

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER GILBERT CEDILLO, CHAIR

**WEDNESDAY, MAY 12, 1999
STATE CAPITOL, ROOM 444
1:30 P.M.**

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4170 DEPARTMENT OF AGING

**ISSUE 1: MULTIPURPOSE SENIOR SERVICES PROGRAM AUDIT WORKLOAD
(FINANCE LETTER)**

The department requests an augmentation to the budget proposal of \$168,000 (\$82,000 General Fund) and two permanent auditor positions to conduct annual audits of Multipurpose Senior Services Program sites to ensure compliance with federal Medicaid waiver requirements.

Recommendation: Approve the Finance Letter.

ISSUE 2: ALZHEIMER'S DAY CARE RESOURCE CENTERS (FINANCE LETTER)

The department requests an augmentation to the budget proposal of \$36,000 from the General Fund to provide administrative dollars to local Area Agencies on Aging to support additional Alzheimer's Day Care Resource Center sites that were established as part of the Budget Act of 1998-99.

Recommendation: Approve the Finance Letter.

4170 DEPARTMENT OF AGING**ISSUE 3: HEALTH INSURANCE COUNSELING AND ADVOCACY PROGRAM (HICAP)**

The budget proposes \$3,172,000 (\$854,000 State HICAP Fund, \$581,000 federal funds, and \$1,737,000 Insurance Fund) for local assistance for the HICAP in 1999-00.

On March 24, 1999, the subcommittee asked the department to report back with some options to enforce the collection of HMO fees in a timely manner since current statute does not include an enforcement provision for timely payments.

In addition, the subcommittee held this issue open pending discussions regarding the department's plans to discontinue the existing toll-free HICAP number whereby callers are able to speak to HICAP counselors. The department plans to utilize its central toll-free number that would route calls to the local Area Agencies on Aging. The subcommittee heard public testimony regarding concerns about the department's plans.

BACKGROUND:

The HICAP provides one-on-one counseling and assistance on Medicare, Medicare supplement insurance, long-term care insurance, managed care, and related health care plans. The program also provides Medicare related legal representation and community education. The HICAP serves all Medicare beneficiaries, regardless of age, and all seniors imminent of Medicare eligibility. There are currently 24 local HICAP agencies that serve the entire state.

Current law requires all Medicare supplement and long-term care insurance policies and outlines of coverage to provide referral to the HICAP for consumer information and assistance. Insurance agents selling long-term insurance must, at the time of initial solicitation, inform potential purchasers of the location of the HICAP office in their area.

The program was initially supported by the General Fund, but the fund source was shifted to the Insurance Fund in 1987-88 in order to alleviate fiscal constraints on the General Fund. Subsequent legislation created a new special fund to partially shift support from the Insurance Fund. Specifically, current statute now requires all health care service plans providing Medicare supplement services to Medicare beneficiaries to provide a fee. The fee must be at least seventy cents (\$.70) and not more than one dollar (\$1.00) per year for every individual Medicare HMO contract in force as of December 31 of the previous year. These fees are deposited into the State HICAP Fund to support the program. Current statute also provides authority for funding the HICAP at a ratio of \$2.00 from the Insurance Fund for every \$1.00 collected by the State HICAP Fund. The Department of Aging is responsible for administering, assessing, and collecting the fees.

COMMENTS:

The department indicates that it has adopted various administrative procedures to improve the collection of fees and that the stakeholders have agreed to an implementation plan regarding the toll-free number.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

ISSUE 4: DRUG COURTS

The budget proposes \$8 million from the General Fund to continue the Drug Court Partnership program, consistent with legislative intent. This includes \$200,000 and two positions for state administrative support.

On March 24, 1999, the subcommittee held this issue open. Since then, the department has submitted a Finance Letter requesting a transfer of \$200,000 from local assistance to the state level to fund the statutorily required evaluation of the Drug Court Partnership Program.

BACKGROUND:

A Drug Court provides a pre-trial and/or post-adjudication linkage between motivated participants, a judge specializing in drug cases, and a rigorous regimen of guaranteed services. Services include individual needs assessment, frequent counseling sessions, random urinalyses, and rehabilitative and support services that address the underlying personal problems of the drug user and promote long-term re-entry into society. Eligible participants typically are nonviolent offenders with serious substance abuse problems, most frequently those who use crack, cocaine, heroin, or methamphetamines.

Under current law, certain criminal actions involving specified drug offenses may, upon a determination by the prosecutor, be referred to a deferred entry of judgment program. Upon successful completion of a drug court program, charges against a defendant may be dismissed.

Last year, the Drug Court Partnership Act was established to award grants on a competitive basis to counties that develop and implement drug court programs. Participants must be defendants who have entered a plea of guilty and are on active probation. Current law requires the DADP to design and implement the program with the concurrence of the Judicial Council. The purpose of the Act was to demonstrate the cost-effectiveness of the drug courts. The statute requires a final evaluation of the program by March 1, 2002.

These grants are subject to appropriation in the Budget Act. The Drug Court Partnership Act includes legislative intent language for \$8 million from the General Fund to be appropriated in the Budget Act in each fiscal year, from 1999-00 through 2001-2002 for the program. The enabling legislation also contained a General Fund appropriation of \$8 million for 1998-99. However, Governor Wilson vetoed \$4 million, leaving \$4 million in the current year.

Drug Courts have proven to be highly effective at reducing recidivism rates among offenders. Recidivism ranges from five to 28 percent among participants, and is only four percent among drug court graduates. A study revealed that in the month before sentencing, 50 percent more drug court defendants who participated in drug treatment had negative drug tests than those who were in other courts.

According to the department, the average cost for the treatment component of a drug court program ranges between \$900 and \$2,200 per participant, depending on the range of services provided. Estimated savings in the cost of incarceration vary greatly depending on the program, but savings in jail beds alone are at least \$5,000 per participant.

There are approximately 76 Drug Courts in 34 counties. Most small counties do not have drug courts. Adequate treatment services are the essential ingredient of any Drug Court, but there are very few "treatment slots" available for Drug Court participants.

COMMENTS:

Since the March 24, 1999 hearing, there have been requests that the subcommittee consider additional funding for juvenile drug courts and "pre-conviction" drug courts.

4440 DEPARTMENT OF MENTAL HEALTH**ISSUE 5: CHILDREN'S SYSTEM OF CARE**

The budget proposes a total of \$27.3 million (\$23.3 million General Fund, \$4 million federal funds) for counties to operate the Children's System of Care program in 1999-00, which essentially represents the current year funding level.

On April 7, 1999, the subcommittee (1) augmented by \$12.4 million General Fund to fully fund Los Angeles County and to expand the program to 11 counties, and (2) adopted budget bill language directing the allocation of the funds.

BACKGROUND:

The Children's System of Care program provides a variety of intensive services including mental health treatment, counseling, education, health care and social services to seriously emotionally disturbed children and their families through an interdisciplinary team of service professionals. The program is designed to prevent the placement of these children into higher cost placements such as foster care group homes, state hospitals, or juvenile correctional facilities. An independent evaluation has shown positive outcomes from this program.

There are currently 42 counties which operate a Children's System of Care program. The following counties do not have Children's System of Care programs: Alpine, Amador, Colusa, El Dorado, Fresno, Glenn, Imperial, Inyo, Lake, Modoc, Mono, Orange, Plumas, San Benito, Sierra, Tulare

Last year, the Legislature approved an augmentation of \$20 million to expand the Children's System of Care program. However, Governor Wilson vetoed \$16 million of the legislative augmentation.

COMMENTS:

Since the April 7, 1999 hearing, there have been concerns raised regarding (1) the need for additional funding for other "underfunded" counties which operate Children's System of Care programs, and (2) the need for budget bill language to clarify the use of Ventura County's Adult and Children's System of Care funds and to require the department to require an audit of these programs.

4700 DEPARTMENT OF COMMUNITY SERVICES AND EMPLOYMENT**ISSUE 6: NATURALIZATION ASSISTANCE**

The budget proposes to continue \$2 million from the General Fund for citizenship and naturalization services for legal permanent residents who are eligible for naturalization.

On March 24, 1999, the subcommittee placed this issue on the augmentation list.

BACKGROUND:

The Immigration and Naturalization Service (INS) is responsible for carrying out the duties associated with the naturalization process. A person seeking naturalization must: (1) submit the required INS application, (2) submit verification documents and a \$225 fee, (3) take a test on government and history, (4) interview with the INS, and (5) attend a swearing in ceremony to take an oath of citizenship.

Impediments to naturalization include lack of educational and other support functions to assist naturalization applicants, lack of access to INS and its functions, and lack of INS capacity to respond to the demand for naturalization. Last year, the Department of Social Services estimated that the naturalization process would take 18 months. However, according to INS data, the waiting period in the Los Angeles INS District is 26-28 months and the waiting period in the San Francisco INS District is 14-30 months.

The DCSD contracts with nonprofit organizations which assist individuals in naturalizing and which receive reimbursements for every application that is filed with the INS.

In 1997-98, the Legislature appropriated \$5 million to the DCSD to assist individuals with the naturalization process. However, the Governor vetoed the funds. The Legislature made another attempt to secure funding for naturalization services by placing a \$3 million appropriation in the Budget Restoration Bill, (AB 1571, Ducheny), but the Governor vetoed the \$3 million.

The Budget Act of 1998-99 included \$2 million from the General Fund to provide naturalization assistance services. The Governor's budget proposes to continue this level of funding. However, the department proposes to allocate the funds differently in 1999-00.

The budget also includes continuation of \$12.5 million in Federal Literacy Funds through the Department of Education for naturalization assistance to community-based organizations, community colleges, and adult education programs.

COMMENTS:

- There had been concerns raised regarding the need for increased naturalization assistance services. An INS report indicated that in April 1996, approximately 2.3 million legal permanent residents in California were eligible for naturalization. The report also showed that more than one-third of U.S. legal permanent residents live in California. According to INS data, the current backlog in California of naturalization applications is over 600,000. However, the current backlog may be underestimated due to lack of updated information, especially in the Los Angeles INS District office.

- Under federal welfare reform, many individuals lost their eligibility for certain programs due to their noncitizen status. In response, the state implemented the California Food Assistance Program which provides state-only benefits for legal noncitizens. The state also implemented the Cash Assistance Program for Immigrants which provides state-only SSI/SSP benefits to legal noncitizens who lost eligibility for the SSI/SSP program. To the extent that recipients for these state-only programs are able to naturalize, there would be state savings since the recipients would be eligible for the federal programs.

5100 EMPLOYMENT DEVELOPMENT DEPARTMENT**ISSUE 7: WELFARE-TO-WORK**

In California and throughout the nation, state and local Welfare-to-Work partnerships and finding the implementation of the program a challenge. This is partly due to the fact that the program is being implemented concurrently with the implementation of the CalWORKs program. County welfare departments are still in the process of training staff and completing assessments and enrollments for CalWORKs. Consequently, there has been slow progress in identifying and referring those eligible clients to the Welfare-to-Work program.

In order to help address the need to facilitate local program implementation, the subcommittee asked the department on April 7, 1999 to submit their proposal for technical assistance activities for the subcommittee's review.

BACKGROUND:

Recent federal legislation provides additional funds to states to augment their welfare-to-work efforts to move the "hardest to employ" welfare recipients into jobs. The funds must be spent on welfare recipients who have been on aid 30 or more months and who meet certain conditions such as lack of education, substance abuse problems, and poor work history. The funds may be used for: community service or work experience programs; job creation through public or private sector employment wage subsidies; contracts with public or private providers of readiness, placement, and post-employment services; job vouchers for placement, readiness, and post-employment services; and job retention or support services.

The federal law requires that 85 percent of the federal welfare-to-work funds be allocated to the PICs in the 52 local Service Delivery Areas (SDAs) in the state to train and place welfare recipients in jobs. The remaining 15 percent may be used at the state's discretion.

California expects to receive approximately \$363 million in federal welfare-to-work funds over two years. Approximately \$162 million was appropriated in 1997-98. The Budget Act of 1998-99 included the following:

- \$147 million for allocation to the local Private Industry Councils (PICs);
- \$50.5 million, which represents the state's share of discretionary funds, to be allocated on a competitive basis to local entities to facilitate local collaboration of government entities and private businesses;

- \$1 million for 16 two-year limited term state staff positions; and
- \$3 million in reserve for administration in subsequent fiscal years.

States must spend \$1 in matching funds for every \$2 in federal funds. In 1997-98, the state provided \$10 million as a match. As proposed in the Governor's budget, California would provide a state match of another \$25 million from the General Fund in 1999-00. Under this scenario, the state would need to provide another \$60 million before June 29, 2001 and another \$86.5 million by June 30, 2002. At a previous hearing, the subcommittee approved the department's Finance Letter which reflected the receipt of additional federal welfare-to-work funds. This means that the state would need to provide an additional \$2.1 million as a state match for the increase in federal funds by the end of June 2002. The budget proposes to allocate the \$25 million state match through the Department of Social Services to counties for their CalWORKs programs.

COMMENTS:

The department has submitted its proposal which would redirect \$1,640,000 from the \$50.5 million currently designated for local competitive bid awards to technical assistance and capacity building projects.

Specifically, the proposal consists of the following components:

1. **Augment State Contract for SDA Training and Consultant Services: Employment Training Network (ETN).** The department proposes to expand the ETN contract to include the Welfare-to-Work program. The ETN contract provides technical assistance and capacity building functions, but currently only covers the Job Training Partnership Act (JTPA) program and One-Stop Career Center implementation. The ETN contract provides peer-to-peer consultant services for organizations that receive JTPA funds, a resource library which includes information from consultation activities, and an information clearinghouse for employment and training partners. These funds would be allocated as follows:

1998-99:	\$ 20,000
1999-00:	\$200,000
2000-01:	\$ 0 (\$200,000 from 1999-00 would cover a two-year contract)
<u>2001-02:</u>	<u>\$100,000</u>
Total	\$320,000

- 2. Provide State-Approved Local Training (SALT) Funds.** The department proposes granting funds to local program operators for SALT. The SALT process was established under the JTPA program in 1995-96. Based on a state-approved training plan, each SDA receives a sum of money to develop the skills of line staff. The SDAs are required to report regarding the use of these funds and all unused funds are returned to the state at the end of the fiscal year. These funds may not be used for out-of-state activities, staff salaries or development of automation systems. The department also proposes that each non-SDA organization that was awarded a Welfare-to-Work grant from the 15 percent state discretionary funds receive some SALT funds. These funds would be allocated as follows:

1998-99:	\$ 420,000
1999-00:	\$ 450,000
<u>2000-01:</u>	<u>\$ 450,000</u>
Total	\$1,320,000

ISSUE 8: INTENSIVE SERVICES PROGRAM

The budget proposes an increase of \$2,949,000 in federal Temporary Assistance for Needy Families (TANF) reimbursements from the Department of Social Services and 48 temporary help positions to expand the Intensive Services Program (ISP).

On April 7, 1999, the subcommittee held this issue open.

BACKGROUND:

The ISP provides special employment services to individuals who need more intensive services to obtain employment. ISP clients must meet the following eligibility criteria:

- 1) Unemployed or under employed,
- 2) Potentially employable but needs intensive employment services to become employed,
- 3) Able to benefit from the program,
- 4) Meets at least one of the following criteria
 - a) Has been out of work 15 weeks out of the last 26 weeks prior to the initial interview,
 - b) Referred specifically for ISP by another agency with which program staff have partnerships,
 - c) Public assistance recipient,
 - d) Disability,
 - e) Dislocated worker,
 - f) Non-English speaking,
 - g) High school dropout,
 - h) 40 years and older and encountering difficulties finding work because of age,
 - i) Migrant seasonal farm worker.

Priority is given to CalWORKs recipients. Case managers are required to maintain caseloads of which at least 75 percent represents CalWORKs recipients. CalWORKs recipients are referred by the county welfare departments. Veterans are also given priority for enrollment. Based on data from July through December 1998, there were approximately 25,800 clients, of which approximately 23,703 were CalWORKs recipients.

Services include employability planning, referral to job search training workshops and other EDD services, referral to other supportive services, disbursement of Case Services funds for the purchase of goods and services not available through another resource, referral to training, and desk coaching to improve the client's work habits.

Since 1994-95, the ISP has been supported by federal Wagner-Peyser funds and reimbursements from the Department of Social Services. In the current year, total expenditures for the ISP are \$11.1 million (\$7.8 million federal Wagner-Peyser funds and \$3.3 million federal TANF funds).

The budget proposes to use the augmentation for enhancements to the ISP, such as increasing the number of ISP sites from 80 to 105, increasing the 60-day caseload period to 90 days for post-employment follow-up services, and providing assistance on the use of the CalJOBS internet systems.

COMMENTS:

- According to the department, from July to December 1998, there were 25,801 clients enrolled in the ISP and 12,061 "successful outcomes."
- The ISP and any proposal for expansion should be evaluated in terms of the Workforce Investment Act discussions.
- As a technical note, the budget for the Department of Social Services currently does not include \$2.9 million in reimbursements to the EDD.

ISSUE 9: AT-RISK YOUTH EMPLOYMENT DEMONSTRATION PROJECTS

Current statute augmented the Budget Act of 1998-99 by \$1,250,000 from the General Fund for various at-risk youth employment demonstration projects. Funds that are unobligated as of June 30, 1999 would revert to the General Fund.

BACKGROUND:

For 1998-99, current law provides: (1) \$500,000 to the Service Delivery Area (SDA) for the City of Los Angeles to support no more than four at-risk youth employment demonstration projects by private, nonprofit entities, and (2) \$150,000 to each of the SDAs of the City of Oakland, the City and County of San Francisco, the City of Santa Ana, the County of Fresno, and the City and County of San Diego, to support in each of those jurisdictions no more than two at-risk youth employment demonstration projects by private, nonprofit entities.

Although current law provides for an appropriation for these projects, there are no statutory provisions governing any programmatic requirements. Assemblymember Cedillo has introduced a bill, AB 926, which would provide certain guidelines and reporting requirements for these projects. Specifically, AB 926 includes the following provisions: (1) requires recipients of the funds to obtain matching funds on a dollar-for-dollar basis from private sources and demonstrate significant employer involvement in their programs, (2) requires SDAs to award the projects through a competitive bid process, with priority to recipients that operate residential facilities that house at-risk youth, (3) requires nonprofit organizations receiving funding to demonstrate that they meet certain criteria, and (4) requires the department to submit a report to the Legislature and the Governor on the effectiveness of the program.

COMMENTS:

According to the department, the funds appropriated through the Budget Act of 1998-99 have not been allocated and would revert to the General Fund unless reappropriation language is adopted. This would allow the department to obligate the funds for these projects in the budget year.

5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 10: CASH ASSISTANCE PROGRAM FOR IMMIGRANTS (CAPI)**

The Governor's budget includes \$22.7 million from the General Fund to continue the Cash Assistance Program for Immigrants (CAPI) which provides state-only SSI/SSP benefits to noncitizens who lost eligibility for the SSI/SSP program.

The budget also proposes \$475,000 from the General Fund and 6.5 one-year limited term positions for state support to administer the CAPI.

At the April 14, 1999 hearing, the subcommittee held this issue open.

BACKGROUND:

Federal welfare reform law denied federal SSI to non-citizen legal residents, with the exception to those serving in the armed forces, veterans, refugees, and asylees within their first five years, and those who have worked in the United States for over ten years. Following strong lobbying efforts by California and other impacted states, the Federal Balanced Budget Act of 1997 restored benefits for most, but not all of this population. Specifically, elderly legal noncitizens in the U.S. prior to August 1996, who are not disabled, are ineligible for SSI/SSP. Noncitizens who arrived in the U.S. after August 1996, with certain exceptions, are also ineligible for SSI/SSP.

Last year, California established the CAPI program to provide state-only SSI/SSP benefits to noncitizens who lost eligibility for the SSI/SSP program. Noncitizens who entered the United States on or after August 22, 1996 are eligible for the program only if he or she is sponsored and the sponsor has either died, is disabled, or is abusive. The state reimburses the counties for all administrative costs incurred in making the CAPI benefit payments to individuals. Under current statute, this program sunsets on July 1, 2000.

COMMENTS:

- Assembly Speaker Villaraigosa has introduced a bill, AB 873, which would repeal the sunset provision and expand eligibility for the program to all individuals who meet the eligibility criteria for the SSI/SSP program in effect August 21, 1996, but have lost eligibility under welfare reform solely due to his or her immigration status.
- On March 6, 1999, the Assembly Budget Subcommittee No.1 held a hearing in Los Angeles and heard from a panel of local administrators, advocates, and recipients on the implementation and impacts of the CAPI program. All of the panelists supported AB 873 and expressed the important need to continue the program. The subcommittee also heard comments regarding the need for more outreach, better communication between the welfare department and applicants, reduced backlog in processing applications, and a CAPI-specific form for CAPI applications.

- Current statute requires the department to take all necessary steps to qualify any CAPI benefits for retroactive federal interim assistance payments. The department estimates 70 percent of the elderly who lose eligibility will qualify for the SSI/SSP program as disabled. Increased efforts to qualify CAPI applicants for the federal program would result in savings to the state.

The department has informed counties that certain allowable CAPI activities include:

1. Assisting the CAPI client in completing SSI appeal forms and referring clients to a panel of attorneys to provide representation at appeal hearings.
 2. Assisting the CAPI client in collecting medical and psychological records, scheduling medical/psychiatric appointments, arranging for transportation to medical appointments if the client has a disability determination or an appeal pending with the Social Security Administration (SSA) on a disability issue.
 3. Submitting completed forms to SSA and the State Disability Determination Office.
 4. Acting as a liaison with SSA and the State Disability Determination Office to ensure that all SSI-related requirements are met for SSI approval.
 5. Assisting the CAPI client in obtaining citizenship by making referrals to the Immigration and Naturalization Service, assisting in completion of documents, making referrals to citizenship courses, and assisting in the SSA appeal process on a citizenship issue.
- According to the department, there is some discussion at the federal level to introduce legislation that would restore benefits to noncitizens who were in the U.S. prior to August 22, 1996.

ISSUE 11: INDEPENDENT LIVING PROGRAM

The Legislative Analyst' Office (LAO) recommends a General Fund reduction of \$4.9 million in 1998-99 and \$5.7 million in 1999-00 because the budget exceeds the amount needed to fully fund the program.

On April 21, 1999, the subcommittee held this issue open.

BACKGROUND:

The Independent Living Program (ILP) provides services (such as job seeking skills) that will help a child transition from foster care to independent living. County welfare departments provide or arrange for the provision of services. Individuals who leave foster care at age 18 may face additional hardships than individuals who have grown up with their biological families. Some of these hardships include lack of family support, lack of housing, and emotional problems. One of last year's budget trailer bills extended eligibility for the program from ages 16 through 18 to ages 16 through 21. In addition, the Budget Act of 1998-99 included an augmentation to "fully fund" the program for the first time. The budget includes total expenditures of \$24.9 million (\$11.4 million General Fund) in 1998-99 and \$28.7 million (\$15.2 million General Fund) in 1999-00 for the ILP.

The LAO believes that the budget proposal goes beyond the amount needed to fully fund the program for two reasons. First, it is based on an assumption that all eligible foster care youths will choose to participate in the program, even though participation is voluntary. The LAO believes that this assumption is unrealistic since some foster youth will choose not to attend the training program, perhaps on the basis that they have received adequate guidance from their foster parents. Secondly, the budget assumes that all individuals who participate in the program in the current year will choose to participate again in the following year if they have not emancipated from foster care. The LAO believes that this is also an unrealistic assumption, as many of these foster youth are likely to view repeat participation as unnecessary.

The LAO indicates that it is difficult to estimate the degree of voluntary participation because in past years the program was not fully funded and therefore it is not known to what degree the lack of funding was responsible for nonparticipation. Absent such data, the LAO believes that it would be more reasonable to assume an overall participation rate of 80 percent for the budget year rather than the 100 percent rate assumed in the budget.

COMMENTS:

- The department indicates that it is difficult to estimate the need to fully fund the program due to lack of data on actual experiences.
- All of the current year funds have already been allocated to the counties.
- Assemblymember Steinberg has introduced a bill, AB 1163, which would (1) require the DSS to develop statewide standards and guidelines for the implementation of the program and the delivery of services to achieve optimal outcomes, (2) require the counties to submit, with their annual report, a breakdown of their expenditures of ILP funds based on a continuum of services, and (3) require counties to include in their annual report an accounting of outcomes achieved by and characteristics of the foster youth in their programs.

ISSUE 12: FOSTER CARE OMBUDSMAN

The budget proposes an increase of \$312,000 (\$156,000 General Fund) and three positions to develop the Office of the Foster Care Ombudsman. These positions represent the staff to set up the program, but would not respond to complaints.

The department also requests, through a Finance Letter, an increase of \$184,000 (\$92,000 General Fund) and three additional positions to the budget proposal to support this office. These positions represent the staff who would investigate and resolve complaints.

On April 21, 1999, the subcommittee held this issue open.

BACKGROUND:

Current law requires the department to establish the Office of the Foster Care Ombudsman to allow children who are placed in foster care with a means to resolve issues related to their care, placement, or services. The Office of the Foster Care Ombudsman must do the following:

- Disseminate information on the rights of children and youth in foster care and the services provided by the Office,
- Investigate and attempt to resolve complaints made by or on behalf of children placed in foster care,
- Decide, in its discretion, whether to investigate a complaint, or refer complaints to another agency for investigation,
- Upon rendering a decision to investigate a complaint from an individual, notify the individual on the intention to investigate,
- Update the individual who made the complaint on the progress of the investigation and the final outcome,
- Document the number, source, origin, location, and nature of complaints,
- Compile and make available to the Legislature specific data collected over the course of the year,
- Have access to any record of a state or local agency that is necessary to carry out his or her responsibilities and may meet or communicate with any foster child in his or her placement or elsewhere,

- Establish a toll-free number for the Office.

The department proposes that all the staff be located in Sacramento and that staff would have to travel within and out of the state to investigate complaints.

COMMENTS:

- The California Youth Connection (CYC) is an advocacy organization of current and former foster youth. The CYC has been participating in meetings on the development of the Foster Care Ombudsman program and recommends that the Ombudsman staff be located regionally throughout the state. In addition, the proposed level of staffing may not be sufficient to handle the workload.

For example, the department estimates that 90 percent of the calls would average only five minutes. However, the department has also indicated that the current Interim Foster Care Ombudsman handled several calls regarding requests for assistance in 1998 and each call lasted more than 20 minutes. In addition, three to five additional calls were made to resolve the issue or to obtain enough information to determine what action should be taken.

Also, the department estimates that ten percent of requests for assistance will require a site investigation. However, the State of Michigan Ombudsman Office found that 50 percent of its requests for assistance required complete investigations in 1997-98.

- Senator McPherson has introduced a bill, SB 903, which would authorize the Office to establish, in consultation with a committee of interested individuals, regional or local foster care ombudsperson offices for purposes of expediting investigations and resolving complaints.

ISSUE 13: CHILDREN'S EMERGENCY SHELTERS

The Counties of Humboldt, Los Angeles, Mendocino, Orange, Placer, San Joaquin, Santa Clara, Sonoma, and the Urban Counties Caucus have requested that the subcommittee consider an augmentation of \$12 million from the General Fund to increase funding for non "emergency assistance" stays in children's emergency shelters from 30 to 60 days.

BACKGROUND:

In some counties, children who are removed from their home go first to a receiving home or emergency shelter. These places provide a safe environment within which initial interviews and medical exams can be performed. In addition, social workers at these shelters often make decisions regarding where children should be placed.

Some counties indicate that in the past several years, the children who have been detained in the emergency shelters have become increasingly difficult to place. As a result, emergency shelters become placement settings for children who have failed numerous placements or for whom no appropriate placement can be found. These instances lead to emergency shelter placements which last longer than 30 days.

Last year, the Assembly Subcommittee No. 1 provided a \$12 million General Fund augmentation to extend state funding from 30 to 60 days for county-operated emergency shelter care if the county could demonstrate efforts to develop additional out-of-home care and in-home service resources. The subcommittee also adopted trailer bill language requiring the DSS to provide related support, technical assistance and training to assist counties in the effort. However, these provisions were not included in the Budget Act of 1998-99.

COMMENTS:

- Opponents would argue that the goal should be to move children out of emergency shelters and into stable foster care placements as quickly as possible and that providing additional state funding would delay the counties' efforts to do so. The counties' proposal includes the adoption of trailer bill language to require counties to report on the number and ages of children receiving emergency shelter care, the circumstances that require stays of longer than 30 days, and the counties' efforts to develop additional resources to limit the length of stay in emergency shelter care.
- Department regulations limit state and federal funding for emergency shelters to 30 calendar days in any one episode. The department indicates, however, that counties may draw down state funds at a 50 percent matching rate for certain "emergency assistance" cases only beyond 30 days. (Prior to federal welfare reform, counties were able to draw down federal Emergency Assistance funds using county funds as a match.) Some counties indicate that the "emergency assistance" cases generally represent a very small portion of the total number of emergency shelter cases. For example, "emergency assistance" cases represent eight percent of the caseload in Los Angeles County and 13.7 percent in Santa Clara County.

ISSUE 14: HEALTH SERVICES FOR CHILDREN IN FOSTER CARE

In 1998, the Institute for Research on Women and Families at California State University, Sacramento, released a report entitled "Code Blue: Health Services for Children in Foster Care." This report contained numerous recommendations to the Legislature and Governor to address the inadequacy of health care services for foster care children.

On April 21, 1999, the subcommittee held this issue open.

BACKGROUND:

According to the report, state policy does not guarantee that children, when removed from their homes, will be fully screened or assessed in a timely manner for medical, psychological, developmental and dental conditions. Although access to comprehensive health care services could aid in stabilizing placement decisions, comprehensive health care can be difficult to obtain or unavailable.

The report indicates that as a group, children in foster care suffer high rates of serious physical or psychological problems compared with other children from the same socioeconomic backgrounds. Nearly 50 percent suffer from chronic conditions such as asthma, cognitive abnormalities, visual and auditory problems, as well as developmental delays or emotional and behavioral problems. Approximately 40-72 percent require ongoing medical treatment, and studies indicate that 50-60 percent have moderate to severe mental health problems. The cause of these conditions are multiple and stem from exposure to alcohol and drugs, lack of medical care, poor parenting, domestic violence, neglect, and unstable living conditions prior to family removal. The trauma of family separation, frequent moves and the stress and disruptions brought about by temporary placements in the foster care system compound these conditions.

Pre-existing conditions are frequently overlooked. For example, foster care children rarely enter the system with useful health records or mental health histories. Due to heavy workloads, social workers frequently lack the time and training to track health data.

The following lists just a few of the report's recommendations:

- All children entering the foster care system should have an initial health screen prior to placement, but no later than 72 hours after detention,
- The state should ensure immediate and continuous Medi-Cal eligibility, including a universal foster children's health access card,

- Regulations should be adopted that require a mental health assessment to be initiated within 30 days of placement and completed within 60 days,
- Services to foster youth should be improved by encouraging county departments of health services and mental health to co-locate mental health professionals in offices or clinics that serve large numbers of children in foster care,
- Comprehensive and periodic developmental assessments should be conducted for children under six years of age,
- Foster care public health nurses should be assigned to county child welfare units to assist case workers with coordination of all health care services (including physical, mental, developmental and dental) and to serve as a contact person for the health community,
- The Department of Social Services and the Department of Health Services should push for uniform practices in all counties to expeditiously qualify children entering the system for Medi-Cal who are not already on Medi-Cal,
- The “red tape” should be reduced in the Medi-Cal eligibility process,
- The state should increase the pool of providers by reducing barriers to participation,
- Training and education for foster and health care providers should be increased.

COMMENTS:

- Assemblymember Aroner has introduced a bill, AB 607, which would establish the Foster Children’s Health Care Services Act and require that (1) counties use the services of a foster care public health nurse to assist in coordinating health care services (2) the Department of Health Services develop a universal fee-for-service Medi-Cal access card, (3) an initial health screen be completed prior to a child’s detention hearing, and (4) the Health and Human Services Agency coordinate the responsibilities of the Departments of Health, Social Services, Mental Health and Developmental Services to ensure a comprehensive system of social services and health care for children in foster care.
- Current law requires county mental health departments that receive full Systems-of-Care funding to provide mental health screening, assessment, participation in multidisciplinary placement teams and specialty mental health treatment services for children placed out of home in group care, for those children who meet the definition of medical necessity, to the extent resources are available. The Department of Mental Health is also required to develop, by June 1, 1999, an estimate of the extent to which mental health assessment and treatment resources are available to meet all of the following needs: (1) children placed in group care by county departments of social services and probation (2) children placed in out-of-home care by county departments of social services, and (3) children at risk of placement out of home who are receiving services from county department of social services or probation.

At a previous hearing, the subcommittee provided a General Fund augmentation of \$12.4 million to expand the Children’s System of Care program to 11 additional counties and to fully fund the program in Los Angeles County.

ISSUE 15: CALIFORNIA FOOD ASSISTANCE PROGRAM

The Governor's budget includes \$78.8 million from the General Fund to continue the California Food Assistance Program (CFAP) which provides state-only food stamp benefits for noncitizens. Of this amount, approximately \$53 million would be used to meet the state's federal TANF maintenance-of-effort (MOE) requirement. The budget projects that the average monthly CFAP caseload will be 85,215 in 1999-00.

On April 28, 1999, the subcommittee held this issue open.

BACKGROUND:

The Food Stamp program provides monthly coupon benefits to assist low income households in purchasing food to maintain adequate nutritional levels. The federal government funds the total costs of the benefits, while the state and county share the costs for administration. Currently the average benefit per person in California is about \$72 per month.

Federal welfare reform law made all non-citizens ineligible for the Federal Food Stamp program. This law denied eligibility to approximately 120,000 adults, children, and seniors for food stamps in California. Subsequent federal legislation restored eligibility for noncitizen minors under the age of 18 and seniors 65 and older.

The Governor's budget includes funding to continue the CFAP which provides state-only food stamp benefits for noncitizens ages 18 through 64. Noncitizens who entered the United States on or after August 22, 1996 are eligible for the program only if he or she is sponsored and the sponsor has either died, is disabled, or is abusive. Recipients (with certain exceptions) in this program must meet various CalWORKs work requirements, even though they may not be CalWORKs recipients. However, recipients of food stamp benefits who are citizens and are not CalWORKs recipients are not subject to the CalWORKs work requirements. This program sunsets on July 1, 2000.

COMMENTS:

- Assembly Speaker Villaraigosa has introduced AB 873, which would (1) expand eligibility for the CFAP for all noncitizens who meet the eligibility criteria of the federal Food Stamp program in effect August 21, 1996, but are not eligible for benefits solely due to his or her immigration status under federal welfare reform, (2) repeal the sunset date, and (3) apply the same work requirements to noncitizens that are applied to citizens.

- On March 6, 1999, the Assembly Budget Subcommittee No.1 held a hearing in Los Angeles and heard from a panel of local administrators, advocates, and recipients on the implementation and impacts of the CFAP program. The subcommittee heard testimony regarding support for passage of AB 873.
- The Budget Act of 1998-99 required the department to provide the following information during the 1999 budget hearings: (1) the estimated number of persons receiving CFAP benefits, (2) the number of CFAP recipients also participating in CalWORKS, (3) the number of CFAP recipients in non-subsidized and subsidized employment, and (4) the range of hours required by each county for program administration.
- The budget does not reflect savings from the following: (1) federal restoration of benefits for the Hmong and Laotian veterans, (2) extended federal eligibility of benefits for refugees from the first five years in the U.S. to the first seven years, and (3) naturalization (the budget assumes that none of the CFAP population will naturalize in the budget year, even though Immigration and Naturalization Service (INS) data shows that for California, 411,758 cases naturalized in federal fiscal year (FFY) 1996, 182,414 in FFY 1997, and 159,238 in FFY 1998).

These savings would be offset by costs if AB 873 is enacted. As a note, any net costs or savings in the program would affect the state's TANF MOE level of expenditures for 1999-00.

- Federal legislation has been introduced to restore benefits to noncitizens who entered the U.S. on or after August 22, 1996.

ISSUE 16: CALWORKS - COMMUNITY SERVICES EMPLOYMENT

Under current law, the state pays for all CalWORKs employment services costs above the 1996-97 level. The Governor's budget assumes the workfare approach to community service, with no funding for the incremental cost of the wage-based approach. Specifically, the budget includes about \$20 million for community service employment. The LAO presents two alternative approaches to budgeting the incremental costs for the wage-based approach.

On April 28, 1999, the subcommittee held this issue open.

BACKGROUND:

Current statute requires that after 18 months, or at a county's option of 24 months, a parent must meet his or her CalWORKs participation mandate either through nonsubsidized employment, community service, or a combination of the two. Community service must be (1) performed in the public or private nonprofit sector, (2) provide participants with job skills that lead to unsubsidized employment, and (3) not displace anyone from a job. Counties must develop community service plans that identify (1) unmet community needs that could be met through community service activities, (2) entities responsible for community service job development, fiscal administration, and case management services, and (3) supportive effort (including job search, education, and training) that will be provided to participants. The monthly compensation for community service is limited to the amount of the recipient's CalWORKs grant. Welfare recipients who were receiving aid when CalWORKs was implemented will be reaching the community service employment requirement in 1999-00.

There are two broad approaches to community service: workfare and wage-based. Under workfare, recipients are required to participate in community based services as a condition of receiving their grant. Under wage-based community services, the recipient's grant is "diverted" to an employer and paid as wages to the recipient.

The LAO notes that there are several advantages of the wage-based community service approach: (1) the recipient experiences more income since he or she would be eligible for the federal earned income tax credit (EITC) and would receive additional food stamps because of the use of an earned income disregard, (2) recipients could report to prospective employers that they have received wages rather than welfare grants which would generate a more formal work history and could increase the recipients' self esteem and confidence in seeking a job in the labor market, (3) the increase in sales tax revenues associated with expenditure of EITC funds, and (4) increased savings from reduced welfare payments that would result if wage-based community service is more effective than workfare in assisting clients to obtain nonsubsidized jobs.

The cost of developing or creating a community service work slot is common to both the wage-paying and workfare approaches. Similarly, under either approach there will be a cost for providing supervision, although it is usually absorbed by the employer. An optional cost for both types of programs is for support services such as job coaching. A major difference between workfare and wage-based community service is employer costs for Federal Insurance Contribution Act (FICA) taxes, workers' compensation insurance, and possibly unemployment insurance. In most wage-based community service programs, these costs have been picked up by the government agency administering the program. In a wage-based system, recipients might also be provided supplemental grant payments or expense allowances. Also, the costs for documenting or monitoring the number of hours worked would differ under the two approaches.

The decision to provide either wage-based community service or workfare is made by the counties. As indicated above, the budget assumes the workfare approach to community service only. As a result, incremental costs for the wage-based approach would be borne by the counties. The LAO presents two alternative approaches for budgeting these incremental costs:

- **State Funding: Include the Incremental Cost in County Block Grants.** The incremental cost of wage-based community service could be viewed as a base program cost for CalWORKs employment services and incorporated into the funding model for the program.
- **Matching Program.** Under this approach, the state would match dollar-for-dollar any investment by the counties in wage-based service.

COMMENTS:

- The LAO recommends that the state fund the incremental costs of wage-based community service since this approach to community service is specifically authorized by current law, provides substantial benefits to the recipient, and may provide a better bridge to unsubsidized employment and self-sufficiency. The LAO believes it should be considered a base program cost and be fully funded in the budget for any county that elects this option. The LAO estimates that funding the wage-based approach would require an additional \$3.5 million in 1999-00.

ISSUE 17: CALWORKS - COUNTY ALLOCATIONS

Current law requires the welfare reform steering committee to report to the Legislature on alternative ways of budgeting and allocating funds for CalWORKs services and administration.

The Legislative Analyst's Office (LAO) has presented different approaches for consideration by the steering committee and the Legislature.

On April 28, 1999, the subcommittee held this issue open.

BACKGROUND:

Currently, the budget process for CalWORKs services and administration includes the following features:

- **County Block Grant.** Funds for administration, employment services, and child care are provided to counties in the form of a block grant, known as the single allocation. The counties may transfer funds within these program components.
- **County Share Fixed at 1996-97 Level.** Under prior law, the counties generally paid for 15 percent of the total costs of AFDC and Food Stamps Program administration and services. Under CalWORKs, the county share of these costs is fixed at the 1996-97 level. Thus, as the budget for these components increases, the state bears 100 percent of the marginal cost.
- **Budget for County Administration of Welfare and Food Stamps Based on County Plans.** As with the former AFDC program, the department reviews individual county plans for program administration and recommends a budget based upon this review.
- **Budget for Employment and Support Services Based on Statewide Model.** Although counties are required to submit individualized plans stating how they will implement CalWORKs, the budget for CalWORKs employment services and child care is based on a statewide model. The model uses assumptions based primarily on the former Greater Avenues for Independence (GAIN) program.
- **Allocation of Funds Among Counties Based Largely on Historical Budget Allocations Rather Than Caseload.** Counties receive employment service and child care funds based largely on the share of funds that they received under the former GAIN program. Although current law directed that some of the increased funding for employment services and child care be allocated in a manner that helps to equalize funding among the counties, funding on a per-case basis remains inequitable. For example, the 38 largest counties had allocations per aided adult ranging from \$2,000 to \$7,000 in 1998-99.

- **County Carry-Over Authority.** The CalWORKs legislation provides that unexpended block grant funds remain available to each county until July 2000. The budget proposes to extend the county roll-over authority until 2000-01.

In contrast to 1998-99, the budget proposes to use \$251 million in projected county roll-over funds as a source of funding for the estimated need for CalWORKs employment services in 1999-00. Specifically, the Budget Act of 1998-99 included \$200 million in prior-year unexpended funds for reappropriation for use by counties even though the estimated need for services was fully funded. In 1999-00, the estimated need for employment services is \$1,258 million. The budget, however, proposes to use \$251 million in estimated unexpended county block grant funds from 1998-99 as a funding source in 1999-00 so that only \$1,007 million in new funding is proposed for employment services.

The LAO has presented the following alternatives:

- **Determining the Total Budget for Employment Services and Child Care:** Three options include: (1) current policy, whereby the single statewide model for projecting costs is applied to the statewide caseload, (2) basing the budget on individual county budget plans (the current process for budgeting county administrative costs, and (3) adjusting the statewide model to reflect updated county cost estimates as well as new program components and changes developed by the counties.

The current model does not reflect county variation in program implementation. Given that counties have the broad authority to design their own CalWORKs programs, the LAO believes that basing the budget on individual county plans has some merit. However, the LAO also indicates that the problem with this approach is that counties have no share of marginal program costs, so there are no built-in incentives for counties to control costs. Therefore, the LAO recommends the third option, which would be based on a statewide model that could incorporate new cost and program assumptions.

- **Achieving More Equity in the Allocation of Funds to Counties.** Because the single allocations per aided adult varies significantly amount the counties, the LAO notes that these differences mean that where a recipient lives will affect the level of resources that are available for that recipient for services. The LAO believes that the variation among counties should not be greater than what would be warranted by these local cost differentials and economic conditions. Two options include: (1) reduce funding to counties with high allocations and use these savings to increase the allocation to counties with low allocations, and (2) increase funding for low-allocation counties and “hold harmless” counties above the average.

The LAO indicates that the first option is budget neutral, but results in significant reductions for high-allocation counties. The second approach increases state costs and tends to work slowly towards equalization. The LAO therefore suggests a third approach, which would be to consider the first option with a limit on the annual reduction that any county would incur.

COMMENTS:

When CalWORKs was first implemented, the state realized that it would be difficult to estimate the costs for the new program. The state decided to use the former GAIN model to estimate the costs of the program. However, the funds were allocated to counties based largely on a caseload driven formula (in response to the previous inequities in the GAIN base). The County Welfare Directors Association (CWDA) agreed to this formula for two years, after which the issue would be revisited based on more experience with CalWORKs implementation.

As mentioned above, the budget proposes to use roll-over funds as a funding source for county block grants in 1999-00. The CWDA indicates that because the roll-over is not evenly distributed among counties, the current allocation formula does not work well. This is because the allocation formula distributes funds based on a base amount plus caseload adjustments, rather than on the county need after the county has expended its roll-over funds.

Given the need to revisit the county allocations issue, the CWDA Task Force has recommended the following:

Proposal for 1999-00:

Essentially, the roll-over funds would be combined with the new budget year appropriation and allocated in a way that ensures that each county receives at least the amount the county would have received according to the department's statewide model, had roll-over not been used as a funding source.

- Each county would absorb its share of the \$251 million carry-over to the extent that it has sufficient employment services roll-over to do so.
- For those counties that do not have sufficient roll-over, other counties who have more roll-over than their share of the \$251 million would make up the difference by receiving a lesser allocation of new budget year funds.
- If the roll-over is greater than \$251 million (which is likely) some counties will have funds available above the amount of funds they would have received using the current state model, or "surplus roll-over".

- If counties need additional funding beyond the amount allocated to them, counties could access a Reserve Fund, which would be funded by reducing incentives funds. This reserve could only be accessed by counties who have spent both their single allocation and all of their roll-over. The counties with surplus roll-over would be required to spend their entire allocation and their entire surplus roll-over before they could access the reserve.
- Any amount of funds left unused from the Reserve Fund would be returned to the counties' incentive allocation.
- The child care allocation would be separated out from the single allocation so that child care funds could only be spent on child care.
- Unspent child care funds at the end of the year would be reallocated to counties who have overspent their child care allocation.

Proposal for 2000-01 and Beyond:

- The state would shift the allocation methodology from a caseload-driven formula to a cost-based approach.
- The state would allocate the funds based on county requests/needs consistent with the CalWORKs local plan.
- County staff would work with the department on defining reasonable parameters that would guide county requests.
- Any county roll-over from 1999-00 to 2000-01 would be offset against the allocation the county would receive based on the reported need.
- If the state were unable to fully budget the need as identified by counties, the counties would be held harmless to the base year currently in statute.

ISSUE 18: CALWORKS - COUNTY INCENTIVE PAYMENTS

Of the \$479 million proposed for county performance incentive payments, \$287 million (60 percent) is the result of the baseline level of recipient earnings, rather than savings attributable to improved county performance in CalWORKs.

The Legislative Analyst's Office (LAO) recommends enactment of legislation to modify the methodology for calculating the incentive payments so that counties retain 50 percent of savings attributable to earnings (rather than the 100 percent included in the budget) because the rest of the savings would have occurred in the absence of CalWORKs. This change would result in budget savings of \$193 million in federal TANF funds in 1999-00.

On April 28, 1999, the subcommittee held this issue open.

BACKGROUND:

Under the CalWORKs program, 100 percent of certain grant savings are provided to counties. Specifically, counties receive 75 percent of the state's grant savings (in the form of incentive payments) resulting from (1) program exits due to employment lasting six months, (2) diversion of applicants from the program, and (3) increased earnings due to employment. The remaining 25 percent of such grant savings are allocated to counties that have not achieved savings but have performed in a manner "worthy of recognition." Counties must use these savings in the CalWORKs program unless expenditure of these funds is not needed to meet the federal TANF maintenance-of-effort requirement. Because the Governor's budget is set at the MOE floor, counties will be required to expend the state share of the fiscal incentives in the CalWORKs program in the year they are paid to the counties.

- ***Savings from Exits Due to Employment.*** For 1998-99, the welfare reform steering committee recommended that county performance incentive payments attributable to savings from exits due to employment be based on the increase in exists compared to the average number of exists during 1994-95, 1995-96, and 1996-97. By estimating the savings from exits due to employment compared to a baseline, the incentive payments for exits are directly related to improved county performance.
- ***Savings from Diversion.*** The budget proposes to provide all net savings that are attributable to diversion as county performance incentives. Because the diversion payment is a new program component, any savings should be attributable to CalWORKs.

- **Savings from Increased Earnings.** In contrast to its approach with respect to exits, the steering committee did not incorporate a baseline for savings due to increased earnings. Specifically, the steering committee recommended that all savings attributable to earnings (regardless of whether they resulted from CalWORKs intervention or would have occurred absent any change in program implementation) be paid as fiscal incentives. This is partly due to the administrative difficulty in separating baseline savings from CalWORKs savings at the individual county level. For 1999-00, the department estimates that of the \$385 million in savings resulting from increased earnings, \$287 million would have occurred without CalWORKs. Thus, the steering committee approach provides counties with \$287 million in "performance incentives" that they would "earn" even if CalWORKs recipients show no improvements in earnings from county implementation of the program.

To address this problem, the LAO recommends providing counties with 50 percent of all savings attributable to earnings. The LAO notes that although this approach would leave counties with more in incentives than can be strictly justified on the basis of improved performance, it does not rely on a county-level estimate of the baseline and still provides counties with a significant fiscal incentive to assist recipients in obtaining employment. This would result in savings to the state which, in years when CalWORKs spending is above the maintenance-of-effort level, would accrue to the General Fund, and in other years would be in federal TANF funds that could be used according to the Legislature's priorities for the CalWORKs program.

COMMENTS:

- Although the steering committee developed the methodology for incentive payments for increased earnings without incorporating a baseline, there was discussion among the committee members regarding the same concerns raised by LAO. In order to address the issue, there was some acknowledgement that if the Legislature and the Governor agreed that the amount was too high, then the Legislature would reduce it on a pro-rata basis. For example, each county might get 50 percent of the amount of incentives associated with increased earnings, or some other percentage agreed on during the budget process. Last year, the Legislature reduced the amount proposed for county incentives based on the LAO's recommendation. However, during the budget negotiations, the full amount for incentives was restored.
- The County Welfare Directors Association has presented a proposal for allocating CalWORKs funds to counties which includes redirecting part of the amount proposed for incentive funds to a new Reserve Fund, which counties could draw upon during the budget year. Any amount of funds left unused from the Reserve Fund would be returned to the counties' incentive allocation. (See *Issue 17: CalWORKs - County Allocations*).

- The budget proposes that the entire \$479 million for county incentives would be funded by federal TANF funds. The use of federal TANF funds triggers requirements such as time limits, work participation and data reporting and collection. The state General Fund can be used to provide assistance without triggering these requirements. Therefore, funding some portion of the county incentives with state General Fund rather than TANF funds (while still maintaining the same level of overall General Fund CalWORKs expenditures) would provide greater flexibility for counties. As indicated above, current law requires that incentive payments that are funded by General Fund dollars must be expended for the CalWORKs program, unless the General Fund dollars are not needed to meet the MOE requirement.

Even so, the General Fund can only be used for CalWORKs recipients or individuals who are eligible for CalWORKs. Counties are interested in being able to provide assistance to families who are not receiving or eligible for CalWORKs but who are needy families at risk of dependence on government benefits. For example, mothers who are participating in a drug treatment program with the goal of reunifying with their children who have been temporarily removed from their custody, cannot be provided treatment services with CalWORKs dollars. There are two options to address this issue: (1) the department could amend the state TANF plan to expand the definition of "needy families", and (2) the state could authorize counties to transfer part of their TANF funds into the federal Title XX Social Services Block Grant which can be used for broader purposes.

ISSUE 19: CALWORKS - CHILD CARE
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The budget proposes a total of \$1.2 billion for CalWORKs child care in 1999-00. The following chart shows the allocation for the three child care stages, by fund source:

CalWORKs Child Care Budget Proposal 1999-00 By Fund Source (in millions)		
<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>
Child Care Reserve: \$183 (TANF or TANF transfer to Title XX)		
\$392.6 (TANF/GF) \$ 87.7 Reappropriation (TANF)	\$353.5 (TANF to CCDF) \$ 73.7 (Prop. 98) \$ 43 (CCDF) \$ 15 (TANF)	\$50 (Prop. 98) \$25.8 (TANF to CCDF) \$ 7.2 (CCDF)
\$480.3	\$485.2	\$83
GF: General Fund TANF: Temporary Assistance for Needy Families CCDF: Child Care and Development Fund Title XX: Social Services Block Grant		

On April 28, 1999, the subcommittee held this issue open.

BACKGROUND:

Prior to welfare reform, the State Department of Education (SDE) and the Department of Social Services (DSS) each received an allocation to provide child care services. There were a total of 18 child care programs operated by the DSS and SDE. Under CalWORKs, the child care programs were restructured and replaced with a three-stage child care delivery system for families in the CalWORKs program and for the working poor. The DSS administers all services in Stage 1 and the SDE administers the services provided in Stages 2 and 3.

Stage 1 begins upon entry into job search services and is intended to last for up to six months. Participants may remain in Stage 1 for more than 6 months if their situation is too unstable to be transferred to Stage 2 or there is no funded slot available in Stage 2. Former CalWORKs participants can be served for no more than 24 months after they are no longer receiving cash aid. Stage 2 begins when the recipient's schedule for training or work stabilizes or when a recipient is transitioning off of aid and child care is available through a local Stage 2 program. Participants may remain in Stage 2 for no more than 24 months after they are no longer receiving cash aid. Stage 3 begins when an individual is receiving diversion services, in long-term training, or is regularly employed at a wage that does not exceed 75 percent of the state median income. There are currently no time limits for Stage 3 child care.

Although Stage 1 and Stage 2 are administered by different agencies, the three-stage system was established with the intent that families would not need to switch child care providers when they move from Stage 1 to Stage 2. The real difference between the stages is who pays providers. In Stage 2, Alternative Payment (AP) programs operating under contracts with SDE pay the provider, instead of county welfare departments who pay providers in Stage 1.

COMMENTS:

There are several issues that have been raised regarding CalWORKs Child Care:

- ***The LAO recommends that the Legislature reject the Governor's proposal to cut off child care to former CalWORKs recipients who have been unable to secure subsidized child care outside of the CalWORKs program.*** Instead, the LAO recommends that the Legislature adopt budget bill language to establish a waiver provision which would allow former CalWORKs recipients to continue to receive CalWORKs subsidized child care even after they have been off aid for two years under the Stage 3 set aside, if certain conditions are met. Specifically, the provision would require county welfare departments to review the cases of families reaching the end of the two-year period and to determine whether the family needs subsidized child care in order for the parent or parents to continue working.

If the Legislature rejects the proposal regarding the time limit for Stage 3, the Department of Finance indicates that the Legislature would have to shift \$25.8 million currently budgeted for Stage 3 to Stage 2. On April 13, 1999, the Assembly Budget Subcommittee No. 2 on Education Finance held this issue open pending a recommendation by Assembly Budget Subcommittee No. 1.

- ***The California State Association of Counties (CSAC) has requested that the Legislature consider the elimination of time limits for Stage 1 and Stage 2 Child Care and the proposed time limit for Stage 3.*** The CSAC has expressed concern that the combination of time limits and insufficient funding for the broader subsidized child care system could threaten the long-term self-sufficiency of families leaving CalWORKs for employment.
- ***The Governor's budget proposes budget bill language authorizing the SDE to develop a pilot project to develop child care centers in neighborhoods with high concentrations of CalWORKs participants.*** Under this proposal, the Department of Education would develop a pilot program with the goal of establishing new direct contracted child care centers in neighborhoods in which high concentrations of CalWORKs recipients reside, but which are significantly underserved in proportion to other neighborhoods by center based care. On April 13, 1999, the Assembly Budget Subcommittee No. 2 on Education Finance approved the proposal, with some adjustments to the budget bill language.

- ***The CWDA proposal for a revised county allocation method includes the separation of the Stage 1 child care allocation from the single county allocation so that child care funds could only be spent on child care.*** The child care allocation would be separated out from the single CalWORKs allocation so that child care funds could only be spent on child care. Unspent child care funds at the end of the year would be reallocated to counties who have overspent their child care allocation.

If the child care allocation is not separated, the Legislature could consider the LAO's recommendation regarding roll-over child care funds. Specifically, the LAO recommends that in order to ensure that child care funds are available to recipients who need them and used for their designated purpose, the Legislature should transfer \$88 million in child care roll-over funds from 1998-99 from the single CalWORKs allocation to the child care reserve in 1999-00.

- ***Budget Bill Language Regarding the Child Care Reserve Needs Clarification.*** The child care reserve was established during the budget process in order to address the uncertainty of required funding levels for Stage 1 and Stage 2 child care during the fiscal year. However, the current budget bill language which authorizes the child care reserve does not specify that the funds can only be drawn for these two stages, and not for Stage 3.
- ***Legislature may want to consider different funding sources for Stage 2 and Stage 3 Child Care.*** As indicated above, the budget proposes to transfer approximately \$379.3 million in TANF funds to the CCDF to fund Stage 2 and Stage 3 child care. The main reason for transferring the TANF funds to the CCDF, rather than providing TANF funds directly to the CDE, was that under federal statute every month of child care paid with TANF funds would count toward the family's five-year time limit for welfare benefits, even if the family was no longer receiving a CalWORKs cash grant. However, federal TANF regulations have recently been released which allow states to use TANF funds for child care without incurring the time limit provisions. As a result, the state now has the option to fund Stage 2 and Stage 3 child care with TANF, rather than transferring TANF to CCDF.

There are three significant issues that need to be considered, however, if the \$379.3 million in TANF funds for Stage 2 and 3 CalWORKs child care were not transferred to the CCDF as proposed in the Governor's Budget:

1. The main issue is the potential loss of \$15.2 million in CCDF quality-related expenditures, although the funds could then be used to fund service slots. Under federal CCDF requirements, at least 4 percent of CCDF funds must be used for "quality improvement" activities. When the TANF funds are transferred to the CCDF, this increases the amount of funds that must be spent on the "quality" activities. However, many argue that investments through the CCDF "quality" dollars fund the infrastructure for quality child care and are critical to the state's ability to increase and maintain the supply of child care. Recruitment and

training of preschool teachers and child care providers and start-up grants for new programs all increase the number of providers, as well as the quality of care that they offer. Funding of slots alone cannot create and maintain adequate spaces nor provide the teachers and child care workers needed.

The following are the major categories in the proposed 1999-00 CCDF Quality Plan:

CCDF Quality Plan Description of Activities 1999-00
<p><i>Parent Education and Assistance:</i> Activities in this category are designed to disseminate consumer education materials, refer parents to child care, train child care providers, and maintain data on supply and demand. The primary purpose is to enable parents to make informed choices about the type of child care that best meets their needs.</p>
<p><i>Professional Development:</i> Activities in this category are designed to recruit staff, insure access to training (including the education requirements of SDE and DSS), develop teachers and site directors, offer incentives to retain qualified child care providers, and provide outreach at the local level to assist in the recruitment and preparation of underrepresented groups.</p>
<p><i>Early Literacy:</i> Activities in this category are designed to increase the effectiveness of early literacy development in state preschool and child development programs and to increase the accountability of these programs for child and family outcomes.</p>
<p><i>Child Care Capacity Building:</i> Activities in this category are designed to increase the supply of child care providers, especially in underserved areas, enable local planning councils to meet their responsibilities under CalWORKs, and improve services to disabled children.</p>
<p><i>Health and Safety:</i> Activities in this category are designed to improve the health and safety of children in child care by assisting parents in screening license-exempt providers and providing health and safety training for child care providers.</p>
<p><i>Program Evaluation:</i> These funds are used to evaluate program quality activities in order to improve future expenditures for these activities.</p>

The federal government recently announced additional funds for "quality" expansion for federal fiscal year 2000. California is scheduled to receive an additional estimated \$16.2 million in the budget year. At a previous hearing, the subcommittee adopted language to allocate \$2.7 million of these funds to provide comprehensive visits to child care facilities by licensing workers.

1. The second issue would be the need for separate contracts, with new fiscal and data reporting requirements, for SDE CalWORKs Stage 2 and 3 contractors. The SDE CalWORKs contractors are already required to have separate contracts for their CCDF and General Fund monies.
2. The third issue is that the new federal TANF regulations are not effective until October 1, 1999. TANF funds could not be spent in the first three months of state fiscal year 1999-00 for CalWORKs recipients who have left aid without causing them to use a portion of their five-year lifetime limit on TANF assistance.

If TANF funds are transferred directly to SDE without being transferred first to the CCDF, one option would be to increase the amount of TANF funds by \$15.2 million to maintain the proposed level of quality funding while fully funding the CalWORKs estimate. While this would still create additional administrative burdens for SDE and its contractors, it would avoid significant cuts in quality improvement and capacity building activities.

In addition, the Legislature may want to consider a different funding source for the Stage 2 reserve. Currently, if funds are drawn from the reserve for Stage 2 child care, TANF funds are transferred to the Title XX Social Services Block Grant and then given to the SDE. Due to some difficulties in administering Title XX funds for CalWORKs child care, the Legislature could fund the Stage 2 reserve for SDE with either TANF funds or transferring TANF to CCDF.

ISSUE 20: HOMELESS ASSISTANCE PROGRAM

According to the department's data, expenditures for the Homeless Assistance Program will be approximately \$13 million in 1999-00.

On April 28, 1999, the subcommittee held this issue open.

BACKGROUND:

The Homeless Assistance Program (HAP) was established in 1987 in response to both the increase in homelessness among families and the state's loss of a lawsuit which established the right of homeless families to emergency shelter under federal and state child welfare laws. The program was created as a means of settling the case and providing benefits to allow families to move into permanent rental housing rather than merely subsist in emergency shelters. It had been recognized that poor families relying on public aid could not afford the added costs for moving into a home beyond the monthly rent. For eligible homeless families, it provided up to four weeks of temporary shelter (up to \$30 per night) and once they had found permanent housing, it paid for security deposits and the last month's rent, if charged.

In 1991, the program was cut substantially due to increasing costs and complaints by some counties about inadequate controls. Eligibility was limited to once in 24 months instead of 12, temporary shelter was restricted to 16 days instead of 28, counties were given more time to verify homelessness, and other limits were placed on the manner of payment and the identification of the housing providers. As a result, costs of the program decreased significantly.

Beginning in 1995-96, as part of the budgetary cuts regarding welfare grant reductions, eligibility was restricted further from once in 24 months to once in a lifetime. Exceptions include cases involving natural disasters, domestic violence, physical or mental illness, and uninhabitability of the former residence caused by sudden and unusual circumstances beyond the individual's control.

As a result of these program reduction measures, monthly expenditures have decreased from \$4.4 million to \$0.9 million and monthly caseloads have dropped from 8,948 to 2,085 from the period between January 1993 and January 1999.

COMMENTS:

- On March 6, 1999, the Assembly Budget Subcommittee No.1 held a hearing in Los Angeles and heard testimony regarding the need to expand benefits beyond the current once-in-a-lifetime limit for homeless assistance benefits, especially since the establishment of CalWORKs imposed a five-year time limit for CalWORKs benefits. There has been concern that as families leave CalWORKs, homelessness remains a problem.
- There has also been some concern that the daily temporary shelter allowance should be increased from \$30 to \$40. The \$30 amount has not changed since 1987, even though the costs for finding temporary shelter have increased significantly in the last 12 years. Current law provides that the amount could be increased if authorized by the Budget Act.

ISSUE 21: CHILD SUPPORT ASSURANCE

Current law authorizes the establishment of Child Support Assurance (CSA) demonstration projects. Three counties have been selected by the department to implement these projects.

On April 28, 1999, the subcommittee held this issue open.

BACKGROUND:

Under a CSA program, the custodial parent receives a guaranteed minimum level of child support each month based on the number of children in the family. The monthly check represents a reliable source of income with which the custodial parent can provide food, clothing, shelter and childcare for the children. In combination with wages or income from other sources the custodial parent may have, the CSA payment is used to raise family income to at least the poverty line. With a CSA allowance, a substantial number of families would not need public assistance, potentially saving the state and federal governments from unnecessary expenditures. Moreover, by emphasizing the importance of child support as an income source, CSA reinforces the notion of parental responsibility.

In 1988, New York developed and implemented a demonstration project to test the CSA as an alternative to AFDC. New York's program, called the Child Assistance Program, was evaluated and showed the following outcomes: increased employment and earnings, increased child support orders and collections, lower expenditures for public assistance, slightly higher administrative costs than AFDC, and saved \$10 for every dollar increase in administrative expenses.

The success of the New York program increased interest in California and led to its inclusion in the state's welfare reform legislation. Current statute authorizes the department to approve up to three CSA demonstration projects. One of the projects must meet specific criteria similar to those of the New York program. The demonstration projects must meet the following requirements:

- Be consistent with federal welfare reform law,
- Encourage custodial parents to be employed and noncustodial parents to financially support their children,
- Maximize cost effectiveness while lifting children out of poverty,
- Offer an alternative to welfare for families with earnings and a child support order,
- Serve a number of participants that does not exceed five percent of the county's CalWORKs caseload or eight thousand persons, whichever is greater.

Support for the administrative costs of the CSA program is to come from the counties' CalWORKs single allocation.

The department has selected three counties to participate in the CSA demonstration project: Alameda, Contra Costa, and San Francisco. Alameda and Contra Costa are implementing a joint project. Napa and Santa Clara Counties had also submitted proposals. According to the department, San Francisco County is expected to begin implementation in 1999-00 and it is uncertain when the other two counties will begin their projects. At this point, none of the selected projects are modeled after the New York program. The department indicates that it may seek a waiver to this statutory requirement.

COMMENTS:

- Although current statute requires that the administrative costs for the CSA projects must be funded through the county's CalWORKs single allocation, counties have expressed the need for additional start-up funds to implement the projects.
- Assemblymember Aroner has introduced a bill, AB 1233, which would provide authority for any county to implement a CSA project and to eliminate the requirement that one of the projects must conform to the New York program.

ISSUE 22: MICROENTERPRISE

Current law authorizes the department to implement microenterprise demonstration projects to provide self-employment training and technical assistance to recipients of CalWORKs benefits and persons who are at risk of receiving CalWORKs benefits. At this point, no microenterprise projects have been established pursuant to this provision.

BACKGROUND:

Microenterprise is a small business in which an individual works as his or her own employer. Microenterprise businesses include service, retail, and production businesses. Examples of microenterprise include landscape, child care, auto detailing, equipment repair, painting and janitorial businesses and home-based businesses.

In some communities, individuals are referred from banks, chambers of commerce and small business development centers to microenterprise development programs for technical assistance and further development.

Self-employment training includes development of a viable business plan, assisting the individual to determine if self-employment is suitable to his or her aptitudes and family dependent care obligations, marketing strategies, business location analysis, direct technical assistance in the development of a microenterprise, and other subjects necessary to achieve proficiency in basic business skills.

Two major studies regarding microenterprise include the Self-Employment Investment Demonstration (SEID) and the Self-Employment Learning Project (SELP). The SEID was a five-year, five-state demonstration project initiated in 1988 which tested the extent to which self-employment could offer a feasible and promising route out of poverty for welfare recipients. In April of 1998, SELP provided a Longitudinal Survey of Microentrepreneurs, which included the following major findings regarding the impact of technical assistance services for low-income individuals:

- 84 percent increased their annual household income by an average of \$10,494,
- 64 percent experienced increases of household assets by an average of \$23,519,
- 56 percent rely on the microbusiness as their primary source of earnings, and
- The average number of jobs created per business was 2.7.

COMMENTS:

- The microenterprise demonstration projects were authorized as part of the establishment of CalWORKs due to the potential benefits which include: (1) supplementing low wage, seasonal and temporary work, (2) creating jobs in regions of slow job growth, and (3) promoting family self-sufficiency.
- Assemblymember Runner has introduced bill, AB 1534, which would appropriate TANF funds to and authorize the Trade and Commerce Agency to issue grants to microenterprise providers for the purpose of training and counseling low-income individuals in the development of their businesses. The bill requires a non-state match for the grants.