

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER GILBERT CEDILLO, CHAIR

WEDNESDAY, APRIL 3, 2002
STATE CAPITOL, ROOM 444
1:30 P.M.

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ITEM 5100 EMPLOYMENT DEVELOPMENT DEPARTMENT**CONSENT 1: WELFARE-TO-WORK GENERAL FUND MATCH**

The Employment Development Department is requesting \$1.4 million for a Federally required match to continue administering the Welfare-to-Work program.

BACKGROUND:

California receives to Welfare-to-Work (WtW) grants from the Federal Department of Labor. The first grant totaled \$190.4 million and was received during State Fiscal Year (SFY) 1997-1998. The second grant totaled \$177.2 million and was received during SFY 1999-2000. These grants were expected to expire on June 29, 2001 and July 15, 2002, respectively. However, the Federal government has granted an extension of these grants until June 29, 2003 and July 15, 2004, respectively. The WtW regulations require the State to spend one dollar for every two Federal dollars expended. California must spend \$183.8 million in General Funds for the required match by the time. Though June 2001, approximately \$85.2 million has been appropriated to the California Department of Social Services budget.

The Federal regulations governing the WtW programming limit the use of grant funds for administration to 15 percent. These funds were to cover the administrative needs at both the State and Local level. The majority of these funds were passed to the local agencies for direct administration of the program.

COMMENTS:

There are no issues with this Budget Change Proposal.

CONSENT ACTION:

Approve Budget Change Proposal

CONSENT 2: EMPLOYMENT TAX SYSTEMS REVIEW

The Employment Development Department requests \$507,000 and 5.7 personnel years to complete the Employment Tax System Review (ETSR) project in the budget year.

BACKGROUND:

The Tax Accounting System (TAS) is one of the largest databases in California, housing all of the employer tax information in the State. The system has aged, increasing the chances for erroneous billings or failure.

In 1999-2000, EDD embarked upon a three-year project named Employment Tax System Review (ETSR) to prevent errors and system failure. The Employment Development Department requests \$507,000 and 5.7 personnel years to complete the ETSR project in the budget year.

COMMENTS:

Funding for this proposal would cost \$1.4 million from State Funding sources (Disability funds, Contingent Funds, and Employment Training Funds).

There are no issues with this proposal.

CONSENT ACTION:

Approve Budget Change Proposal

CONSENT 3: NORTH AMERICAN FREE TRADE ACT (NAFTA)

The Employment Development Department has requested using \$3.1 million unemployment administration funds for 6.9 personnel years to continue temporary help to fully utilize Federal NAFTA funding.

BACKGROUND:

When the North American Free Trade Agreement was established in 1993, Congress also created the Transitional Adjustment Assistance (TAA) program to assist workers in firms affected by imports from Canada and Mexico. EDD projects that in 2001, 37 firms and 4,463 individuals will qualify for TAA this year.

COMMENTS:

The budget change proposal allows the Department to continue existing 6.9 temporary positions in the budget year to administer the NAFTA TAA program.

CONSENT ACTION:

Approve proposed Budget Change proposal

CONSENT 4: TRADE ADJUSTMENT ACT (TAA)

The Employment Development Department has requested using \$8.9 million unemployment administration funds for 16.2 personnel years to continue temporary help to fully utilize Federal NAFTA funding.

BACKGROUND:

The Trade Adjustment Act program (TAA) was established under the Trade Act of 1974 to help workers who have lost work as a result of increased imports. This program assists workers regain employment through retraining, job search assistance, and relocation services.

COMMENTS:

EDD has requested to continue 16.2 temporary positions and \$8.9 million in the budget year to fully utilize available TAA funds.

There are no issues with this proposal.

CONSENT ACTION:

Adopt Budget Change Proposal

CONSENT 5: GENERAL FUND REDUCTION FOR THE PERSONNEL INCOME TAX PROGRAM

The Department proposes to reduce the operating expenses and equipment to the Personal Income Tax Program.

BACKGROUND:

EDD requests a reduction of \$380,000 for operating expenses and equipment for the Personal Income tax Program.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Adopt Budget Change Proposal

CONSENT 6: UNEMPLOYMENT INSURANCE OCTOBER 2001 REVISE

EDD requests additional payment authority and additional 401.6 positions to reflect an increase in the Unemployment Insurance claims workload and benefits.

BACKGROUND:

EDD requests additional payment authority of \$1.44 billion in the current year and \$1.94 billion in the budget year and additional 401.6 positions to reflect an increase in the Unemployment Insurance claims workload and benefits.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Adopt Budget Change Proposal

CONSENT 7: DISABILITY INSURANCE OCTOBER 2001 REVISE

The EDD proposes to adjust the Disability Insurance claims staffing in both the budget and current year to reflect an increase in workload.

BACKGROUND:

EDD proposes to increase staffing by 17.1 Personnel Years of staff in the Current year and \$1.1 million in the current year for administration. In addition, this proposal would add 47.3 personnel years of staff and \$3 million in the budget year for administration.

EDD estimates that DI benefits will increase by \$280 million in the current year and \$180 million in the budget year.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Adopt Budget Change Proposal

CONSENT 8: SCHOOL EMPLOYEES FUND

EDD proposes to increase the Unemployment School Employees Fund in both the current and the budget year.

BACKGROUND:

All 71 community college districts as well as all but two of the State's 1,102 county offices of education and local school districts and charter schools participate in the School Employees Fund in lieu of the tax related method of paying for unemployment insurance. The School Employees Fund reimburses the Unemployment Insurance fund for the cost of benefits paid to former school employees collecting Unemployment payments.

EDD projects that the fund will need to transfer and additional \$5.5 million in the current year and \$7 million in the budget year to reflect an increase in Unemployment Insurance benefits level.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Adopt Budget Change Proposal

CONSENT 9: WIA TOLL FREE HELP HOTLINE GRANT

EDD is requesting additional spending authority in the current year to expend funds received for the Toll Free Help Line grant

BACKGROUND:

California was awarded competitive Federal Workforce Investment Act funding through a competitive process for the WIA Toll Free Hotline project.

EDD is requesting expenditure authority of \$58.2 million in the State operations and \$4.7 million in local assistance to expend this funding and implement the Toll Free Help Hotline project.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Adopt Budget Change Proposal

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES

CONSENT 10: FISCAL REVIEW OF CHILD SUPPORT AGENCIES

The DCSS has requested \$400,000 (\$136,000 General Fund) to contract with Department of Finance to complete a review and assessment excess incentive funds in all local child support agencies and to establish and ongoing audit function for costs and data reporting.

BACKGROUND:

Under AB 150, DCSS contracted with the Department of Finance to audit the local child support agencies in 11 counties. The first 11 counties audited resulted in \$9.1 million in funds that were not utilized.

The DCSS proposal should allow Department of Finance to audit 18 counties. Upon completion of this audit, the DCSS intends to establish an ongoing audit function.

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Adopt Budget Change Proposal

CONSENT 11: PROPOSED REDUCTION TO DCSS STATE OPERATIONS

DCSS has proposed a \$3 million (\$1 million General Fund) reduction in State operations

BACKGROUND:

Due to the tight budget conditions, the DCSS has proposed a reduction of \$3 million (\$1 million General Fund). These reductions result from an elimination of positions relating to Research and Demonstration Projects and the reduction of operating expense and equipment.

These reduction include 13.1 staff positions

COMMENTS:

There are no issues with this proposal.

CONSENT ACTION:

Adopt Budget Change Proposal

CONSENT 12: LAO TAX REVENUE FROM FTB POSITIONS

The Legislative Analyst's Office found that Governor's Budget could count \$4.1 million in additional DCSS General Fund revenue from proposed Franchise Tax Board positions.

BACKGROUND:

DCSS collects and distributes most child support payments. However, under Chapter 906, Statutes of 1994 (AB 923, Speier), the Franchise Tax Board (FTB) began collecting delinquent child support on behalf of most California counties. Some of these collections are recouped as General Fund revenues to offset the costs associated with welfare expenditures.

COMMENTS:

The Governor's budget proposes expanding the FTB's delinquent child support collection program by 31 positions in 2002-03. According to the administration's estimate, this increase in personnel is expected to result in a net increase of \$17 million in child support collected on behalf of families and government. Of this amount, \$4.1 million is expected to be recouped by the General Fund to offset welfare expenditures. However, this increase is not reflected in the DCSS estimate of revenues. Accordingly, the LAO recommends an increase of \$4.1 million in General Fund revenues, so that the budget will be consistent with its own assumptions.

The Department of Finance concurs with the LAO recommendation

CONSENT ACTION:

Reflect \$4.1 million in additional DCSS General Fund revenue for new FTB positions.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES
ITEM 6110 CALIFORNIA DEPARTMENT OF EDUCATION**ISSUE 1: CHILD CARE REFORM**

The Subcommittee will consider restoring child care items that were reduced in the budget in expectation of reform legislation that has not occurred.

BACKGROUND:

The Governor proposes to reform California's subsidized child care system by modifying current eligibility rules, reimbursement rate limits, and family fees. Specifically, the Governor proposes to reduce income eligibility limits, reduce reimbursement rates for child care providers, implement fees for lower-income families, increase fees for higher-income families, and eliminate eligibility for 13-year-old children. The administration estimates that the proposed reforms will result in savings of approximately \$400 million. These savings result from a combination of higher family fees, lower reimbursement rates, an estimated 6,000 children losing eligibility for Stage 2 CalWORKs child care, and an estimated 29,000 slots losing funding under the Stage 3 "set-aside" for former CalWORKs recipients. The Governor proposes to reinvest the savings, thereby increasing the availability of regular subsidized child care for approximately 44,000 children. In addition, the Governor proposes to increase the availability of after-school child care by about 79,000 new slots.

The Department of Social Services has commissioned a stakeholders' group to solicit input on the Governor's child care proposal. Based upon this feedback, the Stakeholders' group is developing a proposal that the Department intends to issue during May Revise.

COMMENTS:

It is the intent of the Legislature that any child care reform effort be considered through a legislative process and not as a budget issue. At this time, several different reform proposals are being considered, yet no legislation outside of the budget process has been introduced to facilitate a change in policy.

Given the potential impacts that Federal TANF reauthorization will have upon California's child care system, it may be premature to consider a long term reform of child care in the budget year. Recently, the California Budget Project projected that Stage 1 child care needs could increase by as much as \$400 million in 2003-2004 as a result of proposed Federal requirements.

For these reasons, the Subcommittee will consider delaying implementation of any child care reform effort in the budget year and taking budget action to restore funding to child care programs under the current statute. The table below details the changes necessary to restore child care funding in the budget year:

Child care mode	Governor's Budget	Proposed Change	Revised Amount
CalWORKs Stage 1	\$ 472	\$ 50	\$ 522
CalWORKs Stage 2**	\$ 592	\$ 133	\$ 725
CalWORKs Reserve	\$ 165	\$ -	\$ 165
CalWORKs Stage 3**	\$ 81	\$ 306	\$ 387
APP Regular **	\$ 626	\$ (418)	\$ 208
General Child Care **	\$ 536	\$ 69	\$ 604
After School **	\$ 163	\$ (30)	\$ 133
Total	\$ 2,634	\$ 110	\$ 2,634

Note that several items on the above table are partially or wholly within the purview of Assembly Budget Committee 2 on Education and that actions of Subcommittee 1's would be a recommendation to Subcommittee 2. Subcommittee 2 would then have to also take action on these items.

If the above action is taken, all of the original elements of the existing child care system are restored, with the exception of \$110 million needed for Stage 3 Set Aside. Over the past few years, the Legislature has taken action to ensure that Stage 3 Set Aside has been preserved. The Stage 3 Set Aside provides child care to former welfare recipients that have used their two years of CalWORKs Stage 2 child care eligibility. The policy rational of providing funds for the Stage 3 Set Aside is that former welfare recipients need continued child care once employed to prevent their return to welfare.

The Department of Finance believes that it would cost an estimated \$110 million to provide child care to the Stage 3 Set Aside population in the budget year. The \$110 million could be funded under the following framework:

- Reduce eligibility prospectively
- Eliminate grandfathered cases above the 75% SMI
- Eliminate eligibility for children over 12 years old.
- Dealing with payments in arrears
- Define "at risk" entrants to those referred by CWS
- Imposed moderate increase in family fees
- Reduce and simplify market rates
- Consider phasing out 3 year olds in State pre-schools

The Subcommittee could direct a staff working group to consider the above options and to construct a concrete plan to be considered by Subcommittee 1 during the May 8th Open Issue hearing.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 2: CALWORKS EMPLOYMENT SERVICES**

The California Welfare Directors Association has provided the Subcommittee with a proposal to address the CalWORKs Employment Services equity issue.

BACKGROUND:

Recipients are required to enter into a welfare-to-work plan after an assessment. The plan must include the activities and services that will move the recipient into employment. The Governor's proposed budget includes \$786 million for basic job training and employment services in 2002-03.

The Governor's Budget reduces Employment Services by 2 percent to reflect a decrease in the CalWORKs caseload as some clients hit time limits. While the budget reduces funds for Employment Services by only 2 percent in 2002-2003, the current level of funding is far below the amount required for counties to fully-fund their employment services models. Despite modest increases in funding during the last two fiscal years, many counties must use one-time CalWORKs performance incentive funds for core services because the actual cost of providing core employment services to CalWORKs participants exceeds their State allocation for employment services.

Counties will face increasing difficulty maintaining the integrity of their welfare-to-work programs due to a rise in caseloads and a reduction in funding. The problem will be exacerbated by cuts to other State programs serving CalWORKs clients such as the Adult Education program in the California Department of Education and the California Community Colleges CalWORKs program. Counties can still utilize these programs, but they will be forced to use their existing employment services allocation for services that were once separately funded.

Some counties will be impacted more than others by this shortfall. As a result of a county allocation methodology utilized in prior fiscal years, there is a wide disparity in levels of employment services funding across counties. While the budgeted employment services level will impact all counties, some counties will more acutely feel these effects.

COMMENTS:

The County Welfare Directors Association has provided a proposal to address the underfunding and equity of the employment services funding for CalWORKs. This proposal was approved by unanimous vote of the 58 CWDA counties.

The proposal contains the following elements:

- Each county would receive at a minimum the Employment Services Allocation which it received in the current year (FY 2001-2002), including the equity adjustment that occurred in the current year. *Cost = \$92 million above the Governor's proposal (\$53 million which the Governor proposes to delete based on CalWORKs time limit plus \$39 million to sustain the current year equity adjustment).*

- The six counties that received “under-equity” funds in the current year would receive their share of \$ 53 million according to the same formula used to allocate the current year equity funds. *Cost = \$53 million*

Total Cost = \$145 million

The Employment Services proposal would be funded in the following manner:

- Any funds that can be identified as available for CalWORKs Employment Services should first be used to accomplish the objectives of this proposal.
- Reallocation of unspent FY 2001-2002 single allocation plus unspent mental health and substance abuse funds, after reallocation to counties that will have overspent their FY 2001-2002 single allocation.
- The remainder of the \$145 million will be borrowed by the State from each county’s unspent performance incentives proportionate to each county’s adjusted unspent performance funds as of June 30, 2002. Each county’s adjusted unspent performance incentives will be calculated as follows:

Total unspent by that county as of June 30, 2002

minus 20% of the total performance incentives allocated to that county

minus performance incentives borrowed from that county by the State for other purposes (such as the \$169 million proposed by the Governor.)

ISSUE 3: COUNTY PROGRAM GRANT AND 5 PERCENT HOLDBACK

The Subcommittee will consider two administration proposals regarding CalWORKs budgeting.

BACKGROUND:

The State is proposing to give counties more flexibility in the expenditure of CalWORKs funds. Currently, counties are provided a "Single Allocation" which contains funding for CalWORKs Stage I Child Care, CalWORKs Employment Services, and CalWORKs program administrative costs. Counties can currently shift funds between these three different activities, as long as they remain within the overall amount of their single allocation. In 2002-2003, the budget proposes to expand county flexibility by providing counties with a "County Program Grant" which would contain the elements of the existing Single Allocation, with the addition of the allocations for CalWORKs Mental Health, CalWORKs Substance Abuse, and Juvenile Assessment/Treatment Facilities and Probation Camps. According to the Department of Finance, counties could shift funds within these allocations to better meet their needs.

The 2002 Budget Bill also contains language that would hold back five percent of the County Program Grant. These funds would be used in the event unexpected costs from caseload increases in the CalWORKs and KinGAP programs exceed budget projections. This provision effectively creates a reserve for aid payments using funds allocated for services. Given the uncertainty regarding the level of CalWORKs caseloads, the holdback would add additional fiscal strain upon counties' welfare-to-work programs.

COMMENTS:

The Subcommittee has received feedback from mental health providers and Probation Officers commenting that the County Program Grant structure could potentially undermine the integrity of the programs they currently run in counties.

The Legislative Analyst's Office notes that the primary disadvantage of the Governor's 5 percent holdback proposal is that the potential \$95 million reduction in county block grant funding would result in a lower level of employment services and a lower level of funding for county administrative costs. Additionally, because the actual amount of county funds that will ultimately be redirected for grant payments is unspecified, the Governor's proposal is disruptive to the counties' planning process and their ability to budget for employment services and administrative costs.

ISSUE 4: CALWORKS COLA

The Subcommittee will consider restoring the CalWORKs Cost of Living Increase in the budget year.

BACKGROUND:

Current law requires the State to provide a statutory cost-of-living adjustment to CalWORKs cash aid payments. Each year, the cost-of-living increase is equal to the increase in the California Necessities Index.

The Governor's budget proposes to suspend the statutory CalWORKs cost-of-living adjustment (COLA) effective October 2002. Compared to current law, suspending the COLA results in General Fund/TANF savings of \$112 million. The statutory COLA is based on the change in the California Necessities Index (CNI) from December 2000 to December 2001 (3.74 percent).

As a point of reference, the Federal poverty guideline for 2002 for a family of three is \$1,252 per month. (the Federal poverty guidelines are adjusted annually for inflation). Under current law, combined maximum grant and food stamps benefits in high-cost counties would be \$978 per month (78 percent of the poverty guideline). Under the Governor's proposal to suspend the COLA, combined benefits in high-cost counties would instead be \$964 per month (77 percent of poverty). Combined benefits in low-cost counties would be \$960 per month (77 percent of poverty) under current law, versus \$946 (76 percent of poverty) as proposed in the Governor's budget.

COMMENTS:

Restoring the COLA would cost an estimated \$112 million in the Budget year.

In terms of Cash Grant levels, a family of three would receive \$679 a month in Region 1, instead of increasing to \$705, a cut of \$26 a month and \$647 in Region 2, instead of increasing to \$672, a cut of \$25 a month.

ISSUE 5: CHANGING THE CALWORKS 60-MONTH TIME CLOCK

The Subcommittee will consider current legislation to change the State's 60-month time clock.

BACKGROUND:

The Federal welfare reform law of 1996, which created the TANF block grant, established a lifetime limit on Federal assistance. Specifically, states may not use TANF funds to provide assistance to families in which an adult has received a cumulative total of 60 months of assistance. However, a state may exempt up to 20 percent of its caseload from the Federal time limit for reasons of "hardship," as defined by the state.

States also have the flexibility to create a separate state program, using state-only funds, to provide assistance to families that have reached the Federal time limit. Such families would remain eligible for assistance under the state program. California has availed itself of this option. Such State expenditures for post time-limit families are countable toward the State's maintenance-of-effort (MOE) requirement. Thus, the Federal time limit may be viewed more as a limit on the use of Federal funds than a strict requirement that aid be limited to five years.

Adult CalWORKs recipients began hitting the Federal five-year lifetime limit in December 2001. However, because the CalWORKs program did not start until January 1998, adult recipients will not begin to reach the state five-year lifetime limit until January 2003. The Governor's budget projects that about 100,000 families will reach their CalWORKs time limit during 2002-03.

COMMENTS:

The Subcommittee will consider AB 2116 (Aroner) suspending the 5-year benefit time clocks for CalWORKs families that cannot participate due to a County's inability to provide child care or employment services. The bill also suspends the benefit time clock in cases where a family is meeting work participation requirements in unsubsidized employment but are still eligible for cash assistance.

ISSUE 6: CALWORKS COMMUNITY COLLEGES PROGRAM

The Subcommittee will consider the impact of the reductions to the Community Colleges CalWORKs program.

BACKGROUND:

CalWORKs, The California Work Opportunity and Responsibility to Kids (CalWORKs) program is financed by a combination of Federal Temporary Assistance for Needy Families (TANF) block grants, the State General Fund, and county funds. To receive the annual TANF block grant, California must meet a \$2.7 billion maintenance-of-effort (MOE) spending requirement. Although this requirement is met primarily with State and county spending in the CalWORKs program, State spending in other departments, including Community Colleges and the California Department of Education Adult Education program, is also used to satisfy the requirement.

Specifically, each year since 1997-98, Community Colleges have received \$65 million from the General Fund—countable toward the MOE spending requirement—to provide services that help CalWORKs recipients move toward employment and self-sufficiency. The current-year budget requires that at least \$49.5 million of this amount be used for work study and job placement services, coordination with welfare organizations, curriculum development, and child care (which must receive at least \$15 million of this amount). Up to an additional \$10 million of this total appropriation may be used for providing services to former CalWORKs recipients.

The Community Colleges use the CalWORKs funding to provide counseling and work-study opportunities to the CalWORKs clients. According to studies by the MDRC and CLASP, these supports are essential to a client completing their course of study. According to recently released research, CalWORKs clients working through the Community Colleges program showed significant earned income increases.

COMMENTS:

The 2002-03 budget proposal reduces Community colleges' CalWORKs funding to \$15 million, and requires that this amount be expended solely on childcare services for current and former CalWORKs recipients. To maintain MOE compliance, this reduction in MOE-countable expenditures is offset by increased State spending in the CalWORKs program.

Subcommittee 2 on Education is also considering the cuts to the Community Colleges. However, because budgetary pressures in CalWORKs precipitated these cuts; it is likely only changes within Subcommittee 1 could facilitate the restoration of these programs. Given the Governor's explicit policy decision to prohibit funding for TANF programs above the State's Maintenance of Effort, the only mechanism to retain these programs would be to make offsetting reduction in the CalWORKs program.

The Governor's Budget assumes that counties will contract with their local community colleges to continue providing some of these programs within their existing funds.

ISSUE 7: CALWORKS ADULT EDUCATION PROGRAM

The Subcommittee will consider the impact of the reductions to the CalWORKs portion of the Community College and Adult Education Programs.

BACKGROUND:

CalWORKs, The California Work Opportunity and Responsibility to Kids (CalWORKs) program is financed by a combination of Federal Temporary Assistance for Needy Families (TANF) block grants, the State General Fund, and county funds. To receive the annual TANF block grant, California must meet a \$2.7 billion maintenance-of-effort (MOE) spending requirement. Although this requirement is met primarily with State and county spending in the CalWORKs program, State spending in other departments, including Community Colleges and the California Department of Education Adult Education program, is also used to satisfy the requirement.

COMMENTS:

The budget proposes to eliminate \$36 million in General Fund in the California Department of Education (CDE) for adult education and the Regional Occupational Collaborative program (ROC/P). These programs will continue to exist, but they will no longer have slots reserved for CalWORKs participants. The Governor's budget assumes that CalWORKs participants can receive adult education through existing county programs or through the base allocation for the ROC/P program contained in the CDE budget.

Subcommittee 2 on Education is also considering the cuts to the Adult Education Program. However, because budgetary pressures in CalWORKs precipitated these cuts; it is likely only changes within Subcommittee 1 could facilitate the restoration of these programs. Given the Governor's explicit policy decision to prohibit funding for TANF programs above the State's Maintenance of Effort, the only mechanism to retain these programs would be to make offsetting reduction in the CalWORKs program.

Some Counties have indicated that the Adult Services funding is often the source of funds to provide English as a Second Language (ESL) training to their clients that are not primary English speakers.

ISSUE 8: YOUTH DEVELOPMENT SERVICE PROJECT

The Subcommittee will consider eliminating the Youth Development Service Project.

BACKGROUND:

Beginning in 2001, the Department of Social Services provides \$1.5 million to local community based organizations, primarily Boys' and Girls' clubs, for direct prevention services to youth. These services, including training and recreation activities, are aimed at reducing the rate of teen pregnancy.

The Department reports that over 4,843 youth have been served through this funding. These funds were provided to Boys' and Girls' Clubs throughout the State. The funding helps the clubs fund their "Smart Moves" program, which provides drug, alcohol, and pregnancy prevention, services to youth aged 6-15. In addition, a portion of these funds helped the clubs form a statewide alliance of Boys' and Girls' clubs.

COMMENTS:

Given the fiscal constraints upon the CalWORKs program, the Subcommittee may consider eliminating the Youth Development Services Project.

ISSUE 9: FRAUD INCENTIVE FUNDS

The Subcommittee will consider eliminating fraud incentive funds.

BACKGROUND:

The budget proposes to eliminate the State portion of the CalWORKs Fraud Incentive payments made to counties. Under current CalWORKs law, counties receive 25 percent of the State share of savings, including Federal TANF funds, resulting from the detection of fraud. The budget would allow only the Federal TANF funds to be returned to counties for savings of \$5.1 million.

CalWORKs recipients are ineligible for benefits for any fraudulent misrepresentation or failure to disclose information for six months for the first offense, twelve months for the second offense, and permanently for the third offense. Also, recipients are permanently ineligible for benefits if the recipient is found by a court or pursuant to an administrative fair hearing to have misrepresented their place of residence, submitted documents for nonexistent children or fraudulently received benefits in excess of \$10,000. The budget estimates \$59.6 million of fraud and overpayments will be collected in 2002-2003

COMMENTS:

Given the fiscal constraints upon the CalWORKs program, the Subcommittee could consider eliminating the \$5.1 million TANF remaining balance of the fraud incentive funds. To accomplish this change, the Subcommittee would also have to adopt Trailer Bill Language to eliminate the fraud incentive payments.

ISSUE 10: TANF REAUTHORIZATION POLICY CHANGES**BACKGROUND:**

Since its enactment in 1997, CalWORKs funding has remained essentially stable. The program's relatively flat funding level is due to a fixed amount of TANF block grant funds and the State's decision to limit its share of funding to the minimum MOE spending requirement. This funding level was sufficient to support the CalWORKs program in its early years for several reasons. Prior to the current year, the continuous caseload decline, coupled with the relatively slow implementation of the employment services component of the CalWORKs program, resulted in TANF reserves that were sufficient to fully fund both the program's core elements (grants, basic employment services, child care) as well as to provide the counties with approximately \$1 billion in performance incentive funds, which could be spent on "noncore" program enhancements.

Beginning in 2000-01, however, no new funding has been provided for performance incentives. Further, in 2001-02, the budget for the welfare-to-work component (employment services and administration) was frozen at the 2000-01 level due to funding pressures. These pressures resulted from a combination of a slowing caseload decline, a matured welfare-to-work component, and fewer carryover TANF funds available from prior years.

COMMENTS:

Given the potential magnitude of policy changes necessary to implement the new TANF program in California, the Subcommittee may want to take action to begin planning for these changes. The Subcommittee could adopt the placeholder Trailer Bill Language to facilitate this planning:

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 11: REDUCTION CHILD SUPPORT LOCAL ASSISTANCE

The Subcommittee will consider reducing Child Support Local Assistance funding in the budget year.

BACKGROUND:

The Department of Child Support Services (DCSS), created on January 1, 2000, administers California's child support program by overseeing 58 county child support departments. The primary purpose of the program is to collect from absent parents, support payments for custodial parents and their children. Local child support offices provide services such as locating absent parents; establishing paternity; obtaining, enforcing, and modifying child support orders; and collecting and distributing payments.

COMMENTS:

The Subcommittee will consider whether further savings can be achieved within the Child Support Services local assistance budget. According the Legislative Analyst's Office, DCSS has a contingency funds for DCSS of about \$18 million all funds and \$7 million General Funds. These funds are available to counties that expend all of their current local assistance funds. However, given the historic and recent expenditure levels in county child support services program, it is possible that none of this \$18 million will be expended in the Budget Year.

ISSUE 12: PRE-STATEWIDE INTERIM SYSTEMS MANAGEMENT (PRISM) PROJECT

The Legislative Analyst's Office recommends reducing the DCSS PRISM project Budget proposal.

BACKGROUND:

The budget proposes to redirect \$4.2 million within the department from the Pre-Statewide Interim Systems Management (PRISM) Project to additional DCSS oversight activities on the CCSAS Project. Chapter 479, Statutes of 1999 (AB 150, Aroner), required FTB to act as DCSS' agent for the procurement, development, implementation, and maintenance of the CCSAS Project.

Of the \$4.2 million being redirected, \$3.3 million are for activities similar to those already being funded in the FTB for the CCSAS Project. Since it is unclear how the proposed DCSS activities differ from FTB's current activities, we withhold recommendation on the DCSS request pending receipt of additional information (1) demonstrating the difference between the two departments' activities, and (2) the likelihood that the redirection will increase project success.

COMMENTS:

In the February Analysis, the LAO withheld recommendation on the redirection of \$4.2 million from the Pre-Statewide Interim Systems Management Project to the California Child Support Automation System (CCSAS) Project pending receipt of additional information demonstrating the difference between the Department of Child Support Services' and Franchise Tax Board's oversight activities on the CCSAS Project

Upon review of the additional information provided by DCSS, the LAO recommends that the Legislature (1) reduce the proposal by \$542,000, (2) provide two additional positions to support the proposed Project Management Office, and (3) adopt budget bill language directing the department to prepare a plan to develop staff capacity and technical knowledge to support the California Automated Child Support System (CCSAS). We propose the following language:

The Department of Child Support Services shall prepare a plan for developing departmental staff capacity and technical knowledge to support of the California Automated Child Support System. The plan shall include, but is not limited to, actions that the department will take to reduce its reliance on consulting expertise. The plan shall be submitted to the chairs of the budget committees in each house and the Chair of the Joint Legislative Budget Committee by January 10, 2003.

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES**ISSUE 13: REED ACT**

The Subcommittee will consider using Reed Act Funding to offset State spending of Job Services Administration.

BACKGROUND:

Under the Federal Reed Act, the Federal Government returned \$937 million to be used for Unemployment Insurance benefits. Of this \$937 million, SB 3X 4(Alarcon) proposes to allocate \$600 million to reinforce the current Unemployment Insurance fund. The remaining \$337 million balance has not been appropriated at this time.

COMMENTS:

The Employment Development Department reports that the remaining \$337 million balance has specific limitation on its use. However, the funds could be used to replace current and budget year spending with EDD Contingent funds, EDD Funds, and WIA 15% Discretionary funding:

Item	Amount (millions)	Source of Funds
Job Services Administration BY	\$25.0	EDD Contingent Funds
Job Services Administration BY	\$ 1.0	General Funds
Job Services Administration CY	\$ 4.0	EDD Contingent Funds
Veteran's/Disabled Veterans Employment Services	\$ 1.5	WIA 15% Discretionary Funds

Replacing the Budget Year General Funds with Reed Act funding will result in a direct General Fund savings of \$1 million.

If the Subcommittee replaces \$29 million in EDD Contingent funding with Reed Act Funds, it can transfer the \$29 million to the General Fund, to realize a General Fund savings. The \$4 million EDD Contingent Funds in the current year reflect the State's ability to utilize Reed Act funding after March 10, 2002.

Finally, using the Reed Act funding to replace WIA 15% Discretionary funding may not directly generate General Funds savings, but these funds could be used to fund the Faith Based Initiative, Youthbuild or the National Farmworker Jobs Program.

EDD cautions that the Federal government intended that the Reed Act funds be used for Unemployment Insurance benefits. Using \$31.5 million of Reed Act funding for Administration could send the wrong message to the Federal government.

ISSUE 14: WIA 15% DISCRETIONARY FUNDING

The Subcommittee will explore the use of discretionary Federal Workforce Investment Act funding.

BACKGROUND:

The Federal Workforce Investment Act (WIA) of 1998 replaced the Job Training Partnership Act, which provided employment and training services. The goal of WIA is to strengthen coordination among various employment, education, and training programs. The 63 member Workforce Investment Board (WIB) advises the Governor on the operations of the State workforce investment system; however, the Board's actions are not binding on the Governor.

Pursuant to Federal law, 85 percent of WIA funds (\$611 million in 2002-03) are allocated to local WIB's, formerly known as Private Industry Councils. The remaining 15 percent of WIA funds (\$91.7 million) is available for discretionary purposes such as administration, statewide initiatives, current employment service programs, or competitive grants.

COMMENTS:

In 2002-03, the Governor's budget has a supporting schedule that proposes a specific expenditure plan for the WIA discretionary funds. Figure 1 shows the Governor's expenditure plan based on information provided by the Department of Finance. As the figure shows, \$23.4 million is proposed for administration, \$27.5 million is budgeted for required WIA activities, and \$40.7 million is dedicated to various proposed programs.

Workforce Investment Act 15 Percent Funds Budgeted 2002-2003	
Administration	
Employment Development Department Administration	\$18.6
California Workforce Investment Board Administration	\$4.8
Federally Required WIA Activities	\$27.5
Subtotal	\$50.9
Proposed Programs	
Veterans / Disabled Veterans Employment Services	\$1.5
Governor's Award for Veteran's Grants	\$6.0
Department of Education WIA Coordination/Program Integration	\$2.3
Community Colleges WIA Coordination/Program Integration	\$2.3
One-Stop Access to Services Initiative (with the Department of Rehabilitation)	\$1.4
Los Angeles County Work Plan for Worker Retraining	\$6.0
Youth Development and Crime Prevention	\$3.0
Jobs for California Graduates	\$1.0
Female Offenders Treatment and Employment Program	\$2.0
Preventing Parolee Crime Program	\$10.6
Programs Under Development	\$4.6
Subtotal	\$40.7
Total proposed expenditures	\$91.70

In the Current Year, the Employment Development Department was able to generate General Fund savings by using unallocated WIA funds to pay for a portion of the State administration of the Job Services administration and transfer the resulting savings to the General Fund. The Subcommittee could consider this action in the budget year, but if it uses Unemployment Insurance Funds available through the Reed Act (Issue 13), it will no longer have this option available.

Any reductions to WIA discretionary funds could be used to pay for other programs, such as the Faith Based Initiative, to continue the YouthBuild program, or to sustain the National Farmerworker Jobs Program.

EDD reports that there is a potential that the Federal government could reduce the amount of WIA funds the State receives in the budget year. This could reduce the amount of funding available for WIA 15% discretionary funding available in the budget year.

ISSUE 15: FAITH BASED INITIATIVE

The Subcommittee will explore funding options for the Faith Based Initiative

BACKGROUND:

The State of California, as well as the Federal government, have increasingly considered using faith-based organizations (FBO's) as an alternative delivery system for providing certain social services. While only limited research measuring the effectiveness of faith-based social service delivery exists, State and local governments across the country have made investments in programs that engage the faith-based community in delivering services to the hardest-to-serve clients. The services provided by FBOs typically include education, job training, and life management skills designed to assist individuals in becoming self-sufficient.

The Legislature appropriated \$5 million from the General Fund for a Faith-Based Initiative during 2000-01. The program was authorized through budget bill language adopted in EDD budget item (5100-001-0001) of the 2000-01 Budget Act, rather than through stand-alone authorizing legislation. Under this initiative, EDD administers a grant program that funds FBOs that offer employment services to hard-to-serve individuals. An additional \$4 million is included in the 2001-2002 Budget Act. The EDD defines a faith-based organization as "an organization, corporation, institution, association, entity, partnership, intermediary or collaborative established by or related to a FBO that is not pervasively sectarian and that is tax exempt under Section 501(c)(3) of the Federal Internal Revenue Code and operates under its own auspices."

COMMENTS:

The Governor's Budget proposes \$4 million to continue the Faith Based Initiative in the budget year.

This program was initiated through budget control language adopted in 2000-01 and continued through similar control language approved for 2001-02. The Governor proposes to sustain the program with \$4 million in funding for 2002-03. On a per-client served basis, this program is very costly compared to other employment and training programs operated by EDD and other departments.

Given the State's current fiscal constraints, the Subcommittee could consider reducing or eliminating the Faith Based Initiative.

Another option would be to consider using Discretionary WIA funding in lieu of General Fund to continue the Faith Based Initiatives. According to EDD, in the current year \$3.6 million in WIA discretionary funds are allocated to continue all 20 faith based initiative projects from the prior year. The Subcommittee could earmark \$4 million of the current \$4.6 million unallocated (projects under development) WIA funds for the Faith Based Initiative program and eliminate the current \$4 million General Funds currently budgeted for the program. This fund shift will save \$4 million General Funds.

The LAO believes that last year's budget bill language changes inadvertently dropped the requirement for a competitive bidding process. This inadvertent change has been included in the *2002-03 Budget Bill*. The LAO has recommended changing the existing budget bill language to correct this problem.

ISSUE 16: YOUTHBUILD

The Subcommittee will consider continuing the YouthBuild program.

BACKGROUND:

YouthBuild programs are non-profit programs throughout the State. The program was created by Federal law in 1992, and is funded by Federal Housing and Urban Development grants. According to EDD, Federal funding has been erratic. There are currently 16 sites operating. The programs provide pre-apprentice training for construction trades to high school dropouts. In addition to the pre-apprentice training, young trainees receive support to complete high school, get a driver's license, and learn other self-sufficiency skills. Each trainee earns \$8/hour while working on the job site, and \$2.50/hour while receiving classroom education. The State Building and Construction Trades Council and major contractor associations support programs.

AB 643 (Wesson), Chapter 829, Statutes of 1999, created the YouthBuild Program in California law, and authorized programs if funds are made available in the budget. \$400,000 was provided in 1999-2000 to programs that received HUD funding in any of the three previous years. The 2001-02 budget provided \$250,000 for YouthBuild Programs.

COMMENTS:

The Governor's budget does not include funding for the YouthBuild program in the budget year.

Given the tight fiscal constraints faced by the State, it may not be possible for the Subcommittee to find General Fund dollars to continue the YouthBuild program. However, it may be possible to use WIA 15 % Discretionary Funds to continue the YouthBuild program in the budget year.

ISSUE 17: NATIONAL FARMWORKER JOBS PROGRAM

The Subcommittee will consider the impact of a proposed Federal reduction of the National Farmworker Jobs Program.

BACKGROUND:

The National Farmworker Jobs Program provides agriculture stabilization services, employment trailing services and related assistance to migrant and seasonal farmworkers. The program is authorized as part of the Workforce Investment Act.

In the 2001-2002, \$80.8 million of funding was allocated for the program nationwide. California received \$16.8 million of this funding in the current year.

In the 2002-2003 Federal fiscal year, the Administration has proposed eliminating all funding for the National Farmworker Jobs Program. The Administration believes that farmworkers can utilize existing services through the existing one-stop WIA system.

COMMENTS:

EDD comments that it is working with other partners at the Federal level to restore at least a portion of the National Farmworker Jobs Program. EDD believes that One Stop centers would not wholly substitute for the specialized services for farmworkers currently provided by the National Farmworker Jobs Program.

EDD comments that WIA Discretionary 15% funding could be used to replace the lost funding for the National Farmworker Jobs program.

ITEM 5120 CALIFORNIA WORKFORCE INVESTMENT BOARD**ISSUE 18: CALIFORNIA WORKFORCE INVESTMENT BOARD STATE OPERATIONS**

The Subcommittee will consider reducing the California Workforce Investment Board's State operations.

BACKGROUND:

The Federal Workforce Investment Act of 1998 (P.L. 105-220) (WIA) repealed the Job Training Partnership Act and changed the requirements and system design for Federally supported workforce preparation and retention systems nationwide. The new WIA includes three new funding streams for job training, with basic grants to participating states in three areas:

- Adult employment and training
- Dislocated worker employment and training
- Youth activities

WIA requires a comprehensive performance accountability system for workforce development programs. For adults and dislocated workers, programs are required to measure job placement and retention, earnings, skill attainment, and customer satisfaction. Youth service providers are required to measure basic and, if appropriate, occupational skill attainment, obtainment of a high school diploma, placement and retention in education, advanced training, or employment, and customer satisfaction.

WIA also requires the State to establish a California Workforce Investment Board (CWIB) to assist the Governor in restructuring workforce development programs into an integrated workforce investment system that can respond to the employment, training and education needs of its customers. Services are required to be provided through a network of One-Stop Career Centers.

Federal law requires that the CWIB include the Governor, 2 members of the Senate, 2 members of the Assembly, and representatives appointed by the Governor who are:

- Private sector employers representing small and large businesses (must be a majority of the board)
- Local elected officials
- Representatives of labor organizations
- Representatives of individuals and organizations with experience in youth services
- Representatives of individuals and organizations with experience in the delivery of workforce investment activities, including education and community based experience
- Representatives of State agencies with experience in workforce investment programs

The CWIB has a number of responsibilities under the Federal act:

- Development of a Workforce Investment Plan
- Designation of local Workforce Investment Areas and Local Workforce Investment Boards

- Review of local Workforce Investment Area plans
- Oversight of the coordination of employment and training systems including required programs in the One Stop Career centers in local areas
- Oversight of performance criteria for State and local programs.

COMMENTS:

Of the Total \$5.1 million allocated for the operations of the California Workforce Investment Board, \$4.8 million is WIA 15% Discretionary funds. If the operations of the California Workforce Investment Board were reduced, the resulting savings could be used for direct services such as the Faith Based Initiative, YouthBuild, or the National Farmworker Jobs Program.

In addition, there is a potential the Federal government may rescind WIA funds, requiring the State to reduce its WIA 15% Discretionary funding options. In that event, the Subcommittee may wish to consider reducing the CWIB Operations to avoid reducing direct services.

The CWIB has a staff of 33 positions, of which a large percentage is supervisory level positions. Given the scope of the CWIB's operations, it appears that there is a potential that a large percentage of the existing staff could be reduced without a large impact upon the service level provided by the CWIB. The table below details the budget of the CWIB:

Budget of the California Workforce Investment Board		
Position Title	Number of Positions	Total Cost
Board Members (64 Per diem of \$100)	0	\$ 55,000
Chief Council	1	\$ 106,056
Executive Director	1	\$ 101,472
CEA II	1	\$ 89,496
Research Mgr-III Gn.	1	\$ 79,178
Research Mgr-II Gn.	1	\$ 71,844
Staff Svc. Manager II Supervisor	3	\$ 215,532
Research Program Specialist II--Econ	1	\$ 59,520
Research Program Specialist II	1	\$ 59,520
Staff Info System Analyst-Spec	1	\$ 64,296
Staff Svc Mgr I	5	\$ 317,872
Research Program Spec I	1	\$ 54,192
Research Analyst II-Gen	5	\$ 283,266
Associate Gov Prog Analyst	4	\$ 212,880
Asst Info Sys Analyst	1	\$ 43,963
Staff Svcs Analyst--Gen	4	\$ 165,201
Office Tech-Typing	2	\$ 59,160
Temporary Help		\$ 27,677
Overtime		\$ 25,000
<i>Total Staff Cost</i>	33	\$ 2,091,125
Salary Savings		\$ (105,000)
Staff Benefits		\$ 452,000
Operating Expenses		
General Expenses		\$ 201,000
Printing		\$ 35,000
Communication		\$ 55,000
Postage		\$ 5,000
Travel In-State		\$ 100,000
Travel Out-of-State		\$ 67,000
Training		\$ 9,000
Facilities Operation		\$ 171,000
Utilities		\$ 4,000
Consulting and Professional Services Internal		\$ 966,000
Consulting and Professional Services External		\$ 1,464,000
Consolidated Data Centers		\$ 45,000
Data Processing		\$ 31,000
SWCAP		\$ 134,000
Equipment		\$ 18,000
<i>Total Operating Expense</i>		\$ 3,305,000
Total CWIB Budget		\$ 5,743,125