016-17. The total grant cost of the March 1, 2014 and April 1, 2015 five percent MAP increases is approximately $314.8 million. This leaves approximately $35.4 million in 2016-17 to fund a 1.43 percent MAP increase beginning October 1, 2016. An additional $1.1 million associated with administrative and employment services costs for the October 1, 2016 MAP increase in FY 2016-17 is funded with TANF/GF.

All CalWORKs cases will experience a grant increase. For an assistance unit of three in high cost counties, the MAP will increase from $704 to $714 per month. Approximately 475 cases per month will continue to remain eligible due to increasing the income eligibility threshold. The total average grant of all CalWORKs cases is estimated to increase by $7.60.

DSS has provided the following table reflecting the proposed grant amounts proposed by the May Revision.

Comparison of CalWORKs Maximum Aid Payment (MAP) Levels

	MAP	Exit Point
Current MAP	**$704**	**$1,633**
as % of FPL	42%	97%
as % of SPM	34%	79%
with 1.43% MAP Increase	**$714**	**$1,653**
as % of FPL	43%	98%
as % of SPM	34%	80%

Note:
MAP is based on Assistance Unit of 3 in high cost counties (Region 1).
Exit Point is the maximum income threshold for CalWORKs Eligibility, including the $225 and 50% Earned Income Disregard.
FPL is based on 2016 FPL ($1,680 per month).
SPM is based on 2014 SPM ($2,078 per month).

BACKGROUND

The Local Revenue Fund (LRF) was created by 1991 realignment legislation that (1) transferred several programs from the state to the counties, (2) changed the way that state and county costs are shared for certain other social services and health programs (including CalWORKs), and (3) increased the sales tax and vehicle license fee (VLF) and dedicated these increased revenues to fund the counties' increased fiscal responsibilities. Each year, dedicated revenues are allocated to various accounts within the LRF to fund different programs. Specifically, each year the accounts generally receive as a "base" allocation the amount provided in the prior year. Any dedicated funds that remain after meeting base allocations are distributed to accounts as a "growth" allocation that adds to the accounts' base for the following year. In this way, allocations to LRF accounts generally grow with dedicated revenues over time.

As part of the 2013-14 budget package, a portion of growth revenues in the LRF were redirected into the newly created Child Poverty subaccount to pay for CalWORKs grant increases. Budget legislation also established an annual process by which new grant increases funded from the subaccount would be provided. Specifically, each year the Department of Finance estimates the (1) cost of previous grant increases that are funded from the Child Poverty subaccount and (2) amount of funds expected to be available in the Child Poverty subaccount. When the amount of available funds is estimated to exceed the costs of prior increases, an additional grant increase is provided in an amount that can be supported by excess subaccount funds. If the subaccount funds are estimated to not be sufficient to pay for all of the costs of prior grant increases, no additional grant increase is provided and the General Fund covers the shortfall.

Grant increases currently supported by the Child Poverty subaccount include a 5 percent increase provided in March 2014 and an additional 5 percent increase provided in April 2015. In recent years, the annualized cost of these two grant increases has exceeded the amount of available subaccount funds, requiring some General Fund support. However, as Child Poverty subaccount funds have grown over time, the amount of General Fund support has decreased.

STAFF COMMENT/QUESTIONS

The Subcommittee discussed the state of CalWORKs grants at its March 30, 2016 hearing and took an action to repeal the Maximum Family Grant rule and provide for a 4 percent grant increase, utilizing the Child Poverty Subaccount as a financing mechanism to deter and replace ongoing General Fund costs. The Subcommittee may wish to consider how this May Revision proposal fits within its approach to grants as it reaches the conclusion of its work in developing the Assembly version of the budget.

Staff Recommendation: Hold open.

ISSUE 10: WORKFORCE INNOVATION AND OPPORTUNITY ACT CAREER PATHWAYS TRAILER BILL LANGUAGE

PANEL

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

PROPOSAL

DSS proposes in trailer bill language at the May Revision to require that welfare-to-work (WTW) participants in an Approved Workforce Innovation and Opportunity Act (WIOA) Career Pathway are deemed to meet the 24- month time clock (MTC) hourly requirements, regardless of the actual number of hours participated, if participants are making satisfactory progress. DSS also proposes to define Approved WIOA Career Pathways and to require WIOA Career Pathways to be approved by the Local Workforce Development Boards, which operate One-Stop Career Centers.

This proposal would result in satisfied 24-MTC hourly requirements for any/all aided members of the CalWORKs household who participate in an Approved WIOA Career Pathway, even when actual hours are less than the 24-MTC hours required. The Administration also states that requiring hours that CalWORKs recipients participate in an approved WIOA Career Pathway to meet the hourly participation requirements of the WTW 24-MTC will ensure that CDSS meets the requirements of the WIOA-TANF partnership.

The Administration's proposed trailer bill language on this subject can be found at:
http://dof.ca.gov/budgeting/trailer_bill_language/health_and_human_services/documents/634WIOACareerPathways.pdf

BACKGROUND

WIOA replaced the Workforce Investment Act effective July 1, 2014 and made TANF programs mandatory partners with WIOA/One-Stop Career Centers. An Approved WIOA Career Pathway results in industry-recognized credentials or degrees in occupations recognized as high demand by Local Workforce Development Boards. WIOA mandates that individualized career services must be given on a priority basis to public assistance recipients. In the California WIOA plan (effective July 1, 2016), DSS, in conjunction with the California Workforce Development Board, committed to promote the building of career pathway programs and elevate service delivery so as to improve client outcomes.

STAFF COMMENT/QUESTIONS

This proposal assists to support CalWORKs clients who are making progress toward sustainable employment. The CalWORKs time clock has been significantly reduced as a result of program changes made in the Great Recession, so this type of change assists to gird adverse effects of the more constrained program rules for some clients who have been afforded an opportunity to receive job training on a career pathway through the WIOA.

The CalWORKs time clock and other issues were discussed in the Subcommittee's March 30, 2016 hearing.

Staff Recommendation: Hold open.

ISSUE 11: CALWORKS WELFARE-TO-WORK 24-MONTH TIME CLOCK AND CALWORKS SERVICES

PANEL

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

PROPOSAL

This WTW 24-MTC provides 24 months of flexibility for CalWORKs clients to receive services and supports to enter and remain in the workforce, including education and barrier-removal services. After 24 months, recipients 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. 2015-16 is the first year of anticipated savings for cases that will have an adult removed from aid when not meeting the federal participation requirements after using the flexible 24 month-period.

The 2016 May Revision estimate adjusts the estimate methodology to reflect how this policy is occurring at the county level and to take broader CalWORKs caseload changes into consideration. As relevant data trends were not available at the time, the 2016-17 Governor's Budget methodology did not incorporate the county process of removing months from client's 24-MTCs. The updated methodology now accounts for a caseload adjustment to factor in months being removed from clients' 24-MTCs. The revised methodology also adjusts the number of cases with months used on their 24-MTC by the projected CalWORKs caseload decline as well as the proportion of cases expected to reach the end of their 48-month time clock prior to utilizing their entire 24-MTC.

After 24 months of flexibility and the conciliation process, approximately 130 cases who are not meeting federal participation requirements will have the adult's portion of the grant removed by June 2016. The caseload is estimated to grow to 2,000 cases with an adult(s) removed from aid by June 2017.

CalWORKs Services reflect the cost to provide employment services to individuals in the CalWORKs WTW program. Employment services provided to WTW participants include a wide variety of work, educational and training activities designed to assist individuals in obtaining and retaining employment. CalWORKs Services also includes Mental Health and Substance Abuse services, Subsidized Employment, Family Stabilization, Housing Support, and other program adjustments.

The increase in 2015-16 reflects updated Family Stabilization funding based on recent county expenditure trends. With the statewide implementation of the Online CalWORKs Appraisal Tool (OCAT) in October 2015, actual expenditures for Family Stabilization have increased, and it is anticipated that funding needs will be consistent with continued use of the OCAT. The 2016 May Revision includes $36.3 million for Family Stabilization, an increase of $6.4 million in FY 2015-16 from the 2016-17 Governor's Budget.

The overall Employment Services decrease in 2016-17 reflects the anticipated Employment Services caseload decline, which is partially offset by an increase of $1.3 million in the Family Stabilization budget from the revised 2015-16 to FY 2016-17. Funding for Mental Health/Substance Abuse is maintained as CDSS continues to monitor the impacts of OCAT. The funding for Expanded Subsidized Employment maintains the same number of previously budgeted slots as counties continue to expand their Subsidized Employment programs and the clients served. The Employment Services caseload is projected to decline with the overall CalWORKs caseload in both 2015-16 and 2016-17 (from 215,207 in FY 2015-16, to 211,235 adults in FY 2016-17).

BACKGROUND

These issues were discussed in the March 30, 2016 Subcommittee hearing on CalWORKs and these May Revision changes reflect updated thinking and estimate approaches about how CalWORKs clocks and services are functioning.

STAFF COMMENT/QUESTIONS

While these issues in CalWORKs remain sensitive and there are questions regarding the effects of the 24-month clock and the adequacy of program services, these estimate changes don't represent a policy shift per se for the administration, and should be considered May Revision adjustments that are largely non-controversial. Staff will continue to monitor the effects of the 24-month clock and raise issues for the Subcommittee as the more full implementation of this and related changes unfold in the coming fiscal years.

Staff Recommendation: Hold open.

ISSUE 12: TANF BLOCK GRANT FUNDS TRANSFER TO THE CALIFORNIA STUDENT AID COMMISSION

PANEL

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

PROPOSAL

The Administration, as part of the May Revision, requests that Item 5180-101-0890 be increased by $282,965,000 to reflect an increase in the amount of federal TANF block grant funds available to offset General Fund costs in the Cal Grant program administered by the California Student Aid Commission. An increase in unspent TANF funds from prior years, decrease in the CalWORKs caseload projection, an increase in 1991-92 realignment revenues, and other TANF and TANF maintenance-of-effort funding adjustments result in excess TANF funds (see Item 6980-101-0001, Issues 307-MR and 308-MR).

BACKGROUND

The LAO provided the following background on this issue.

Relative to the January proposal, the May Revision proposes to transfer an additional $283 million of TANF block grant funds to the California Student Aid Commission to fund student aid in the Cal Grants program that would otherwise be covered by the General Fund. The additional transfer is primarily the result of a significant increase the amount of realignment funds available in 2016-17 to offset CalWORKs costs, relative to the January budget proposal. As shown in the table below, available realignment funds from local indigent health savings increased by $230 million. This increase in available realignment funds is technical in nature, reflecting a decision by the administration to change the way counties receive indigent health true-up payments. In the January proposal, true-up payments were made by allowing counties to keep a portion of indigent health dollars that otherwise would have paid for CalWORKs costs. In the May Revision, counties would receive the true-up payments directly.

Historically, these realignment funds have been used to offset General Fund spending on cash assistance, as opposed to program administration and services, such that increased realignment funds would result in reduced General Fund spending in CalWORKs. However, in the May Revision, General Fund spending on CalWORKs cash assistance has already been fully offset. (Currently, cash assistance is supported by TANF and county funds, while General Fund spending is concentrated in services and administration.) Because of this, the May Revision uses the increased realignment funds to offset the need for TANF block grant funds in CalWORKs. The May Revision then transfers the freed-up TANF funds to offset General Fund spending in Cal Grants, without impacting total spending in CalWORKs or Cal Grants.

CalWORKs Funding Sources

(Dollars in Millions)

	2016-17 January Budget	2016-17 May Revision	Change from Previous Estimate Amount	Change from Previous Estimate Percent
Federal TANF block grant funds [a]	$2,684	$2,414	-$270	-10%
General Fund[b]	741	699	-42	-6%
Realignment funds from local indigent health savings	413	643	230	56%
Realignment funds dedicated to grant increases	302	350	48	16%
Other county/realignment funds [b]	1,191	1,190	-1	0%
Totals	$5,330	$5,296	-$34	-1%

a. Excludes transfer of federal TANF block grant funds to the Cal-Grant program.
b. Excludes funding for the Kindship Guardianship Assistance Payment Program.
TANF = Temporary Assistance for Needy Families.

STAFF COMMENT/QUESTIONS

While concerns have been expressed previously about the movement of TANF funds out of CalWORKs, this proposal is more of a technical adjustment that accommodates other funding dynamics affecting CalWORKs and TANF, allowing for the full use of the block grant on allowable purposes elsewhere in state government. Staff doesn't raise issues with this proposal.

Staff Recommendation: Hold open.

ISSUE 13: CALFRESH AND ABLE-BODIED ADULTS WITHOUT DEPENDENTS

PANEL

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

PROPOSAL

This May Revision proposal addresses the automation changes needed in the SAWS in order to adhere to the ABAWD rules that will come back into effect for CalFresh when the statewide waiver expires on January 1, 2018. The costs are $4.24 million ($1.48 million GF) for 2016-17.

Due to the complexity of the changes to SAWS, the consortia will require funding as soon as possible to begin programming activities in 2015-16 in order to be ready to meet the implementation timeline. At this time, it is estimated that little to no funding will be needed for changes in the MEDS to track the 36-month clock; however, this may change as the effort becomes more defined.

BACKGROUND

ABAWD households will be subject to work requirements unless certain exemption criteria are met. Households who fail to meet the work requirements for more than three months within a 36-month period will have their CalFresh benefits discontinued until the requirements are again met. The waiver from these requirements has been in place since October 2008. The new, fixed statewide 36-month ABAWD tracking clock is expected to be functional and the consortia will begin interfacing ABAWD data with the Medi-Cal Eligibility Determination System (MEDS) by January 1, 2017.

The 2016 May Revision includes $2.0 billion ($693.1 million GF) for CalFresh administration in 2016-17, which represents a $38.1 million ($22.3 million GF) decrease from the 2016-17 Governor's Budget. The 2016 May Revision largely represents a current-law, workload adjusted budget for CalFresh and the California Food Assistance Program.

STAFF COMMENT/QUESTIONS

No issues have been raised as yet with this proposal.

Staff Recommendation: Hold open.

ISSUE 14: TRANSFER OF COMMODITY SUPPLEMENTAL FOOD PROGRAM FROM CA DEPARTMENT OF EDUCATION (CDE) TO DSS

PANEL

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

PROPOSAL

This proposal will transfer the administration of the Commodity Supplemental Food Program (CSFP) from CDE to DSS effective October 1, 2016. The CSFP is a federally funded program that provides funding to local nonprofit agencies to provide supplemental, nutritious foods to low-income seniors. Due to federal changes, this program no longer serves children and therefore is better aligned with similar Food Assistance Programs administered by CDSS. The federal grant to administer the program in Federal Fiscal Year (FFY) 2016 is $6.0 million.

To support this transfer, DSS requests an increase of $4.4 million in 2016-17 and $6.0 million annually thereafter in local assistance expenditure authority to administer the program. This will be offset in both years by a commensurate reduction in CDE's local assistance budget. The local assistance expenditure authority will be used to reimburse local agencies for charges associated with administering the CSFP.

BACKGROUND

A corresponding Spring Finance Letter position for this transfer was reviewed by the Subcommittee on April 20, 2016. Please see that agenda for additional background.

STAFF COMMENT/QUESTIONS

No issues have been raised as yet with this proposal.

Staff Recommendation: Hold open.

ISSUE 15: REAPPROPRIATION OF FUNDING REQUESTS

PANEL

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

PROPOSAL

The May Revision proposes reappropriation authority for the following programs:

Reappropriation of Funding for the CalWORKs Housing Support Program and Fraud Recovery Incentive Payments (Issue 420-MR)—It is requested that Item 5180-493 be amended to extend the availability of funds appropriated in the 2015 Budget Act for the Housing Support Program for an additional year. The 2015 Budget Act included $35 million General Fund for the program. Twenty-four counties were newly awarded grants in 2015-16 and require additional time to fully expend their allocations as they ramp up program activities. As such, amendments are proposed to reappropriate the 2015-16 funding until June 30, 2017. In addition, a technical change is requested to extend the availability of federal funds for fraud recovery incentive payments to counties until June 30, 2016.

Budget Bill Language associated with this request is as follows:

> "5180-493—Reappropriation, State Department of Social Services. The balances of the appropriations provided in the following citations are reappropriated ~~pursuant to Provision 1~~ <u>for the purposes provided for in those appropriations</u> and ~~are~~ <u>shall be</u> available for encumbrance or expenditure until June 30, 2017:
>
> <u>0001—General Fund</u>
> <u>(1) Item 5180-101-0001, Budget Act of 2015 (Chs. 10 and 11, Stats. 2015)</u>
> (1) <u>Funds allocated to counties pursuant to Provision 10 of Item 5180-101-0001 of the Budget Act of 2015 for housing support for those families in receipt of CalWORKs as required by Sections 11330 and 11330.5 of the Welfare and Institutions Code but unexpended as of June 30, 2016, shall be reappropriated for transfer to and in augmentation of the corresponding items in this act.</u>
>
> 0890—Federal Trust Fund
> (1) Item 5180-101-0890, Budget Act of 2011 (Ch. 33, Stats. 2011)
> (2) Item 5180-101-0890, Budget Act of 2012 (Chs. 21 and 29, Stats. 2012)
> (3) Item 5180-101-0890, Budget Act of 2013 (Ch. 20, Stats. 2013)
> (4) Item 5180-101-0890, Budget Act of 2014 (Ch. 25, Stats. 2014)

~~Provisions:~~

~~1.~~ (1) Funds for fraud recovery incentive payments earned by counties in accordance with subdivision (j) of Section 11486 of the Welfare and Institutions Code, but unexpended as of June 30, ~~2015~~ 2016 shall be reappropriated for transfer to and in augmentation of Item 5180-101-0890 of Section 2.00."

Reappropriation of Funding for Various Child Welfare Services Items (Issue 421-MR)—It is requested that Item 5180-492 be added to extend the availability of funds appropriated in the 2015 Budget Act for counties to perform various child welfare services administrative activities. The 2015 Budget Act appropriated $49 million General Fund for counties to comply with new state and federal child welfare services requirements. Counties require additional time to expend these funds. As such, language is proposed to reappropriate the 2015-16 funding until June 30, 2017.

Budget Bill Language associated with this request is as follows:

"5180-492—Reappropriation, Department of Social Services. The unexpended balances from the following citations are reappropriated for transfer to and augmentation of the following items and shall be available for encumbrance or expenditure until June 30, 2017:

0001—General Fund

(1) Up to $14,000,000 appropriated for the Commercially Sexually Exploited Children Program in Schedule (1) of Items 5180-151-0001 and 5180-153-0001 of the Budget Act of 2015 (Chs. 10 and 11, Stats. 2015) to Items 5180-151-0001 and 5180-153-0001 of Section 2.00 of the Budget Act of 2016.

(2) Up to $17,193,000 appropriated for the purpose of recruiting, retaining, and supporting foster care parents and relative caregivers in Schedule (1) of Items 5180-151-0001 and
5180-153-0001 of the Budget Act of 2015 (Chs. 10 and 11, Stats. 2015) to
Items 5180-151-0001 and 5180-153-0001 of Section 2.00 of the Budget Act of 2016.

(3) Up to $18,074,000 appropriated for Child Welfare Services Case Record Reviews, After 18 Supervised Independent Living Placement Infant Payment, After Terminated Guardianship, Sibling Visitation, and Strengthening Families Act in Schedule (1) of Items 5180-151-0001 and 5180-153-0001 of the Budget Act of 2015 (Chs. 10 and 11, Stats. 2015) to
Items 5180-151-0001 and 5180-153-0001 of Section 2.00 of the Budget Act of 2016."

STAFF COMMENT/QUESTIONS

The Subcommittee may wish to ask DSS about the circumstances around each of these reappropriation requests. Staff views these as largely technical to assist with the timely utilization of funds and no issues have been raised.

Staff Recommendation: Hold open.

ISSUE 16: MINIMUM WAGE IMPACTS ON VARIOUS PROGRAMS

PANEL

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

PROPOSAL

The Administration proposes the following program effects of the minimum wage increase recently signed into law.

1. **IHSS Minimum Wage Impact (Issues 422-MR and 423-MR)—**It is requested that Item 5180-111-0001 be increased by $18,433,000 and reimbursements be increased by $21,190,000 to reflect costs associated with Chapter 4, Statutes of 2016 (SB 3), which increases the state minimum wage from $10.00 to $10.50 per hour, effective January 1, 2017.

   The first in the series of sick leave days available to IHSS providers will start on July 1, 2018 and will have no impact to FY 2016-17. The impact to the IHSS Basic Services cost per hour in FY 2016-17 is $0.06 and would change the average cost per hour from $13.27 to $13.33. The increase will impact 36 counties in FY 2016-17 which are currently paying wages under $10.50.

   An administrative cost of $1.0 million total funds ($0.5 million GF) is included for sending notices of action to providers.

2. **CalWORKS Minimum Wage Impact (Issue 425-MR)—**It is requested that Item 5180-101-0001 be decreased by $457,000 and Item 5180-101-0890 be decreased by $5.5 million to reflect the impact of SB 3, which increases the state minimum wage from $10.00 to $10.50 per hour, effective January 1, 2017. Cases with working adults who have increased earnings as a result of the wage increase will have reduced grants. For cases that will income off of CalWORKs due to the increase in earnings, there will be a decrease to grant, administration and services costs. These cases would experience an increase in wages during the second half of 2016-17. There will be a total savings of approximately $6.0 million ($0.46 million GF) due to the half-year increase of the minimum wage to $10.50 in FY 2016-17.

   Approximately 2,036 cases will income off of CalWORKs due to increased earnings as a result of the wage increase to $10.50 an hour beginning January 2017. Each month, an average of 17,408 cases will receive a lower CalWORKs grant amount as a result of having higher earnings.

3. **California Food Assistance Program Minimum Wage Impact (Issue 424-MR)—**It is requested that Item 5180-101-0001 be decreased by $159,000 to reflect the impact of SB 3, which increases the state minimum wage from $10.00 to $10.50 per hour, effective January 1, 2017.

BACKGROUND

Senate Bill (SB) 3 (Chapter 4, Statutes of 2016), which was signed into law on April 4, 2016, provides incremental increases to the state minimum wage up to $15 by January 1, 2022, as well as an annual, automatic adjustment commencing January 1, 2023. The adjustment would be calculated using the Consumer Price Index.

STAFF COMMENT/QUESTIONS

The Subcommittee requests that the Administration testify briefly to these May Revision proposals. Staff raises no issues with these requests that are effects of SB 3 implementation.

Staff Recommendation: Hold open.

ISSUE 17: CASELOAD ADJUSTMENTS

PANEL

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

PROPOSAL

The May Revision includes updates to caseload for programs. The following includes detail on major programs and the table indicates the technical changes being sought by the Administration that align with these.

IHSS. The IHSS average monthly paid caseload for the 2016 May Revision reflect a continued growth in caseload compared to what was projected in the 2016-17 Governor's Budget. The projected caseload increased in 2015-16 from 463,537 to 467,099 and for 2016-17 from 489,775 to 490,797.

SSI/SSP. The SSI/SSP caseload is described in Issue 8 of this agenda.

CalWORKs. The 2016 May Revision includes $5.5 billion in total funding for the core CalWORKs program in FY 2015-16, a $52.4 million net increase ($24.0 in Temporary Assistance for Needy Families [TANF]/GF) from the previous estimate. The expenditure increase is primarily due to an increase in basic grant costs, funding more individuals at a higher average grant per person. These revised expenditures are, however, still lower than the costs in the 2015-16 enacted budget as the revised caseload continues to represent a steeper decline than the projection at that time. In 2015-16, the CalWORKs caseload is projected to decline by 6.2 percent from the previous to 502,159 average monthly cases.

The 2016-17 includes $5.2 billion in total funding for the core CalWORKs program, a decrease of $28.7 million ($311.0 million decrease in TANF/GF) from the 2016-17 Governor's Budget. The CalWORKs caseload is projected to decline by another 3.2 percent to 485,851 average monthly cases in 2016-17. This represents a 2.2 percent steeper decline than projected in the 2016-17 Governor's Budget projection. The substantial decrease in TANF/GF is driven by a $278.5 million increase in Subaccount funding for CalWORKs grants.

CalFresh. The non-assistance CalFresh caseload is projected to increase 3.2 percent in 2016-17, which represents a 6.2 percent slower caseload growth than the previous projection. The CalFresh program is projected to reach an average of 2.1 million total households in 2015-16 and 2.2 million total households in 2016-17.

May Revision Caseload Adjustments (Issues 401-MR and 402-MR)—The May Revision proposes a net increase of $161,243,000 (increases of $81,380,000 General Fund, $375,460,000 reimbursements, $1,053,000 Child Support Collections Recovery Fund, $164,000 State Children's Trust Fund, partially offset by a decrease of $296,814,000 Federal Trust Fund) primarily resulting from updated caseload estimates since the Governor's Budget. Realigned programs are displayed for the purpose of federal fund and other technical adjustments. Caseload and workload changes since the Governor's Budget are displayed in the following table:

Program	Item	Change from Governor's Budget
California Work Opportunity and Responsibility to Kids (CalWORKs)	5180-101-0001 5180-101-0890 Reimbursements	-$32,628,000 -$264,811,000 $14,000
Kinship Guardianship Assistance Payment	5180-101-0001	-$1,295,000
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	5180-111-0001	-$39,826,000
In-Home Supportive Services (IHSS)	5180-111-0001 Reimbursements	$184,401,000 $415,908,000
Other Assistance Payments	5180-101-0001 5180-101-0890	-$2,670,000 -$33,000
County Administration and Automation Projects	5180-141-0001 5180-141-0890 Reimbursements	-$28,487,000 -$49,295,000 $59,711,000
Community Care Licensing	5180-151-0001 5180-151-0890	-$1,430,000 -$165,000
Special Programs	5180-151-0001	$35,000
Realigned Programs		
Adoption Assistance Program	5180-101-0001 5180-101-0890	-$23,000 $1,008,000
Foster Care	5180-101-0001 5180-101-0890 5180-101-8004 5180-141-0001 5180-141-0890	$132,000 $3,603,000 $1,053,000 $3,000 -$182,000
Child Welfare Services (CWS)	5180-151-0001	$3,054,000

Program	Item	Change from Governor's Budget
	5180-151-0803 5180-151-0890 Reimbursements	$164,000 $11,663,000 -$110,598,000
Title IV-E Waiver	5180-153-0001 5180-153-0890	$114,000 $1,398,000
Adult Protective Services	Reimbursements	$10,425,000

STAFF COMMENT/QUESTIONS

The Subcommittee requests that the Administration testify briefly to these May Revision changes. Staff raises no issues with these requests.

Staff Recommendation: Hold open.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES – MAY REVISION PROPOSALS

ISSUE 18: MAY REVISION CHANGES

PANEL

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

PROPOSAL

The May Revision includes the following requests for the Department of Child Support Services (DCSS):

Department of Child Support Services May Revision Estimate (Issue 401-MR)—It is requested that Item 5175-101-8004 be decreased by $407,000 and Item 5175-101-0890 be increased by $407,000 to reflect a projected increase in Federal Performance Incentive Funds and a corresponding decrease in Child Support Collection Recovery Funds.

Child Support Non-Custodial Parent Employment Demonstration Project Carryover (Issue 403-MR)—It is requested that Item 5175-101-0890 be increased by $587,000 to reflect the estimated amount of unspent federal Child Support Non-Custodial Parent Employment Demonstration Project funds carried forward to fiscal year 2016-17. These one-time grant funds will be used to continue efforts to engage low-income non-custodial parents with job placement and retention, provide child support case management, and provide parenting peer support. The unspent funds result from a projected decrease in 2015-16 enrollment in the demonstration project.

BACKGROUND

The DCSS issues were heard by the Subcommittee on March 30, 2016. Please see that agenda for background on DCSS, its budget, and programs.

STAFF COMMENT/QUESTIONS

The Subcommittee requests that the Administration testify briefly to these May Revision changes. Staff raises no issues with these requests.

Staff Recommendation: Hold open.

0530 HEALTH AND HUMAN SERVICES AGENCY – MAY REVISION PROPOSALS

ISSUE 19: CALHEERS AND CALIFORNIA OFFICE OF HEALTH INFORMATION INTEGRITY MAY REVISION PROPOSALS

PANEL

- Health and Human Services Agency
- Department of Finance
- Legislative Analyst's Office
- Public Comment

PROPOSAL

The May Revision includes the following requests for the Health and Human Services Agency (HHSA):

California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) (Issue 401-MR)— It is requested that Item 0530-001-9745 (California Health and Human Services Automation Fund) be decreased by $1,641,000 to align the Office of Systems Integration's expenditure authority with the revised CalHEERS project costs for fiscal year 2016-17. Conforming changes to Budget Bill language is also proposed to Provision 3 of this Item, pursuant to the following:

> **Amendment to Provision 3 of Item 0530-001-9745:**
>
> "3.(a) Of the funds appropriated in this item, ~~$170,731,000~~ $169,090,000 is for the support of activities related to the California Healthcare Eligibility, Enrollment, and Retention System project also known as CalHEERS. Expenditure of these funds is contingent upon review and approval of a plan submitted to the Director of Finance.
>
> (b) The Director of Finance may augment this item above the amount specified in subdivision (a) contingent upon review and approval of a revised plan submitted to the Director of Finance."

Use, Disclosure, and Protection of Specially Protected Health Information (Issue 400-MR)—It is requested that Item 0530-017-0942 (Special Deposit Fund) be added to reflect the anticipated receipt of an $800,000 grant awarded by the California Healthcare Foundation. These one-time funds will be used by the California Office of Health Information Integrity to secure subject matter expert consultants to assist in the development of guidance for non-state organizations, local governments, health care providers, Health Information Exchange entities, and other stakeholders. The guidance will clarify federal and state laws pertaining to the use, disclosure, and protection of health information in the areas of mental health, substance abuse, HIV/AIDS, and behavioral health to help ensure compliance with health information privacy laws in these areas of care. The grant is expected to be awarded in late June 2016.

The proposed Budget Bill language associated with this change is as follows:

> "0530-017-0942—For support of Secretary of California Health and Human Services, payable from the Special Deposit Fund ……………………….…………… 800,000
>
> Schedule:
> (1) 0285-California Office of Health Information Integrity (CALOHII……… 800,000"

BACKGROUND

CalHEERS issues were heard by the Subcommittee previously on May 9, 2016. Please see that agenda for background information.

While CalOHII has developed guidance for state departments around the use and exchange of sensitive health information, the state has not produced guidance for non-state organizations, local governments, providers, health information exchange (HIE) entities, and other stakeholders. There are unclear areas in state law surrounding sensitive health information due to inconsistent language, outdated laws adopted before current technologies existed, lack of case law, high liability, lack of regulation, and no formalized policy or guidance from the State clearly explaining how the State interprets its laws. These non-state entities need guidance that clarifies state policy on sensitive health information to eliminate confusion and perceived barriers that serve as obstacles to exchanging this type of information. Most types of health information can be exchanged between providers for treatment purposes without consent from the patient. T here are greater consent restrictions for substance abuse and other sensitive categories of information. State guidance synthesizing all the federal and state requirements with a unified interpretation of those laws and patient protections around sensitive health information will aid in the exchange of this information.

STAFF COMMENT/QUESTIONS

The Subcommittee requests that the Administration testify briefly to these May Revision changes. Staff raises no issues with these requests.

Staff Recommendation: Hold open.