CONSENT ITEMS

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## CONSENT ITEMS

### 5175 DEPARTMENT OF CHILD SUPPORT SERVICES

#### CONSENT ISSUE 1: CHILD SUPPORT SERVICES MAY REVISION FISCAL LETTERS

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<th>Proposal Number</th>
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<tbody>
<tr>
<td>California Child Support Automation System (CCSAS) (May Revision Issue 001)</td>
<td>Requests $27.3 million ($6.8 million General Fund) to funds CCSAS. Of this amount, $18,194,000 ($6,186,000 GF) is to perform interface modifications on two existing county consortia local automation systems that are necessary for federal certification and $9,120,000 federal fund expenditure authority is to provide federal matching funds for additional CCSAS costs for its partner on the project, the Franchise Tax Board.</td>
<td>Adopt May Revision Fiscal Letter</td>
</tr>
<tr>
<td>CCSAS Related Budget Bill Language (May Revision Issue 006)</td>
<td>Requests Budget Bill Language that grants The Department of Finance (Finance) authority to augment the DCSS’s budget subject to 30-day legislative notification and contingent upon Finance review and approval of a Special Project Report document.</td>
<td>Adopt May Revision Fiscal Letter</td>
</tr>
<tr>
<td>CCSAS and Consortia System Conversion Funding (May Revision Issue 002)</td>
<td>Budget Bill language is proposed to reappropriate prior-year funds for the Consortia System Conversion. The Budget Act of 2003 included $807,000 ($711,000 GF) to convert two county consortia systems to a third system under CCSAS Version I. Due to a revision in the project schedule, this activity will occur in 2004-05. Therefore, it is requested that Item 5175-490 be added to reappropriate the $807,000 ($711,000 GF) for the same purpose in 2004-05.</td>
<td>Adopt May Revision Fiscal Letter</td>
</tr>
<tr>
<td>Federal Incentive Funding (May Revision Issue 003)</td>
<td>Requests $888,000 General Fund to reflect the State’s receipt of less federal incentives than projected in the January Budget. The Governor’s Budget assumed the receipt of $48,108,000 in federal child support incentives for local administration in 2004-05. Based on federal fiscal year 2003 actual performance data, the State anticipates receiving $888,000 less in federal incentives</td>
<td>Adopt May Revision Fiscal Letter</td>
</tr>
</tbody>
</table>
### Electronic Data Processing (EDP) Equipment Depreciation (May Revision Issue 004)

Requested $440,000 General Fund to provide backfill for the deferred federal financial participation. The Governor’s Budget included $123,966,000 ($42,149,000 GF) for EDP maintenance and operations costs. The DCSS has been informed by the federal Administration of Children and Families that federal financial participation requested for federal fiscal year 2005 for hardware equipment costs needs to be claimed over a five-year period pursuant to federal depreciation rules.

Adopt May Revision Fiscal Letter

### Child Support Recovery Fund (CSRF) (May Revision Issue 005)

Makes technical adjustments to the spending authority to the Child Support Recovery Fund appropriation to reflect the transfer of federal foster care funds.

Adopt May Revision Fiscal Letter

### Reversion of Child Support Administration Funding (May Revision Issue 007)

Revert a net GF savings of $715,000 in 2003-04. The DCSS has realized a net current year savings of $715,000 GF due to a lower than estimated payment for the Alternative Federal Penalty and increased federal incentives for regular Child Support Program activities.

Adopt May Revision Fiscal Letter

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### CONSENT ISSUE 2: SOCIAL SERVICES MAY REVISION FISCAL LETTERS

<table>
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<tr>
<th>Proposal Number</th>
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<tr>
<td>Increased Federal Financial Participation (FFP) for the Case Management Information and Payrolling System (CMIPS)—Issue 060</td>
<td>Saves $293,000 General Fund from the receipt of additional federal funds for CMIPS activities that were previously funded with General Fund.</td>
<td>Adopt May Revision Fiscal Letter</td>
</tr>
<tr>
<td>Community Care Licensing: Department of Justice (DOJ) Criminal Background Clearance—Issue 095</td>
<td>Requests $334,000 Federal Trust Fund and 1.0 position for an interagency agreement between the DHS, the DSS, and the DOJ for information system changes, staff, and equipment to support conviction information processing for individuals licensed by the DHS Licensing and Certification program and the DSS Community Care Licensing Division.</td>
<td>Adopt May Revision Fiscal Letter</td>
</tr>
<tr>
<td>Community Care Licensing Compensation Adjustments—Issue 098</td>
<td>Requests and additional $678,000 Federal Trust Fund to upgrade 87.8 supervisory positions to appropriately reflect the scope of their responsibilities and to fill a portion of</td>
<td>Adopt May Revision Fiscal Letter</td>
</tr>
<tr>
<td><strong>SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES</strong></td>
<td>MAY 17, 2004</td>
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<td><strong>the vacant positions in the Community Care Licensing program. The Department of Personnel Administration has directed the DSS to reconfigure the class series used for its field operations managers and supervisors in order to correct the disparity in its supervisory classifications.</strong></td>
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</tr>
<tr>
<td><strong>Caseload Adjustment for Assistance Payments—Issue 101</strong></td>
<td>Makes technical changes to the CalWORKs, Foster Care, Adoptions Assistance, CFAP and other local assistance program budget items to reflect updated caseload trends.</td>
<td>Adopt May Revision Fiscal Letter</td>
</tr>
<tr>
<td><strong>Transitional Food Stamp Benefits</strong></td>
<td>Senate Action restored $1.8 million General Fund and rescinded the Governor's Budget proposal to repeal legislation that expanded eligibility for the Transitional Food Stamp program. This would increase the number of individuals and families eligible for the federal Food Stamp program and CFAP benefits. Additionally, this legislation would allow families to spend income that otherwise would have been spent on food to be spent on other items, including taxable goods. These purchases are estimated to generate ongoing annual revenue of $4.5 million General Fund, which outweighs the cost of the legislation. The May Revision proposes to rescind this January Budget.</td>
<td>Conform to Senate</td>
</tr>
<tr>
<td><strong>Retroactive Applicability of Rosales v. Thompson—Issue 200</strong></td>
<td>Requests $2,354,000 General Fund and $20,245,000 federal funds for foster care and Adoption Assistance payments due to the retroactive applicability of the final Rosales v. Thompson court decision. That decision broadened federal Title IV-E foster care eligibility and authorized retroactive benefits for eligible cases back to December 1997</td>
<td>Adopt May Revision Fiscal Letter</td>
</tr>
<tr>
<td><strong>Title IV-E Child Support Collections—Issue 503</strong></td>
<td>Decreases Federal Trust Funds by $13,063,000 to offset the creation of a new Item 5180-101-8004 to correctly reflect the expenditure of federal child support collections received from the Department of Child Support Services (DCSS) for the Foster Care program. It is also requested that language be added to Item 5180-101-0001 to authorize the Department of Finance (Finance) to increase or decrease the expenditure authority in this Item and Item 5180-101-0890, based on the actual federal child support collection</td>
<td>Adopt May Revision Fiscal Letter</td>
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<tr>
<td>Issue</td>
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<td>Fiscal Letter</td>
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<tr>
<td>Issue 111</td>
<td>Caseload Adjustments for Supplemental Security Income/State Supplementary Payment (SSI/SSP) and IHSS Programs</td>
<td>Adopt May Revision Fiscal Letter</td>
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<tr>
<td>Issue 160</td>
<td>Increased FFP for the CMIPS</td>
<td>Adopt May Revision Fiscal Letter</td>
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<tr>
<td>Issue 141</td>
<td>Caseload Adjustments for County Administration and Automation Projects</td>
<td>Adopt May Revision Fiscal Letter</td>
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<tr>
<td>Issue 200</td>
<td>Retroactive Applicability of Rosales v. Thompson</td>
<td>Adopt May Revision Fiscal Letter</td>
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<tr>
<td>Issue 151</td>
<td>Caseload Adjustments for Social Services Programs</td>
<td>Adopt May Revision Fiscal Letter</td>
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<td>Issue 105</td>
<td>CalWORKs Reserve for Contingencies</td>
<td>Adopt May Revision Fiscal Letter</td>
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Revenues deposited in the Child Support Collections Recovery Fund, pursuant to the provisions of Section 28.00.

Requests $177,207,000 (an increase of $178,886,000 Reimbursements and a decrease of $1,679,000 General Fund) to reflect the following changes:

- **SSI/SSP**—Total program expenditures for the SSI/SSP are projected to be $19,254,000 General Fund above the level reflected in the Governor’s Budget. The increase is due to an increased caseload projection.
- **IHSS**—Total changes to the Governor’s Budget include a decrease of $20,933,000 General Fund and an increase of $178,886,000 Reimbursements. The General Fund decrease is primarily due to a reduced caseload projection.

Saves $886,000 General Fund by using federal funds in lieu of federal funds for CMIPS reprocurement efforts.

Makes technical changes to local assistance program budget items to reflect updated caseload trends.

Requests $1,474,000 General Fund and $1,733,000 Federal Trust Fund is foster care administration due to the retroactive applicability of the final Rosales v. Thompson court decision.

Makes technical changes to Adult Programs, Child Welfare, and Licensing local assistance program budget items to reflect updated caseload trends.

Increases the total TANF reserve from $210,080,000 to $162,191,000 primarily to reflect a decreased need for the Stage 1 and Stage 2 child care holdback and a redirection to Stage 2 child care to fund additional services for 11- and 12- year olds.
## CONSENT ISSUE 3: AUTOMATION MAY REVISION FISCAL LETTERS

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<tr>
<td>Operations Increased Workload—Issue 211</td>
<td>Requests an increase of $843,000 in expenditure authority and 8.2 positions to reflect an increase in workload during the current year and the workload is expected to be ongoing.</td>
<td>Adopt May Revision Fiscal Letter</td>
</tr>
<tr>
<td>Operations Support for Projected Workload Increase—Issue 212</td>
<td>Requests an increase of $1,317,000 in expenditure authority and 4.0 positions to meet the projected rate of growth in utilization of data storage activities.</td>
<td>Adopt May Revision Fiscal Letter</td>
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## CONSENT ISSUE 4: AGING MAY REVISION FISCAL LETTERS

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| Older American’s Act (OAA) Program Funding—Issue 200 | Requests $2.6 million in additional federal funds to reflect a net increase in federal Older Americans Act funding. The adjustment  
  - Reduction of $54,000 for Supportive Services (Title IIIB).  
  - Increase of $33,000 for Congregate Nutrition (Title III-C-1).  
  - Increase of $86,000 for Home-Delivered Nutrition (Title III-C-2).  
  - Increase of $10,000 for the Preventive Health program (Title III-D).  
  - Increase of $1,293,000 and one position for Family Caregiver Support (Title III-E).  
  - Increase of $105,000 for the Ombudsman program (Title VII-A).  
  - Increase of $3,000 for Elder Abuse Prevention (Title VII-B).  
  It is anticipated that the 25 percent nonfederal match will be provided by the Area Agencies on Aging and existing State funding, which is already budgeted. | Adopt May Revision Fiscal Letter |
| Aging and Disability Resource Centers—Issue 201 | Requests $267,000 to reflect a net increase in federal funding for a federal grant from the Aging and Disability Resource Center Program (ADRCP) to develop two “one-stop” aging and disability resource centers. The CDA has received a three-year grant totaling $800,000 to develop these two resource centers. The grant requires a 5 percent cash or nonfinancial match, which would be provided by the two local agencies that would develop the resource centers. At the end of the grant award period, the programs would be dissolved unless additional federal funds were provided for this purpose. | Adopt May Revision Fiscal Letter |
### CONSENT ISSUE 5: CHILD CARE MAY REVISION FISCAL LETTERS

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<tr>
<td><strong>Update Fall Estimates for CalWORKs Stage 2 and Stage 3 (Issue 358)</strong></td>
<td>Requests that funding for CalWORKs Stage 2 be decreased by $53,988,000 in federal funds to reflect revised caseload estimates. This action will decrease the transfer from Temporary Assistance for Needy Families (TANF). The estimated average monthly caseload in Stage 2 has decreased from 93,900, to 86,700. It is also requested that funding for CalWORKs Stage 3 be decreased by $45,049,000 Proposition 98 General Fund to reflect a decrease in projected average monthly caseload since the January estimate, from 59,900, to 52,700</td>
<td>Accept May Revision Fiscal Letter</td>
</tr>
<tr>
<td><strong>Education Code Section 8278 General Fund Carryover (Issue 374)</strong></td>
<td>Requests that the expenditure of General Fund carryover pursuant to Education Code Section 8278 be increased by $5,411,000 to reflect an estimated increase in available funds. It is proposed that these funds be made available for CalWORKs Stage 2 child care.</td>
<td>Accept May Revision Fiscal Letter</td>
</tr>
<tr>
<td><strong>Decrease Expenditure Authority for CalWORKs Carryover Funds (Issue 365)</strong></td>
<td>Requested that expenditure authority for $4,436,000 Proposition 98 General Fund and $3,136,000 federal fund from 2002-03 CalWORKs carryover savings be deleted, as these funds will not materialize as originally expected in the Governor’s Budget.</td>
<td>Accept May Revision Fiscal Letter</td>
</tr>
<tr>
<td><strong>One-time Funding for CalWORKs Stage 3 (Issue 364)</strong></td>
<td>Requests a decreased of $27,323,000 Proposition 98 General Fund and amended to reflect the replacement of this funding with additional one-time federal fund sources that are now available for support of Stage 3.</td>
<td>Accept May Revision Fiscal Letter</td>
</tr>
<tr>
<td><strong>Reappropriation for CalWORKs Stage 2 (Issues 366 and 368)</strong></td>
<td>Requested that unspent prior-year Stage 2 funds be reappropriated, for support of Stage 2 in 2004-05 (Issue 366).</td>
<td>Accept May Revision Fiscal Letter</td>
</tr>
<tr>
<td><strong>Reappropriation for CalWORKs Stage 3 (Issue 367)</strong></td>
<td>Requests that $18.6 million of current year Stage 3 savings be reappropriated for support of Stage 3 in 2004-05 to offset Proposition 98 General Fund need.</td>
<td>Accept May Revision Fiscal Letter</td>
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## Vote-Only Items

### 5180 Department of Social Services

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<td>Vote Only</td>
<td>Technical Correction: Administrative Support for the State Council on Developmental Disabilities (SCDD)—Issue 005</td>
<td>Adopt May Revision Fiscal Letter</td>
</tr>
<tr>
<td>Issue #1</td>
<td>Decreases reimbursements to fund DSS positions that provide administrative support for the SCDD to account for $162,000 in reimbursement authority that was already included in the DSS budget for the same purpose.</td>
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<tr>
<td>Vote Only</td>
<td>Community Challenge Grants—Issue 107</td>
<td>Adopt May Revision Fiscal Letter</td>
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<tr>
<td>Issue #2</td>
<td>Requests $20.0 million TANF Funds to restore the Community Challenge Grants in the DHS budget. By promoting responsible parenting and reducing the number of teenage and unintended pregnancies, this program assists in offsetting future costs associated with welfare dependency.</td>
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<tr>
<td>Vote Only</td>
<td>Restore Funding for AB 231</td>
<td>Conform to Senate</td>
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<tr>
<td>Issue #3</td>
<td>Senate Action restored $340,000 General Fund and rescinded the Governor's Budget proposal to repeal legislation, AB 231 (Steinberg), that expanded eligibility for the Food Stamp program. This would increase the number of individuals and families eligible for the federal Food Stamp program and CFAP benefits. Additionally, this legislation would allow families to spend income that otherwise would have been spent on food to be spent on other items, including taxable goods. The May Revision proposes to rescind this January Budget.</td>
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Items To Be Heard

4260 Department of Health Services
5180 Department of Social Services

ISSUE 1: IN HOME SUPPORTIVE SERVICES (IHSS) RESIDUAL AND SHARED DOMESTIC SERVICES WAIVERS

The May Revision assumes that the federal waiver provides federal participation in the IHSS Residual program.

BACKGROUND:

The May Revision assumes that the State receives a federal waiver that would result in federal participation in the IHSS Residual program. This proposal replaces the January budget proposal to eliminate the IHSS Residual program. The May Revision assumes $208 million in savings from the additional federal participation. In addition, the May Revision restores the funding to continue the IHSS residual program in the budget year.

The May Revision also requests $734,000 ($367,000 General Fund and $367,000 Reimbursements) and 9.5 positions (9.0 personnel years) to implement and manage the Independence Plus Waiver Demonstration Project for the IHSS program. This Waiver would allow the State to claim federal Medicaid matching funds for expenditures currently funded under the State-only IHSS Residual Program. The DSS and the Department of Health Services (DHS) would be responsible for new oversight and reporting functions that would be required under the Waiver to ensure enhanced FFP.

The May Revision also requests $80,917,000 ($26,298,000 General Fund and $54,619,000 Reimbursements) due to delayed implementation of the Governor’s Budget proposal to eliminate domestic and related services for IHSS recipients who live with their family members, when the need for these services is provided in common with other household members. In order to implement this proposal, the May Revision proposes to pursue a federal waiver of a rule requiring comparability between services provided to different recipient groups. Due to the time required to draft this waiver, await federal approval, and notify counties of resulting changes, none of the $26.3 million in General Fund savings included in the Governor’s Budget will be achievable in 2004-05. This proposal requires trailer bill language.
TRAILER BILL:

IHSS Residual Waiver:

The May Revision proposes Trailer Bill in the Department of Health's budget that would give the administration broad discretion over the IHSS Residual program and its scope. The language includes the following provisions:

In-Home Supportive Services Waiver

(a) It is the intent of the Legislature to authorize the transition of the benefits available under the In-Home Supportive Services program set forth in Article 7 (commencing with Section 12300) of Chapter 3, hereinafter referred to as the Residual program, into a Medicaid waiver under the federal Social Security Act.

(b) To the extent feasible, the waiver described in (a) shall incorporate the eligibility requirements, benefits, and operational requirements of the Residual program as it existed on the effective date of this section. The Director shall have discretion to modify such eligibility requirements, benefits, and operational requirements as needed to secure approval of the Medicaid waiver.

(c) Upon approval of the waiver and to the extent federal financial participation is available, the benefits previously available through the Residual program shall be furnished through the waiver to persons who meet the eligibility requirements of the waiver. Such benefits shall be limited by the terms and conditions of the waiver and by the availability of federal financial participation.

(d) Upon implementation of the waiver, the Residual program shall be terminated and benefits and services shall no longer be available thereunder.

(e) The director may adopt regulations as are necessary to implement this section. These regulations shall be adopted as emergency regulations in accordance with the rulemaking provisions of the Administrative Procedure Act, Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. For purposes of this section, the adoption of regulations shall be deemed an emergency and necessary for the immediate preservation of the public peace, health, and safety or general welfare.

(f) As an alternative to subdivision (e), and notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, the department may implement, interpret or make specific this section by means of all county letters, provider bulletins, or similar instructions. Thereafter, the department may adopt regulations in accordance with the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.
Shared Domestic Services

The following language is proposed:

Notwithstanding any other provision of State law and to the extent permissible under federal law, beginning on the first day of the first full month after 90 days following the effective date of the act that adds this section, the state shall not pay for domestic and related services provided to a recipient who resides with a family member when the services are for a need that is shared in common by the recipient and the family member, except under any of the following circumstances:

(a) The recipient resides only with minor children.
(b) The need cannot be met in common.
(c) There is substantiation that the other family members in the home are unable to provide the services.

COMMENTS:

Although the May Revision proposal does restore funding for the IHSS Residual program, the proposed Trailer Bill Language would allow the Administration to make significant policy decisions with no legislative oversight.
5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 2: IHSS QUALITY ASSURANCE INITIATIVE

The Administration proposes an IHSS Quality Assurance Initiative.

BACKGROUND:

The May Revision includes an IHSS Quality Assurance Initiative that would result in general fund savings by improved training and additional oversight at the State level.

The May Revision Requests $1,724,000 ($862,000 General Fund and $862,000 Reimbursements) and 18.0 positions (17.1 personnel years) is requested to implement an IHSS QA Initiative. Under this proposal, State staff would perform fraud investigation activities, monitor QA activities performed by county staff, train State monitoring staff, establish a statewide training contract and training academy for county staff, and develop program integrity strategies. The Initiative would also implement authorization controls for protective supervision. Savings resulting from this Initiative would more than support the requested funding for positions.

The May Revision includes a decrease of $14,922,000 General Fund to reflect implementation of an IHSS QA Initiative, which is estimated to decrease assessed hours for protective supervision services by 25 percent beginning in September 2004, and 5 percent for all other services beginning in February 2005. Annual ongoing savings are estimated to be $92.3 million General Fund beginning in 2006-07.
TRAILER BILL LANGUAGE:

The May Revision proposes Trailer Bill Language that would give the Department of Social Services broad authority to implement the QA Initiative through a regulatory process. The proposed language is as follows:

(a) On or after July 1, 2004 the State Department of Social Services shall implement a quality assurance initiative for the In-Home Supportive Services program. The initiative may include:
   (1) Use of a variable intervals for reassessment of recipients;
   (2) Use of standardized hourly task guidelines;
   (3) Implementation of a county-level quality review function;
   (4) Enhancement of the existing department Evaluation and Integrity Unit;
   (5) Use of data matches to identify variance in expected service usage by recipients; and
   (6) Requirement that recipients and service providers sign timesheets under penalty of perjury.

(b) Notwithstanding the provisions of the Administrative Procedure Act, Chapter 3.5 (commencing with Section 1340) of Part 1 of Division 3 of Title 2 of the Government Code, the department may implement the initiative through all-county letter or similar instructions from the director.

(c) The director shall adopt regulations, as otherwise necessary, to implement applicable quality assurance provisions. Emergency regulations to implement the applicable provisions of this chapter may be adopted by the director in accordance with the Administrative Procedure Act. The adoption of emergency regulations shall be deemed to be an emergency and necessary for the immediate preservation of the public peace, health, safety, or general welfare.

(d) Emergency regulations shall be exempt from review by the Office of Administrative Law. The emergency regulations authorized by this section shall be submitted to the Office of Administrative Law for filing with the Secretary of State and shall remain in effect for no more than 180 days.

COMMENTS:

93 percent of the estimated savings is attributed to the elimination of 3,000 Protective Supervision Cases: The budget assumes that 3,000 current protective supervision cases will lose eligibility for IHSS on September 1, 2004, resulting in $54.2 million ($35.2 million General Fund) budget year savings. The Trailer Bill proposes that counties verify that all protective supervision clients have the medical need for the services. For the proposed savings to be realized, over 27 percent of the current protective supervision caseload would have to lose eligibility due to reassessment.
Very little additional resources are provided to counties: Although counties will receive additional resources to improve the quality of their IHSS program, for most counties the amount of resources may not be sufficient to make a difference in the program’s performance. The chart below details that proposed staffing that counties would receive for IHSS Quality Assurance:

<table>
<thead>
<tr>
<th>Caseload</th>
<th>Number of Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 1,000</td>
<td>0.25</td>
</tr>
<tr>
<td>1,000-5,000</td>
<td>0.5</td>
</tr>
<tr>
<td>5,000-10,000 Cases</td>
<td>1.0</td>
</tr>
<tr>
<td>10,000+</td>
<td>2.0</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>7.0</td>
</tr>
</tbody>
</table>

The May Revision projects only $3.7 million ($1.4 million General Fund) in savings from the reassessment activities.

Out-year savings estimate seem too aggressive: The data provided to staff so far suggests that counties with larger caseloads tend to have less quality and training related savings. The $92.3 million level of saving projected in the budget is about 9 percent of the total budget for IHSS, a much higher level than the data suggests.

Other options for savings may be available: The State may be able to save additional General Fund by increasing the frequency of assessments for IHSS recipients that receive care due to a temporary health condition.
The May Revision proposes several changes to the Foster Care Reform cited in the January Budget. The May Revision contains language and detail to the January proposal and increases the total budget year savings to $32.4 million General Fund. Of that savings amount $17.2 million results for caseload decline “attributed to the success of current redesign and AB 636 activities” and $15.2 million results from the proposed policy changes.

**BUDGETARY SAVINGS FROM POLICY CHANGES PROPOSED IN FOSTER CARE REFORM:**

- **Reduce rates for non-related legal guardians (NRLG) appointed by the Probate Court to establish equity with relatives caring for dependent children** -- Statute now provides that children unknown to Child Welfare Services with NRLGs appointed by the Probate Court and not at risk of abuse or neglect receive full Foster Care (FC) basic rates. However, relatives caring for abused and neglected dependent children that do not satisfy federal requirements are only eligible for the lower CalWORKs program grant. To equalize benefits for these relative and non-relative providers, this proposal would reduce FC grants for NRLGs to CalWORKs levels. This proposal is expected to result in BY savings of $9.8 million GF.

- **Standardize FFA rates** -- There are five FFAs with "grandfathered" rates that are higher than other FFAs statewide. This proposal will reduce these FFAs rates to the current schedule and will result in BY savings of approximately $.7 million GF.

- **Eliminate supplemental group home and foster family agency (FFA) Financial Audit reimbursements** -- As one part of a larger initiative to increase the accountability of foster care providers, and recognizing that audit costs are a standard and unavoidable cost of doing business, this proposal would discontinue the supplemental State reimbursement now available over and above the basic group home and FFA rates for group home and FFA audit costs. This proposal would result in BY savings of approximately $.2 million General Fund (GF).
• Require only annual redeterminations of eligibility for Foster Care grants -- State regulations currently require twice annual redeterminations of FC eligibility, but federal rules require only annual redeterminations. This proposal would change state statute to require only annual foster care eligibility redeterminations and will result in BY savings of $4.5 million GF.

SIGNIFICANT FOSTER CARE POLICY PROPOSALS WITH NO PROJECTED BUDGET YEAR SAVINGS:

The May Revision also contains language that would significantly change the foster care program:

Proposed language would pay relative foster care providers less in future years

(f) Notwithstanding any other provision of law, effective July 1, 2006, foster care relative providers caring for a child placed in foster care pursuant to Welfare and Institutions code 361.2(e) will be paid a rate equivalent to a CalWORKs payment paid to a non-needy caretaker relative under Welfare and Institutions Code Section 11450(a)(1) four years after the date of placement with the relative. The payment shall be equivalent to a CalWORKs payment to a non-needy caretaker relative with an assistance unit of one based on the respective maximum aid payment region and exempt status. In cases in which there is more than one AFDC-FC eligible child living with the nonrelated legal guardian, the determination of the equivalent CalWORKs payment shall be based on a combined assistant unit.

(1) Notwithstanding the provisions of (f), for children already in placement with the relative for two or more years on the effective date of this section, no rate action pursuant to this section shall be taken for two years.

Performance-Based Contracting Language is vague and requires only reporting to the Legislature (excerpted below)

(b) The Department, in consultation with the counties, representatives of group homes and foster family agencies, and representatives of child advocacy organizations, shall develop for implementation in participating counties a performance-based system for foster care which may include payment and reimbursement provisions for group home and foster family agencies that promotes child outcomes that are consistent with the outcomes established in AB 636 and with the terms of the Federal Title IV-B Program Improvement Plan.

(c) Prior to implementation of the Group Home and Foster Family Agency Performance Based Outcome Pilot Project in participating counties, the department shall submit a report to the Legislature that shall include, but may not be limited to the following:

(1) A description of the Project;
(2) The number of children expected to be served by the Project;
(3) The number of counties expected to participate in the Project;
(4) The number of group homes and foster family agencies expected to participate in the Project;
(5) Total estimated expenditures, by source of funds, for the project, as well as estimated savings due to operation of the Project;
(6) The estimated impact of the project on child safety and well being factors;
(7) The estimated impact of the project on family preservation;
(8) The estimated impact of the project on local community based service entities;
(9) The projected impact of the project on Federal program compliance and eligibility for Federal financial participation;
(10) County and stakeholder reaction to the Project.
ADDITIONAL STATE STAFFING:

Foster Care Project Staff
The May Revision requests an increase of $1,170,000 ($726,000 General Fund and $444,000 Federal Trust Fund) and 6.5 limited-term positions (6.1 personnel years) to develop a performance-based contracting strategy for foster care providers and to review existing foster care rate structures for specialized services in order to establish a standard, statewide rate for these services. According to DSS, this request would provide the resources to implement two specific foster care reforms that were identified as promising strategies in the 2004-05 Governor’s Budget.

IV-Waiver Staffing
The May Revision requests an increase of $1,116,000 ($558,000 General Fund and $558,000 Federal Trust Fund) and 7.5 limited-term positions (7.1 personnel years) to develop and implement a new five-year Title IV-E Child Welfare Waiver Demonstration Project to assist the State in meeting federal improvement targets and improve outcomes for children and families. The receipt of a federal waiver would permit more flexible use of federal foster care funds for child welfare purposes, including intensive services to keep children with their birth parents.

TRAILER BILL LANGUAGE PROVISIONS:

The May Revision contains several pages of Trailer Bill Language that make the following statutory changes:

1. Modify Process for Conducting Program (Non-Provisional) Audits.
2. Streamline the Appeal Process for Non-Provisional Audits (and Rate Protest Appeals).
3. Restrict Applications for Rate Increases of Providers Who Fail Provisional Audits.
5. Implement Performance-Based Contracting for Foster Care.
6. Provide Stronger Incentives for Relatives to Commit to Adoption and Guardianship.
7. Standardize Special Rates for Foster Care Eligible Children.
8. Standardize Foster Family Agency Rates Throughout California.
9. Require Annual Redetermination of Eligibility for Foster Care Grant.
10. Provide Equity in Payments of Foster Care Funds for Non-Related Legal Guardians Appointed by the Probate Court.

CHILD WELFARE SERVICES REDESIGN:

The May Revision proposes to continue the Child Welfare Services Redesign activities, now considered part of the Program Improvement Plan. The Subcommittee has already eliminated funding for these activities. Counties that have been involved in the first cohort of the redesign would have to finish their activities before their findings could be prepared. According to the CWDA, not all of the current year redesign funding has been spent. The first cohort’s activities could be continued in the budget year, if the existing current year funds were reappropriated to the budget year.
The Administration failed to provide Subcommittee with requested information prior to the May Revision. The Subcommittee requested that the Administration provide some of the detail for their Foster Care Reform proposal prior to the issuance of the May Revision.

Proposal contains significant changes that lack any budget year impact: Changes to the contracting process and the foster care grants for relatives do not have projected savings in the budget year. However, Subcommittee staff believe that these proposals could have significant impact upon the children and families effected.

Proposed Trailer Bill Language diminished Legislative Oversight. Some of the proposed trailer bill language would empower DSS to take action without involving the Legislature or with only reporting requirements.

Savings from annual reassessments should be reflected in the Foster Care Grants: The May Revision should reflect savings for the proposed shift of policy in the Foster Care Aid Payment budget instead of the administration budget.
ISSUE 4: CWS CASELOAD-RELIEF COUNTY SHARE

The May Revision proposes to impose a county share on Child Welfare Services funds.

BACKGROUND:

The May Revision includes a decrease of $17,145,000 General Fund to add a 30 percent nonfederal county share-of-cost to the Child Welfare Services funding that was provided to counties for caseload relief. This proposal would apply the same county share-of-cost to both the core CWS program and the CWS Caseload Relief Augmentation.

The CWS Caseload Relief Augmentation was created in the 1998 budget and provided counties additional funding to address a statewide shortage of social workers. The act also required a comprehensive study of Child Welfare Services workload requirements. The SB 2030 study found that the State did not provide counties sufficient funding to hire enough staff to meet the current State mandates for the program.

COMMENTS:

Although the augmentation funding has no county share, counties cannot claim the funding unless they have fully matched their CWS Basic base funding. In many counties, this has created an incentive for the counties to fully match their base funding allocation. In addition, the current structure of the funding discourages counties from reducing their Child Welfare Services budgets, because a reduction below the base amount would result in the loss of both the State match and the augmentation funding.
5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 5: RELATIVE ASSESSMENTS

The Subcommittee will discuss the estimate of Relative Home Assessments.

BACKGROUND:

Assembly Bill (AB) 1695 (Human Services Committee) of 2001 requires the county welfare department to conduct an in-home inspection to assess the safety of the home and the ability of the relative to care for the child’s needs. The bill stipulates that the standards used to evaluate and grant or deny approval of the home of the relative shall be the same standards set forth in regulations for the licensing of foster family homes. The new licensing requirements for foster family homes require an annual 20 percent targeted visit beginning August 2003. The same standard will be used for all existing relatives and non-relative extended family members in Fiscal Year (FY) 2003-04. However, in FY 2004-05, 100 percent of the homes will require an annual reassessment.

COMMENTS:

On April 22nd, the Subcommittee heard this issue and urged that the Department work with CWDA to address a conflict over the amount of time that a Relative Home Assessment would require. The May Revision assumes that the initial assessment would take 9 hours, while time studies from counties show that the assessment require about 15 hours to complete. Therefore, counties do not receive sufficient resources to perform the required functions.
4130 HEALTH AND HUMAN SERVICES AGENCY DATA CENTER
5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 6: CWS-CMS “GO-FORWARD” PLAN AND THE EXPANDED ADOPTIONS SUBSYSTEM

The May Revision proposes a shift in the Child Welfare Services/Case Management System

BACKGROUND:

The CWS/CMS system is a fully functional statewide case management system for Child Welfare Services. The system is used daily by approximately 16,000 state and county workers.

As a result of long-standing concerns, the federal government reduced funding for the maintenance and operation of the CWS/CMS. The budget understates General Fund costs by $43 million for the current and budget years combined as a result of this reduced funding. The federal concerns with the system are:

1. Procurement and Structure
   The federal government believes that the CWS/CMS project was structured so that the re-procurement would be difficult for any vendor beside the current contractor, IBM. In addition, the Federal Government wants the project broken into components that be procured separately—instead of one big contract. Finally, the federal government wanted some of the components managed by the State itself, instead of a contractor.

2. Missing SACWIS Components
   The federal government requires California to maintain the CWS/CMS system to comply with federal automation requirements relating to the child welfare, foster care, and adoptions. The federal government requires the State’s computer system to meet 76 different components and the State currently meets 62 of these components. CWS/CMS is more than 87 percent compliant with federal SACWIS requirements. The State has met most of these requirements, but the system still lacks the following components: (1) adequate adoption case management, (2) an automated interface between CWS/CMS and the State’s welfare and child support automation systems, (3) authorizations for service provider payments, and (4) foster care eligibility determinations. Of these requirements, the State has only begun addressing the adoption component.
THE “GO FORWARD” PLAN:

DSS has recently submitted to the federal Administration for Children and Families (ACF) a “Go-Forward” plan to address the federal concerns. The intent of the “Go Forward Plan” is to ensure that the State and federal government agree on a common direction for the CWS/CMS project to ensure that the State continue to receive the enhanced SACWIS funding.

The proposed “Go-Forward” plan would first address the federal government’s procurement and structural concerns. Once these issues were addressed, the State would focus its efforts on completing the remaining SACWIS components.

Since the plan has not yet been reviewed or approved by the federal ACF, the Administration requests provisional language be added that would authorize the Department of Finance to augment the HHSDC’s budget upon approval of the plan by the federal government’s approval of specified project documents and 30-day legislative notification.

In addition the May Revision seeks $10,210,000 General Fund to reflect a reduction in the level of federal funding provided for the CWS/CMS. It is also requested that language be added to authorize Finance, upon the request of the DSS, to redirect a portion of this funding increase to begin activities to migrate the CWS/CMS hosting application to the State’s Health and Human Services Agency Data Center (HHSDC) if the following conditions are met: (1) federal approval of the State’s CWS/CMS Go-Forward Strategy and restoration of Statewide Automated Child Welfare Information System (SACWIS)-level federal funding, (2) Finance approval of all required budget and project documents, and (3) 30-day legislative notification.

EXPANDED ADOPTIONS SUBSYSTEM:

The Expanded Adoptions Subsystem is a required SACWIS component. Funding for the project is contained in the current year budget.

The May Revision proposes to reduce the DSS budget by $3,033,000 General Fund and $3,033,000 Federal Trust Fund to reflect the deletion of funding for the activities associated with the design, development, and implementation of the Expanded Adoption Subsystem as an enhanced component of the CWS/CMS. Based on recent feedback and direction from the federal government related to the ongoing concerns and the SACWIS compliance issues with the CWS/CMS, these activities will not occur in the budget year.

The May Revision also reduces by 12.0 positions and $6,067,000 expenditure authority provided to support this project.
COMMENTS:

The “Go-Forward” supporting documents suggest that the State should be getting the federal government’s response to the proposal by May 31, 2004. The Subcommittee may ask for an update on the project.
The May Revision impact several parts of the CalWORKs budget.

**CALWORKS REFORM PROPOSAL:**

- **Work Participation Reforms.** The Governor proposes to require job search as a condition of eligibility and to require most adults receiving CalWORKs to work or participate in work-related activities for at least 20 hours per week, within 60 days of receipt of aid. The reforms seek to strengthen the program's focus on work and to increase California's work participation rate, which currently is 27 percent. The Governor's proposed reforms generate net savings of $37.8 million.

<table>
<thead>
<tr>
<th>CalWORKs Program</th>
<th>Governor's Proposal</th>
<th>Proposed TANF Changes</th>
</tr>
</thead>
</table>
| **Universal Engagement** | • Requires non-exempt aided adults to participate in job search or job club activities.  
• Provides for an assessment and development of a Welfare-to-Work Plan if the adult does not find employment during the job search period or if the county determines that participation in job search will not lead to employment. | • Requires that every family with a "work eligible individual" have a family self-sufficiency plan within 60 days of opening a case.  
• Requires all parents and caretakers receiving assistance to engage in work or alternative self-sufficiency activities. |

| **Work Activities** | • Recipients can satisfy work participation requirements within the first 18 to 24 months by being employed, participating in activities that will lead to employment, including education and training programs, or participating in activities that reduce barriers to employment such as receiving substance abuse or mental health treatment.  
• After the 18-24 month period, recipients must participate in employment or supervised community | • Eliminates the 18-24 month CalWORKs time limit.  
• Requires all non-exempt adults to work or participate in work-related activities for at least 20 hours per week within 60 days of receiving aid.  
• Limits the activities that count towards fulfillment of the 20-hour requirement to employment, supervised community services, job search for up to 8 weeks, on-the- | • Both proposals are more permissive than the Governor's reforms, but are more restrictive than current CalWORKs law.  
*House version* requires 24 hours of participation in "primary activities" which include work, on-the-job training, and work experience and community service. Permits states to substitute other activities (such as substance abuse treatment) for 3 months in a 24-month period.  
*Senate version* requires 24 hours of participation... |

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**Senate version** requires 24
## CalWORKs Program

- Services to continue receiving aid.

## Governor's Proposal

- Job training and work experience.

## Proposed TANF Changes

- Hours of participation in "primary activities" which include all *House version* activities, vocational educational training, job search (8 weeks) and providing childcare for other recipients. Permits substitution of barrier removal activities for 6 months in 24-month period.

### Hours of Participation

- **32 hours per week for single parent families**
- **35 hours per week for two parent families**
- **55 hours per week for two-parent families receiving federally subsidized child care.**

### Work Participation Rate

- California's work participation rate for families in the federally funded CalWORKs program is 27.1 percent. This calculation of the work participation rate excludes the two-parent family caseload, which has a higher rate of work participation than the single parent family caseload.

### The Governor's Budget

- The Governor's Budget does not estimate the impact of his proposals on the state's work participation rate.

### Proposed Changes

- **House version** requires 40 hours per week for all family types but provides a partial credit for adult who participate in at least 24 hours of "direct work activities".
- **Senate version** requires 34 hours for most single parent families, 39 hours for two parent families and provides a partial credit for single parent families (20 hrs) and for two-parent families (26).

- **50 % in 2004, 55% in 2005, 60% in 2006, 65% in 2007, 70% in 2008.**
- Eliminates separate two-parent family rate.
- **House version** limits caseload reduction credit to more recent caseload declines.
- **Senate version** replaces caseload reduction credit with employment credit, a credit for higher earnings, and credit for using TANF funds for child care.
• **Reduces Safety Net Grants by 25 percent.** The Governor proposes to reduce Safety Net grants received by families with non-working adults by 25 percent for General Fund savings of $27.8 million in 2004-05. The Safety Net grants affected by this proposal are child-only grants that provide cash assistance to children whose parents or caretaker relatives have exceeded their 60-month lifetime limit for receipt of cash aid. Under the proposal, the maximum monthly safety net grant for a family of three with non-working adults will be reduced by $163 to $405. According to the Department of Social Services, families that report any earnings during the quarter will be considered to be working.

• **Reduces Grants in Sanction Status by 25 percent.** The Governor proposes a 25 percent reduction of the grant received by families with an adult who is not complying with CalWORKs requirements after one month of non-compliance for General Fund savings of $37.1 million. Currently, adults on CalWORKs who do not comply with certain program requirements are sanctioned, and sanctioned families' grants are reduced by the non-compliant adult's portion of the grant. The Governor would further reduce (25 percent) the grants for those families that remain in sanction status for two months or longer.

• **Eliminating the 18/24 Month Time Clock.** The Governor's budget proposes to save $2.1 million by eliminating the 18/24 month timeclock for employment services.

• **Requiring Adults Previously Exempt to Work or Participate.** The Governor's budget proposes to require exempt adults to participate in CalWORKs activities for a net cost of $5.3 million.
CHANGES TO REFORM IN MAY REVISION:

Requests a decrease of $37.9 million TANF funding to reflect savings resulting from providing counties the option of requiring job search while a CalWORKs application is pending rather than requiring all applicants to search for a job while their CalWORKs application is pending as included in the Governor’s Budget CalWORKs reform proposal.

MAY REVISION TRAILER BILL:

The May Revision proposes three pages of new Trailer Bill Language to make the Upfront Job Search Requirement a county option.

COUNTY CALWORKS FUNDING:

During the May 5, 2004 hearing, the Subcommittee considered several issues regarding county’s estimated need for employment services and administrative funding. The budget overstates the total savings from several policy changes that were proposed in prior years, resulting in an under funding for counties. These issues include the savings estimate for the Prospective Budget, the 60th Month Time Limit, and the CalWORKs Mental Health funding level and Tribal TANF savings.

Counties believe that they will receive $150 million less for CalWORKs employment services than they need in the budget year. The counties have requested that the Subcommittee provide additional funding for these services or grant the counties statutory relief so they can continue to meet current State mandates.

GUILLEN V. SCHWARZENEGGER:

The May Revision does not reflects the impact of the Guillen v. Schwarzenegger court case that involves the suspension of the October 2003 cost-of-living adjustment (COLA) to the maximum aid payment (MAP). The court ruled against the State, and the Administration has subsequently appealed this decision. This appeal is still pending.

COMMENTS:

Subcommittee Funding Concerns Not Addressed. The May Revision does not address Subcommittee concerns about the level of county employment services funding. The proposed level of funding undermines the level of services that would need to be provided to ensure that counties to achieve the level of work participation expected in the CalWORKs Reform.
Proposed CalWORKs reform would still limit options for training and educational activities. Research has found that educational and training activities are a critical part of a successful welfare-to-work program. The proposed CalWORKs reform requires that CalWORKs participants spend at least 20 hours in a work activity, on-the-job training, or community services activity. Any education or training activities would have to be in addition to these hours, which would make it less likely that these options would be feasible for CalWORKs participants.

*Guillen V. Schwarzenegger* not planned for in the budget. The May Revision assumes that the State prevails in its lawsuit to suspend CalWORKs COLAs. The revised May Revision Trailer Bill removes a provision that suspends the current year COLA for CalWORKs based upon this assumption. Subcommittee staff believes that State will lose this case. Since the COLA will cost an additional $18.8 million for each month it is not provided, it would be in the State’s best fiscal interest to settle the case as soon as possible and pay the accrued funding that is owed to recipients.
5180 Departmen of Social Services
6110 California Department of Education

**ISSUE 8: CHILD CARE FISCAL INTEGRITY**

The May Revision contains a proposal to improve the fiscal integrity of child care programs.

**FRAUD RATE FOR CHILD CARE:**

According to the Department of Social Services, the total estimated overall fraud rate for CalWORKs Stage 1 Child Care is less than 2.7% of all expenditures.

DSS estimates a combined $14.3 million fraud and overpayments out of a total budget of $508.7 million for CalWORKs Stage 1 Child Care.

**BACKGROUND:**

The Governor's Budget included $2.0 million in one-time federal funds as a placeholder for a comprehensive proposal to address child care fraud and fiscal integrity promised for the May Revision. The Administration has now developed a comprehensive proposal that integrates revisions to the initial child care overpayment related trailer bill provisions sponsored by the Department of Social Services (DSS) with the newly developed anti-fraud and fiscal integrity related provisions to meet the commitment in the Governor's Budget.

In order to implement this proposal, the May Revision requests that Item 6110-001-0890 $1,630,000 to utilize additional one-time Child Care and Development Block Grant funds for this purpose. Of this amount, $530,000 is to support 5.5 positions within the Department of Education (SDE). The remaining $3.1 million is for a reimbursement from SDE to the DSS, which will support county fraud investigators located throughout the State.
BUDGET BILL:

The following budget bill language has been submitted:

7. (a) Of the funds appropriated in this item, $12,530,000 is from the Child Care and Development Block Grant Fund and is available for support of Child Care Services.

(b) Of the amount appropriated in this item, $3,100,000 is one-time federal funds for reimbursement to the Department of Social Services for county fraud investigators dedicated to child care fraud investigations, contingent upon enactment of child care anti-fraud and fiscal integrity legislation for the 2004-05 fiscal year.

(c) Of the amount appropriated in this item, $530,000 is one-time federal funds to provide for 5.5 positions within the Department of Education to address compliance monitoring and overpayments, which may contribute to early detection of fraud. The department shall provide information to the Legislature and Department of Finance each year that quantifies provider-by-provider level data, including instances and amounts of overpayments and fraud, as documented by the department’s compliance monitoring efforts for the prior fiscal year.

(d) As a condition of receiving the resources specified in (c), it is expected that every alternative payment provider will be audited each year using sufficient sampling of provider records of the following: (i) family fee determinations, (ii) income eligibility, (iii) rate limits, (iv) basis for hours of care, to determine compliance rates, any instances of misallocation of resources, and the amount of funds expected to be recovered from instances of both potential fraud and overpayment when no intent to defraud is suspected. This information will be contained in a separate report for each provider, with a single statewide summary report annually submitted to the Administration and Legislature at a date to be mutually established between the department and the Administration, but no later than April 15, 2005.

TRAILER BILL:

Subcommittee staff did not received a copy of the proposed May Revision Trailer Bill Language prior to the publication of this agenda.

AB 2099 (STEINBERG):

The Assembly Budget Oversight working group has introduced a bill that would address some of the issues addressed in the May Revision proposal. The bill includes the following provisions:

1) Requires the Department of Education (CDE) to establish regulations for the collections of overpayments for child development contractors. Requires that contractors with the CDE submit a plan to the CDE detailing how they will collect overpayments in child development contractors.

2) Requires the CDE to convene a workgroup to develop statewide standards for the prevention and collection of overpayments in child development contractors. The group would have to convene within 30 days of the chaptering of the bill.
3) Creates a Compliance Unit at CDE. The Compliance Unit will supervise statewide efforts to prevent and recover overpayments, coordinate the activities of the working group, develop regulations and policies to implement the enforcement and collections provisions, and establish standards for appropriate repayment arrangement and sanctions.

4) Requires CDE child development contractors to report on overpayment collection benchmarks to the compliance unit.

5) Increases the scope of CDE audits of certain child development contractors.

6) Requires CDE to report annually at budget hearings the status of compliance of its contractors in overpayment collections.

7) Requires the CDE to provide due process for parents.

8) Requires CDE to provide a dispute resolution process for provider overpayments.

9) Allows alternative payment program administrators making an overpayment collection to retain 12.5 percent of the total overpayment.

The proposed budget bill language above seems to have very similar requirements to the provision of AB 2099.

COMMENTS:

The May Revision proposes to spend $3.7 million to achieve $1.5 million in savings in the budget year for overpayments and fraud collections. However, the savings are projected to increase in future years as the program ramps up.

The Subcommittee may wish to explore the extent to which the Administration’s proposal differs from the proposal considered by the Budget Oversight Committee.

The Budget Bill Language proposes to use one-time funding to fund positions at the Department of Education. It may be more appropriate to use the ongoing federal funding as a funding source, given the nature of the expenditure.
**ISSUE 9: CHILD CARE REFORM**

**Description**

**BACKGROUND:**

The Governor’s Budget proposed a major reform to child care programs. The Subcommittee reviewed these changes during its April 14, 2004 hearing. The LAO has created the following chart to illustrate the various components of the reform proposal.

### Administration’s Child Care Proposals Compared to Current Law/Current Practice

<table>
<thead>
<tr>
<th>Eligibility</th>
<th>Current Law/Current Practice</th>
<th>Administration’s Proposal (and Budget-Year Impact)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income Eligibility</strong></td>
<td>Family income up to 75 percent of the SMI (for a family of four).</td>
<td>Implement a three-tiered eligibility structure. Maximum income eligibility in “high” cost county would remain the same. Income eligibility in “medium” and “low” cost counties would decrease. Annual adjustments based on CNI. ($9.3 million savings; 1,900 children lose eligibility.)</td>
</tr>
<tr>
<td><strong>Age Eligibility</strong></td>
<td>Children up to age 13 are eligible for both CalWORKs and non-CalWORKs child care.</td>
<td>Eliminate eligibility for 11 and 12 year olds if after-school programs are available (for which they would receive priority placement). ($75.5 million savings; 18,000 children lose eligibility and move to after-school programs.)</td>
</tr>
<tr>
<td><strong>Stage 3 Child Care</strong></td>
<td>Former CalWORKs participants are eligible for Stage 3 as long as they meet income and age eligibility. Current practice prevents families from applying for non-CalWORKs child care while receiving aid.</td>
<td>Limit Stage 3 child care to one year (in addition to two years in Stage 2). Families currently in Stage 3 would receive one additional year. CalWORKs families could sign up for non-CalWORKs care as soon as they have income. (No impact in the budget year.)</td>
</tr>
<tr>
<td><strong>Eligibility for Nonworking Parents</strong></td>
<td>No time limit as long as families remain eligible.</td>
<td>Limit eligibility to two years. (No savings scored; caseload impact unknown.)</td>
</tr>
<tr>
<td><strong>Reimbursement Rates</strong></td>
<td>Providers are reimbursed at up to 85th percentile of the RMR.</td>
<td>Creates a six-level reimbursement rate structure that reimburses providers between 40th and 85th percentile of the RMR, depending on licensure, training, and whether they serve private pay clients. ($57.7 million savings; 95,592 children impacted.)</td>
</tr>
<tr>
<td><strong>Family Fees</strong></td>
<td>Families with income over 50 percent of SMI pay fees up to 8 percent of their gross income.</td>
<td>Families with income over 40 percent of SMI pay fees up to 10 percent of gross income. ($22.3 million savings; fees increased for 77,250 children.)</td>
</tr>
</tbody>
</table>

**Totals**

- **Savings (All Funds)**: $164.8 million
- **Children Losing Eligibility**: 20,000 (including those children switching to after-school care)
- **Children Subject to Increased Fee**: 77,250
PROPOSED CHANGE IN THE MAY REVISION:

**CalWORKs Stage 3 Child Care**—The Governor's Budget proposed to limit Stage 3 services to one year, beginning July 1, 2004. Since January, concerns have been raised regarding transition problems for families who are presently off aid but have not been afforded the opportunity to place their name on a waiting list for other subsidized child care programs. In addition, funding for the Alternative Payment (AP) program has not been adjusted to absorb those families that would no longer be eligible for Stage 3 child care services. The May Revision therefore reflects an amended proposal, conditioned upon the enactment of legislation in the 2004 session that permanently reforms Stage 3 and implements the reasonable reimbursement limit, family fee, and eligibility reforms proposed in January to address the Administration’s concerns with future cost pressures. This amended proposal has four essential parts:

- Consistent with the original Governor’s Budget proposal, all families in CalWORKs will be able to place their names on waiting lists for general child care programs once they have earned income.
- Also, consistent with the Governor’s Budget, families in Stages 1 and 2 that are still receiving cash aid as of June 30, 2004, will continue to be eligible to receive services in Stage 3 for up to one more year once they enter that Stage.
- However, families in Stage 3 on June 30, 2004, will be shifted to the non-time limited AP program, with no loss of funding or service. As those slots are vacated, the funding will remain available for families on waiting lists.
- Families in Stages 1 and 2 that are not receiving cash aid as of June 30, 2004, will be eligible to receive services in Stage 3 for up to two years, instead of one year, once they enter that Stage.

**Limitations on Training**—Families pursuing an education currently have indefinite eligibility for child care, if child age and family income criteria are met. The Governor’s Budget would have limited this education eligibility to two years, but it is recognized that many education programs, such as nursing, take longer to complete. The May Revision therefore expands this proposal to include an additional eligibility criteria for child care, consistent with criteria proposed for the CalWORKs program: If the first 20 hours of child care eligibility are for work activities, then education activities can be used as the need basis for child care services beyond those 20 hours, without a two-year limit.

**Tiered Reimbursement Based on Accreditation**—The Administration is proposing to allow not only accreditation, but also results from the use of accepted environmental rating scales to measure high quality, to qualify child care providers for the highest rates within the proposed tiered reimbursement structure. Several counties already implement ratings through local child care advisory entities utilizing Proposition 10 funds and other sources. This addresses the problem of limited accrediting agency capacity.
After School Programs to Address 11 and 12 year olds—In an April 1 Finance Letter, the Administration proposed provisional language authorizing the Superintendent of Public Instruction to waive grant caps for 21st Century Community Learning Center after school programs to create additional slots for 11 and 12 year-old children redirected from State and federally funded subsidized child care programs as a result of proposed reforms. The May Revision reduces the expected budget year savings from this proposal down from $75 million to $36.2 million.

REVISED CHILD CARE REFORM SAVINGS:

The May Revision reduces the overall savings from the proposed child care reform from $164.8 to $119.5. Most of the decrease is due to a reduction in estimated savings from 11 and 12-year-old youth shifting to after school programs.

<table>
<thead>
<tr>
<th></th>
<th>11 and 12 shift to</th>
<th>Tiered Income</th>
<th>RMR - Reforms</th>
<th>Family Fees</th>
<th>Stage 3 One Year Attrition</th>
<th>Total Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Before and</td>
<td>Eligibility</td>
<td></td>
<td></td>
<td>Time Limit</td>
<td></td>
</tr>
<tr>
<td></td>
<td>After School</td>
<td>Limits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage 1</td>
<td>$8.9</td>
<td>$1.1</td>
<td>$18.2</td>
<td>$0.0</td>
<td>n/a</td>
<td>$28.8</td>
</tr>
<tr>
<td>Stage 2</td>
<td>$11.6</td>
<td>$1.5</td>
<td>$14.7</td>
<td>$7.5</td>
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<td>$35.8</td>
</tr>
<tr>
<td>Stage 3</td>
<td>$2.1</td>
<td>$0.2</td>
<td>$2.5</td>
<td>$1.6</td>
<td>$0</td>
<td>$6.4</td>
</tr>
<tr>
<td>GCC</td>
<td>$2.1</td>
<td>$4.8</td>
<td>$0.0</td>
<td>$12.9</td>
<td>n/a</td>
<td>$19.8</td>
</tr>
<tr>
<td>Latchkey</td>
<td>$3.0</td>
<td>$0.2</td>
<td>$0.1</td>
<td>$6.4</td>
<td>n/a</td>
<td>$3.3</td>
</tr>
<tr>
<td>AP</td>
<td>$8.5</td>
<td>$1.1</td>
<td>$9.5</td>
<td>$6.4</td>
<td>n/a</td>
<td>$25.5</td>
</tr>
<tr>
<td>Total</td>
<td>$36.2</td>
<td>$8.9</td>
<td>$44.8</td>
<td>$28.5</td>
<td>$0</td>
<td>$119.5</td>
</tr>
</tbody>
</table>

TRAILER BILL:

Subcommittee staff did not received a copy of the proposed May Revision Trailer Bill Language prior to the publishing of this agenda.

COMMENTS:

The Subcommittee has already taken action on some of the child care proposals that were modified in the May Revision.