

AGENDA, PART 2
ASSEMBLY BUDGET SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER GILBERT CEDILLO, CHAIR

TUESDAY, MAY 18, 1999
STATE CAPITOL, ROOM 447
2:00 P.M.

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4440 DEPARTMENT OF MENTAL HEALTH

ISSUE 1: HEALTHY FAMILIES – MENTAL HEALTH SERVICES

The May revision includes a reduction of \$5,707,000 in reimbursements due to lower projected caseload numbers of children to be provided mental health services under the Healthy Families Program. The May revision also includes an increase of \$414,000 in reimbursements to reflect revised estimates for expansion due to applying Medi-Cal income deductions to 200 percent of the federal poverty level. On May 17, 1999, the subcommittee rejected the proposal in MRMIB regarding the income deductions.

Recommendation: (1) Adopt the May Revision adjustments for basic caseload, (2) Reject May Revision proposal to increase reimbursements by \$414,000 to reflect rejection of the proposal to apply the income deductions to 200 percent of the federal poverty level.

4170 DEPARTMENT OF AGING

ISSUE 2: PROGRAM EXPANSION

The Governor's budget includes an increase of \$8.9 million in local assistance for various programs in 1999-2000. This would fund the full-year costs of program expansion which began in 1998-99.

On March 24, 1999, the subcommittee placed the issue of additional expansion on the augmentation list.

The May revision includes an augmentation of \$501,000 for the Health Insurance Counseling and Advocacy Program (HICAP) to provide for local workload increases associated with substantial changes in the Medicare Program, non-renewal or reduction of services from Medicare ManagedCare Plans, and for substantial increases in California's Medicare population. This includes \$167,000 from the State HICAP Fund and \$334,000 in reimbursements from the Insurance Fund.

BACKGROUND:

The California Department of Aging (CDA) administers the federal Older Americans Act and the State Older Californians Act. The CDA works with local Area Agencies on Aging (AAAs) to provide various services to the elderly and functionally impaired adults at the community level.

Last year, the Governor proposed to increase funding for various programs by \$12.2 million. However, the Governor proposed to allocate the funds so that each local area would establish a program that it did not currently have. This meant that the program sites would not necessarily be established based on those areas with the greatest need for these services. In order to address this concern and because the Governor's proposal would still not sufficiently meet the need for senior services, the Legislature provided another \$18 million above the Governor's proposed budget. Governor Wilson, however, vetoed \$15.5 million of the legislative augmentation and budget bill language requiring the department to report to the fiscal committees of the Legislature on the status of the procurement of new sites funded through the augmentation for 1998-99.

The following table summarizes the budget proposal for full-year program expansion in 1999-00:

GOVERNOR'S BUDGET PROPOSAL				
FULL-YEAR EXPANSION OF DEPARTMENT OF AGING PROGRAMS				
Local Assistance				
(in thousands)				
Program	Description	1998-99	1999-00	Increase
Alzheimer Day Care Resource Centers	Provides day care for persons with Alzheimer's disease	\$3,617	\$4,160	\$543
Adult Day Health Care	Provides health and social services to seniors and physically and mentally impaired adults at risk of institutionalization	\$833	\$1,167	\$334
Multi-Purpose Senior Services	Provides case management to elderly persons to enable them to remain in their homes	\$26,607	\$32,607	\$6,000
Linkages	Provides case management to seniors and adults with disabilities	\$5,016	\$5,480	\$464
Foster Grandparents	Pairs seniors with special needs children	\$784	\$1,205	\$421
Senior Companion	Seniors provide support to other elderly persons in their community	\$994	\$1,755	\$761
Respite Care	Provides support for caregivers	\$234	\$434	\$200
Brown Bag	Provides surplus food to low-income seniors	\$732	\$745	\$13
Administration	Local Area Agency on Aging Administration	\$1,027	\$1,237	\$210
Total				\$8,946

COMMENTS:

- Various advocate groups have indicated the need for additional funds again this year for several programs, some of which are listed above. Other programs include the Long -Term Care Ombudsman program which investigates and resolves complaints made by and on behalf of residents in long term care facilities. 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. Another program is the federal Home-Delivered Meals program which delivers meals to seniors who are homebound by reason of illness, incapacitation, disability, or otherwise isolated.

4180 COMMISSION ON AGING

ISSUE 3: FUNDING DECLINE

The budget proposes \$583,000 (\$280,000 federal funds, \$73,000 California Seniors Special Fund, and \$230,000 California Seniors' Fund) to support the Commission on Aging in 1999-00. This represents a 40 percent decrease in funding for the Commission compared to the level of funding in 1990-91.

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

BACKGROUND:

The objectives of the Commission on Aging are to ensure that the interests of older persons in California are represented by advising the Governor, Legislature, California Department of Aging and agencies at all levels of government regarding the problems and needs of older persons.

The Commission sponsors and convenes the annual California Senior Legislature and provides staff and other administrative support to the Senior Legislature. The Senior Legislature is funded entirely by voluntary contributions made through tax check offs on the personal income tax forms, which are deposited into the California Seniors Fund.

The Commission also supports the Area Agency Advisory Councils for its advocacy efforts for senior citizens. The Area Agency Advisory Councils are funded entirely by the California Seniors Special Fund, which allows seniors who qualify for the senior tax credit to contribute part of it to the Fund.

In 1992-93, state General Fund support for the Commission was eliminated due to the budget crisis. Also, contributions from the income tax provisions have declined in recent years. The following table shows the funding levels for the Commission since 1990-91.

Commission on Aging					
Actual and Projected Expenditures (\$ in thousands)					
Year	Commission (federal fund) (General Fund)		Senior Legislature	Advisory Councils	Total
90-91	\$234	\$237	\$506	N/A	\$977
91-92	\$225	\$204	\$294	\$29	\$752
92-93	\$221	\$0	\$473	\$103	\$797
93-94	\$273	\$0	\$333	\$94	\$700
94-95	\$292	\$0	\$183	\$109	\$584
95-96	\$302	\$0	\$350	\$104	\$656
96-97	\$282	\$0	\$186	\$107	\$575
97-98	\$269	\$0	\$240	\$97	\$606
98-99	\$299	\$0	\$153	\$78	\$530
99-00	\$280	\$0	\$230	\$73	\$583

The Commission on Aging has taken various steps to reduce expenditures due to the funding decline. The Commission has reduced the frequency and length of their meetings and indicates that the Senior Legislature and Advisory Councils are unable to meet for the rest of the current year due to insufficient funds.

Last year, the Assembly Subcommittee No. 1 on Health and Human Services augmented the Commission's budget by \$300,000 from the General Fund as part of an initiative to expand various senior programs. However, Governor Wilson vetoed the funds from the budget bill.

COMMENTS:

Some senior advocate groups have requested that the budget provide a similar augmentation this year. According to the department, providing a General Fund augmentation would require corresponding trailer bill language.

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.

The department also 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.

On May 12, 1999, the subcommittee (1) approved the Finance Letter, (2) adopted trailer bill language to add intent that an additional \$4 million be appropriated in the Budget Act for 2002-2003 to support the Drug Court Partnership Act, and (3) placed funding for juvenile drug courts and pre-conviction drug courts on the augmentation list.

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:

On May 12, 1999, the subcommittee heard testimony regarding the need for additional funding for juvenile drug courts and "pre-conviction" drug courts.

4440 DEPARTMENT OF MENTAL HEALTH

ISSUE 5: SUPPORTIVE HOUSING

The budget proposes an increase of \$1 million from the General Fund to implement the California Statewide Supportive Housing Initiative Act to provide supportive housing for CalWORKs recipients with special needs.

The department also requested, through a Finance Letter, the following:

- (1) an increase of \$634,000 in federal funds under the Projects for Assistance in Transition from Homelessness (PATH) federal grant to expand supportive housing programs for homeless persons with mental illness.
- (2) an increase of \$641,000 in federal funds under the Substance Abuse and Mental Health Services Administration (SAMHSA) federal grant and the adoption of trailer bill language to allow the grant increase to be used to further expand supportive housing for persons with mental illness.

On April 7, 1999, the subcommittee approved the budget proposal, approved the Finance Letter, and placed the issue on the augmentation list.

BACKGROUND:

The California Statewide Supportive Housing Initiative Act was established last year to help provide supportive housing for low-income individuals with special needs. The population that may be served includes individuals with mental illness, HIV/AIDS, and substance abuse histories. The Act specifies the DMH as the lead agency for administering the program and authorizes grant awards to local government or private nonprofit agencies for up to a three-year period. In addition, the grants must be matched. Supportive services may include health care services, mental health services, substance abuse prevention and treatment services, family support and parenting education, employment and educational services, counseling, case management services, and payments for housing costs. The grants would be awarded through a competitive process developed by the Supportive Housing Program Council.

Last year, the Legislature provided a \$5 million augmentation for the program. However, Governor Wilson vetoed the funds. This year, the budget proposes an augmentation of \$1 million to fund projects consistent with the California Statewide Supportive Housing Initiative Act. However, the funds would be targeted for services to CalWORKs recipients with special needs.

The budget assumes that the \$1 million augmentation will be used to meet the state's maintenance of effort requirement in the CalWORKs program.

Currently, about \$700,000 in federal Projects for Assistance in Transition from Homelessness (PATH) funds are also used for services for various supportive housing programs. However, these funds do not specifically target the population of CalWORKs recipients with special needs.

COMMENTS:

Due to a continuing demand for these services, several groups have requested the Legislature consider providing another augmentation for the supportive housing program this year. The subcommittee may wish to consider an augmentation for other non-CalWORKs populations with special needs.

ISSUE 6: PATTON STATE HOSPITAL SECURITY

Currently, Patton State Hospital (PSH) is the only Department of Mental Health (DMH) facility that does not have Hospital Peace Officer (HPO) positions to provide security.

BACKGROUND:

Currently, the California Department of Corrections (CDC) provides perimeter security at PSH. Prior to 1982, a small force of HPOs provided security at PSH. However, an excessive number of patient escapes resulted in legislative action that reassigned the security for certain patients to the CDC. By fiscal year 1998-89, the CDC determined that it required nearly 175 full-time equivalent security positions. Between 1992 and 1995, the CDC eliminated 43 of these positions from PSH due to budget reductions.

Since the CDC assumed the security function at PSH, there are no longer any HPOs at PSH. The CDC is responsible for fence line security, visitor control, and off-grounds transportation and guarding of forensic patients. All of the internal security services are provided by level-of-care staff. In the past year, the California Highway Patrol (CHP) has been attempting to maintain some presence on the facility, but without additional funding. The areas which the CHP may cover include roads in and out of the facility, un-fenced grounds and nearby buildings. If a security need arises in these areas, the PSH must call local law enforcement or the CHP for response.

COMMENTS:

There has been concerns raised regarding the need to continue CHP presence on the facility due to incidents such as traffic violations and trespassing. Because of lack of funding, the CHP may not be able to continue security activities at PSH. Currently, there is no data being collected regarding citations issued by CHP or incidents at PSH that were responded to by the CHP.

ISSUE 7: SEXUALLY VIOLENT PREDATOR FACILITY

The LAO recommends the deletion of \$16 million in lease-payment bond funding for preliminary plans and working drawings because (1) only preliminary plans can be completed for this \$300 million project in the budget year and (2) the preliminary plan should be funded from the General Fund.

The May revision proposes no changes to the funding level, but does propose the following budget bill language:

“Funds appropriated for preliminary plans and working drawings for the project identified in Schedule 1 of this item may not be expended until the Department of Finance provides written notification to the Joint Legislative Budget Committee that all project scope and program issues have been identified and resolved. The written notice shall identify project scope and program changes that differ from the Feasibility Study, Bed Needs and Related Facility report dated April 1998. “

On May 17, 1999, the subcommittee held this issue open.

BACKGROUND:

The January budget includes \$16 million to prepare preliminary plans and working drawings for a new state facility to house sexually violent predators (SVPs). These individuals are currently housed at Atascadero State Hospital. By mid-2002, the total number of Judicially Committed/Penal Code patients (including SVPs) is projected to exceed the capacity of the four state hospitals where they are housed. Therefore, it was determined that a separate facility would be needed to house up to 1,500 SVPs. The current estimated cost of the facility is \$297 million.

The Budget Act of 1998-99 included \$5.5 million for activities related to locating and designing this facility. These activities are underway and include:

- Determination of the appropriate treatment program, licensing category, staffing ratio, and architectural programming for the facility.
- Search and evaluation of potential sites in order to select three alternative sites for the facility.
- For each of the alternatives, development of an environmental impact report, site master plan, conceptual facility design, and cost estimates.
- Conceptual construction phasing.

The Governor's budget indicated that the \$16 million budget proposal for the SVP facility was a "placeholder" estimate.

Assuming that the department is able to locate a suitable site for the facility, and make sufficient progress on the other work listed above, the LAO believes it would be appropriate to fund the preliminary plan phase of the project for \$7 million in 1999-00. Based on the size and nature of this facility, the LAO does not believe that funding will also be needed in 1999-00 for the working drawing phase. In addition, the LAO recommends that the preliminary plans be funded from the General Fund rather than lease-payment bonds.

COMMENTS:

The department anticipates that working drawings will commence in the budget year.

ISSUE 8: LOCAL INCENTIVE GRANTS

Currently there are no state fiscal incentives for counties to increase the number of people they serve with severe mental illness.

BACKGROUND:

Currently the Department of Corrections spends over \$700 million in General Fund dollars for care of severely mentally ill individuals in state prisons and in state hospitals. Some counties have established effective integrated service programs to serve the mentally ill population. A few counties have been able to invest in outreach services that are successful in engaging the severely mentally ill who are homeless and getting them to come into treatment.

COMMENTS:

Several groups have expressed support for the subcommittee to consider an augmentation to provide counties with grants for training and to establish programs which would provide incentive funding for county mental health programs to provide integrated services to severely mentally ill adults who would otherwise be at risk of homelessness or incarceration.

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT**ISSUE 9: 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.

ISSUE 10: PVEA FUNDS

The May revision includes \$10,760,000 in Petroleum Violation Escrow Account (PVEA) funds in order to enhance and expand services provided to low-income households under the federally funded Low-Income Home Energy Assistance Program (LIHEAP) and the U.S. Department of Energy Low-Income Weatherization Assistance Program (DOELIWAP).

BACKGROUND:

The PVEA funds consist of interest accrued on funds previously allocated to California from the Exxon Settlement Agreement of 1983. There are additional PVEA funds available in 1999-00 as a result of the repayment of General Funds to this federal trust account.

The federally funded LIHEAP provides direct assistance to low-income households to help pay their energy costs, to respond to energy-related crises, to educate clients about energy conservation measure, and to provide no-cost weatherization services that help low-income families reduce their energy costs, which are proportionally higher in comparison to the average family's income. The additional funds would be used to provide services to additional low-income households.

The federally funded DOELIWAP assists low-income households in reducing their energy costs and promotes energy conservation through minor home repairs and weatherization measure, such as weather-stripping, caulking, and window replacement. California's DOELIWAP allocation has decreased over the last few years. The PVEA funds would be used to expand services to additional low-income households. 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.

The department plans to use \$300,000 in PVEA funds to provide inspections of at least ten percent of low-income dwellings that are weatherized under these programs and to provide onsite training and technical assistance to the department's contractors.

COMMENTS:

Under the Exxon decision, states are allowed to use funds for various energy assistance or energy conservation programs. Funds must be used to supplement and not supplant funds otherwise available for the program.

5100 EMPLOYMENT DEVELOPMENT DEPARTMENT

ISSUE 11: WORKFORCE INVESTMENT ACT

As part of the 1999-00 budget, the Governor proposes the Workforce Investment Initiative by using the new federal Workforce Investment Act (WIA) of 1998 as an opportunity to consolidate and improve the state's education, employment and training programs.

On April 7, 1999, the subcommittee held this issue open and asked the department to provide a proposal for transition activities in the budget year.

BACKGROUND:

The WIA replaces the federal Job Training Partnership Act (JTPA). The JTPA authorizes job training programs to prepare youth and unskilled adults for entry into the labor force. The federal law requires states to implement the provisions of the WIA by July 2000. Currently, the JTPA funds are administered through the state's Employment Development Department.

The WIA authorizes states to use up to two percent of its JTPA funds for planning purposes to implement the WIA. Planning funds can come from any of the JTPA programs. The WIA planning funds must be expended by July 1, 2000. Two percent of California's allocation would be approximately \$10.8 million.

At least one percent of the WIA planning funds (approximately \$5.4 million) must be expended by local entities. These can include Service Delivery Areas (SDAs), Local Workforce Investment Areas (LWIAs) to be designated by the Governor, and other providers that currently operate the JTPA program.

These funds may only be used for WIA planning. They may not be used for JTPA closeout. Activities at the local level that constitute "planning" include:

- Convening meetings of various necessary partners,
- Creating local Workforce Investment Board structures and identifying members,
- Planning strategically to develop a local 5-year plan,
- Developing systems that will support WIA upon implementation,
- Developing criteria for selection of local One-Stop Center operators,
- Developing local memoranda of understanding, and
- Developing local performance measures to be negotiated with the state.

California must also develop a number of statewide systems. The two percent planning funds can also be used at the state level for:

- Creating the State Workforce Investment Board and its support structure;
- Developing systems for Eligible Service Provider Certification, Labor Market Information, Performance Based Accountability, and the Consumer Reports; and
- Conforming current data collection and reporting, and performance management systems to WIA requirements.

COMMENTS:

The department has presented options for the subcommittee in the following areas:

- ***How much of the JTPA two percent WIA planning allowance should be reserved?***
The state could reserve any amount up to two percent of JTPA funds for WIA planning purposes.
- ***From which JTPA programs should the funds be drawn?*** (1) Reserve two percent from all programs prior to allocating any JTPA funds, (2) Take the entire amount from the Governor's reserve amount in the Dislocated Workers program, or (3) Take the state's portion from the Governor's reserve amount in the Dislocated Workers program and take the local portion from local formula funds prior to allocating them.
- ***How should the state distribute the planning funds?*** (1) Allocate all of the local funds to the existing SDAs with the requirement that they plan with other local partners, (2) Allocate the funds on a competitive basis, open to any qualified entity, or (3) Distribute the funds to the LWIAs upon designation.

5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 12: ADULT PROTECTIVE SERVICES**

The January budget proposed an augmentation of \$23.6 million (\$15.3 million General Fund) for the program over current year expenditures, for a total of \$77.3 million (\$46.2 million General fund) for the Adult Protective Services (APS) program.

On April 14, 1999, the subcommittee augmented the APS by an additional \$35 million from the General Fund for local assistance and adopted trailer bill language regarding contracting issues.

The May revision includes a General Fund increase of \$10 million for the APS and the following budget bill language:

“The Department of Social Services shall develop and implement a claims processing, payment and reporting system for county receipt of state financial participation for adult protective services by September 1, 1999. The process shall capture all data necessary to review and validate the statewide cost estimate for the Adult Protective Services program. The process shall include, at a minimum, quarterly reporting of caseload data, cost per service, cost per case, cost of an investigation, length of case, one-time costs, and other county administrative costs. Each county shall be required to use the claims processing, payment and reporting system no later than September 1, 1999, in order to receive state financial participation for adult protective services.”

BACKGROUND:

The APS program provides services to protect elders and dependent adults from abuse, neglect, and exploitation, regardless of income. In the prior APS program, the mandate for counties was limited to receiving reports of abuse and providing information and referral services to clients. Due to lack of sufficient funding in the program, the counties' ability to respond to reports had decreased substantially over the years. A statewide survey of APS services by the County Welfare Directors Association revealed that of the 58 counties, less than 20 percent responded to all APS calls, forty-five percent no longer provided any case management, and over half did not provide counseling, a twenty-four hour hotline, money management, or other critical services.

Current statute provides for an enhanced APS program, effective May 1999. Enhanced services include a 24-hour emergency response system, emergency shelter, transportation, and in-home protective care. Under the enhanced program, each county must establish an emergency response adult protective services program that provides in-person response, 24 hours a day, 7 days a week. The program must also provide immediate response when appropriate, case management services, and establishment of multidisciplinary teams to develop interagency treatment strategies.

Last year, the Governor proposed an augmentation for the APS program of \$20 million from the General Fund. The Legislature provided another \$32.7 million to support an enhanced APS program. However, Governor Wilson vetoed the legislative augmentation. Subsequently, the legislation establishing the new enhanced program was passed and signed by the Governor. However, the implementation date was delayed until May 1999.

Counties are currently making preparations to implement the new APS program. County APS agencies, in conjunction with community organizations, law enforcement, district attorneys, and other local partners, are designing local programs. Counties are hiring staff, executing contracts, preparing training programs, and securing facilities to meet the May 1, 1999 implementation date.

Under current statute, beginning in 1999-00, the enhanced APS program will be implemented only to the extent that funds are provided in the annual Budget Act appropriation.

COMMENTS:

After the release of the January budget, the department re-examined the caseload assumptions included in the budget for the APS.

ISSUE 13: COMMUNITY CARE LICENSING – CHILD CARE CAPACITY

The need for quality child care has increased dramatically as more women with children have entered the workforce. The implementation of CalWORKs, including the new work requirements and time limits on aid, have resulted in even higher demands for child care. In the past few years, the Legislature has passed legislation and provided funding to address the high demand for child care capacity.

On April 14, 1999, the subcommittee asked the department to develop some proposals for increasing child care capacity.

BACKGROUND:

Description of Child Care Arrangements. There are three categories of child care arrangements available in the state: (1) licensed child care centers, (2) licensed family child care homes, and (3) arrangements that are exempt from licensure.

Licensed family child care homes can serve either 6 to 8 children or 12-14 children, depending on the type of license. Family child care must be provided in the care provider's home. Licensed family child care providers are required to have training in preventive health care practices, such as pediatric CPR and first aid, as well as comply with licensing requirements.

License-exempt child care providers are most often relatives, friends or neighbors of the child's family. License-exempt care is usually limited to children of just one family. There are no training requirements or standards for exempt care. However, non-relative care providers must be fingerprinted through the Trustline.

Trends in Child Care Facilities Growth. The Department of Social Services (DSS) has provided the following information regarding growth in child care facilities:

- As of January 1999, there were a total of 54,500 licensed child care facilities in the state. This represents a growth of approximately 1 percent since July 1996.
- The number of family child care homes (currently about 41,000) has remained stable.
- The number of child care centers (currently about 13,000) has increased by four percent since July 1996. Most of the growth has been in infant care and school-aged care.
- Trustline clearances for subsidized license-exempt providers have increased by 200-300 percent in the last two years.
- The overall child care capacity in the facilities has increased by eight percent since July 1996, to over 990,000.

Current Child Care Capacity Building Efforts. According to a recent interim report prepared by the California Department of Education (CDE) in conjunction with the DSS, the following lists some the major child care capacity building activities in the state:

CDE Activities:

- Training of TANF recipients to become child development teachers,
- Capacity building projects targeting underserved counties,
- Capacity building of infant/toddler child care and development services, and
- Evaluation of child care capacity building activities being conducted by the American Institutes for Research.

DSS Activities:

- Training of CalWORKs recipients to become licensed family child care providers or license-exempt providers,
- Capacity building and quality improvement projects awarded through counties,
- Family child care training of licensed providers, and
- Research on statewide child care supply and demand being conducted by UC Berkeley.

In addition, current statute authorizes the Child Care and Development Facilities Loan Guaranty Fund to be used to guarantee private sector loans to sole proprietorships, partnerships, proprietary and nonprofit corporations, and local public agencies for the purchase, development, construction, expansion, or improvement of licensed child care and development facilities. Current statute also authorizes the Child Care and Development Facilities Direct Loan Fund which provides direct loans for the same purposes. Both funds are administered by the Department of Housing and Community Development. In 1997-98, the Budget Act included \$3.5 million from the General Fund for each of these funds. At this time, none of the funds have been allocated to local assistance due to delays associated with the enactment of clean-up legislation and the regulations process.

COMMENTS:

In response to the subcommittee's request, the department submitted various options which include:

- **Licensing Application Process.** There have been significant increases in the number of applications for child care licenses received by licensing offices. The average number of applications received for family child care homes and child care center licensure is ten percent higher than it was two years ago. The increased number of applications is consistent with the major child capacity building efforts that are being undertaken, and represents a trend that is likely to continue for the next few years. District office staff have substantially increased the number of orientations offered for prospective applicants, and are giving priority as much as possible to processing applications. However, given other responsibilities such as ongoing monitoring of child care facilities and investigation of complaints, it has not always been possible to focus primarily on applications. As a result, the number of pending applications in licensing offices has increased.

The addition of a Licensing Program Analysts in child care district offices would allow the licensing agency to give priority to processing new applications, and would help to expedite local capacity building efforts. These positions could be established for a two-year limited term to support the capacity building activities that are being undertaken as part of the CalWORKs implementation.

- **Child Care Advocate Program.** The Child Care Advocate program has been established to link the licensing agency to the child care community. This program was expanded during the last legislative session to provide for statewide coverage. As a result, there is currently a child care advocate in each licensing child care district office. However, the new positions that were established were created on only a limited term basis. In order to ensure that these services are continued, the subcommittee could consider making the existing five limited term positions permanent.

ISSUE 14: 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 all stays in children's emergency shelters from 30 to 60 days.

On May 12, 1999, the subcommittee placed this issue on the augmentation list.

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.)

ISSUE 15: KINSHIP GUARDIANSHIP ASSISTANCE PROGRAM

The budget proposes an increase of \$395,000 (\$197,000 General Fund) and 4.5 permanent positions to implement the Kinship Guardianship Assistance Program (Kin-GAP) and other legislative mandates regarding kinship care.

The May revision includes total costs of \$60.4 million for the Kin-GAP program in local assistance. These costs are offset by \$60.3 million in savings in Child Welfare Services and CalWORKs administration, foster care payments, and CalWORKs payments.

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

BACKGROUND:

Currently, approximately 43 percent of foster care children live with relatives, referred to as "kinship care" placements. The department indicates that additional staff is needed to address workload associated with the following legislative mandates:

- ***Kin-GAP.*** The department must develop and implement the Kin-GAP program, which provides subsidies to relatives who take guardianship of dependent children in their care and exit the foster care system. The department must establish a Kin-GAP rate by July 1, 1999, in collaboration with the County Welfare Directors Association (CWDA), the California Partnership for Children, the California State Association of Counties, and other key representatives as identified by the department.

The Kin-GAP rate is a flat rate and is limited to 85 percent of the foster care basic rate. The January budget assumed that the Kin-GAP rate would be \$390.98 per month. The May revision assumes that the rate would be \$459 per month. This represents 85 percent of the highest foster care basic rate. According to the department, 74 percent of the relative placements will receive an average foster care grant payment ranging from \$384 to \$540. The remaining 26 percent will receive an average CalWORKs payment of \$187.49. Of the cases receiving a foster care grant payment, the May revision estimate assumes that 50 percent of cases with children ages 0-11 years old will opt into the Kin-GAP program due to the higher grant payment. Only 15 percent of cases with children ages 12-18 years old are assumed to enter the program due to the removal of court involvement. The department also assumes that 75 percent of cases receiving CalWORKs payment will opt into the Kin-GAP program to receive the higher grant payment of \$459.

- ***Kinship Care Program.*** Current law expresses legislative intent for the department to work with counties, federal officials, kinship caregivers, and other interested parties to develop a plan to establish a Kinship Care program that is separate and distinct from the current foster care program.

- **Legislative Report.** The department must submit a report to the Legislature by January 1, 2002, regarding the number of children placed with relatives, the availability of relative placements, and the incidences of crimes perpetrated against foster children living in the homes of relatives.
- **Kinship Support Services Program.** The department provides administrative support for the Kinship Support Services Program which provides grants to qualified counties for the start-up or expansion of county kinship support services programs.
- **Relative Assessment Guidelines.** The department, in collaboration with the CWDA, must develop a set of relative assessment guidelines for counties to use to ensure that relative caregivers were sought and appropriately considered and assessed for placement of a dependent child.

COMMENTS:

- The department indicated that the rate used to develop the budget proposal is a “placeholder” amount and that the issue would be revisited during the May Revision. There had been different proposals regarding what the rate level should be. There are various factors that need to be considered in developing the rate.
- Currently, the foster family home basic rate differs depending on the age of the child:

Basic Monthly Rate for Foster Family Homes					
1998-99					
Age	0-4	5-8	9-11	12-14	15-18
Rate	\$375	\$408	\$436	\$483	\$528

If the Kin-Gap rate is higher than the foster care rate, the rate would be higher than the Adoptions Assistance Program rates (which are tied to the foster care basic rates) and could be a fiscal disincentive to adopt. The Adoptions Assistance Program provides grants to families who adopt children with special needs. One option would be to provide for different Kin-GAP rates based on age. This would require a statutory change.

ISSUE 16: FOSTER CARE REFORMS

The Budget Act of 1998-99 included various augmentations for the Children and Family Services Division of the department and local assistance for activities related to foster care reform. Many of the required new activities were contained in one of last year's budget trailer bills.

On April 21, 1999, the department provided a status update of implementation in the current year. The subcommittee also placed the issue of building capacity for more in-state placements on the augmentation list.

BACKGROUND:

During the foster care reform meetings last year, there was considerable discussion regarding capacity for juvenile probation placements within the state and within their own counties. The lack of adequate placement options, at county and regional levels, was one of the key factors identified as contributing to the large number of juveniles placed out of state. The state must certify that out of state placements meet California licensing standards. The intent of this provision was not to limit out-of state placements altogether until the program need could be assessed and adequate placement options developed in-state. The foster care reform discussions included recommendations for the development of a program development fund, designed to provide technical support and help counties and regions develop foster care programs. There are approximately 5,000 probation placements in foster care group homes. However, funding was not available for the proposal.

In certifying all out-of state placements receiving foster care dollars from California, the department has found that a number of the facilities do not meet California licensing standards. In at some instances, facilities have not been certified, resulting in the return of juveniles in those facilities back to California. A disproportionate number of these minors placed out-of-state have mental health problems. Currently there are few specialized placement options in the state designed to meet their needs which has led to the concern for the need to build more out-of home placement capacity for juveniles with mental health needs.

COMMENTS:

The subcommittee could consider a proposal to provide funding for pilot projects such as (1) programs that will serve foster youth who are currently being placed in out-of-state programs due to lack of in-state or in-county programs or (2) programs for which waivers have been granted under current statutory authority to allow counties to enter into performance agreements with private, nonprofit agencies to encourage innovation in the delivery of children's services, to develop services not available in the community, and to promote change in the child welfare services system.

ISSUE 17: FOSTER CARE PROVIDER RATES

The January budget includes funding to provide a 2.08 percent COLA for foster family homes and group homes, effective July 1, 1999.

On April 21, 1999, the subcommittee provided a 2.08 percent COLA for foster family agencies and an augmentation to provide a full COLA for foster family homes in six counties that currently receive funding for a half COLA, with implementing budget bill language and trailer bill language. The subcommittee also placed a 6.75 percent rate increase for all foster care providers on the augmentation list.

BACKGROUND:

The following table summarizes the different types of foster care placements and the COLAs and rate increases that were included in the Budget Act of 1998-99 and that are proposed for 1999-00.

FOSTER CARE COLAs AND RATE INCREASES BY TYPE OF FOSTER CARE PLACEMENT 1998-99 and 1999-00				
Placement Type	Description	Monthly grant per child (1998-99)	Budget Act 1998-99	1999-00 proposed (May)
Foster Family Homes	<ul style="list-style-type: none"> ➤ Residential facility that serves no more than six foster children ➤ Provides 24-hour care and supervision in a licensee's home ➤ Foster care basic grant may be supplemented for care of children with special needs 	\$375-\$528 (basic rate)	6% rate increase 2.84% COLA	2.36% COLA
Foster Family Agency (FFA) Homes	<ul style="list-style-type: none"> ➤ Homes operating under nonprofit foster family agencies which provide professional support ➤ These placements are required by law to serve as an alternative to group home placement 	\$1,362-\$1,607	6% rate increase	None
Group Homes	<ul style="list-style-type: none"> ➤ A facility of any capacity that provides 24-hour non-medical care, supervision, and services to children ➤ Generally, serve children with higher emotional or behavioral problems who require a more restrictive environment 	\$1,254-\$5,314	6% rate increase	2.36% COLA

COMMENTS:

- Group home provider associations have requested that the subcommittee consider a 6.75 percent rate increase in 1999-00 and another 6.75 percent rate increase in 2000-01 for group homes and foster family agencies. The associations indicate that it has become increasingly difficult for group homes to compete for and retain qualified staff and for FFAs to recruit and retain qualified foster parents. Based on May revision estimates, this would require additional General Fund expenditures of \$25.7 million and county costs of \$38.5 million in 1999-00.
- Assemblymember Ashburn has introduced a bill, AB 1225, which would provide a COLA and 6.75 percent rate increase in 1999-00 and another COLA and 6.75 percent rate increase in 2000-01 for group homes and foster family agencies. As noted above, the COLA for the group homes is already included in the budget for 1999-00. Assemblymember Ashburn has also introduced AB 1235, which would provide a 19 percent rate increase for foster family homes.
- The May revision estimates are based on a 2.36 percent COLA increase for providers, rather than 2.08 percent. The subcommittee should adjust its previous action to reflect a 2.36 percent, rather than 2.08 percent, increase for foster family agencies. Based on May revision caseload assumptions, this would cost \$2.4 million from the General Fund. Previously, the subcommittee had augmented the budget proposal by \$2.5 million for FFA COLAs. In addition, trailer bill language would be required to provide the FFA COLAs.

The subcommittee could also adopt the May revision estimates for a 2.36 percent COLA for foster family homes and group homes.

ISSUE 18: CHILD SUPPORT SYSTEM REFORM

On January 26, 1999, the Assembly and Senate Judiciary Committees, the Assembly Human Services and the Senate Health and Human Services Committee held a hearing regarding the reform of California's Child Support System. The Legislators heard testimony regarding the current structure of California's child support system, the major problems with the current child support enforcement system, elements of an effective child support system, and proposals for reform.

On April 28, 1999, the subcommittee asked the department to provide an estimate of the costs in the budget year associated with AB 196, (Kuehl). According to the department, the costs for state support for the Department of Social Services would be approximately \$15.9 million, of which \$5.4 million would be General Fund costs. This would fund approximately 126.5 new positions.

BACKGROUND:

Some of the proposals for improvement that have been presented to the Legislature include the following:

- ***Demand Accountability of All Key Players and Impose Strict Oversight and Management Requirements.*** These activities might include adoption of standardized practices, setting priorities for the use of specific enforcement mechanisms, establishing standard caseworker to case staffing ratios as well as appropriate attorney to caseworker ratios, instituting a consistent state policy on the appropriateness of closing cases, and implementing standard complaint resolution procedures at the local level.
- ***Allow the Possibility That County Agencies Other Than, or in Addition to, the District Attorney Can Operate the Child Support Program at the Local Level.*** One option would be to eliminate the statutory mandate that the district attorney run the program at the local level, and permit the state to decide on a county-by-county basis the agency best suited to most effectively operate the program.
- ***Institute "Best Practices".*** The Department of Social Services would study the "best practices" of other state child support programs, as well as innovative practices of individual California counties which appear to be particularly effective, and determine how to implement these practices in California to maximize collection of support for children and families.
- ***Vest Authority and Responsibility for the Child Support Program in a High Level Official Within the Administration.*** Because there are at least four different state departments that administer different components of the child support enforcement system, one option might be to designate an individual in the administration with the responsibility to ultimately oversee and manage the program.

- **Create an Advisory Commission.** The Advisory Commission would be comprised of key players in the child support process and review practices and procedures, address issues regarding coordination between different agencies, and encourage the flow of information to determine how to maximize collection for children and families.
- **Remove the Department of Social Services as the State IV-D (Title IV-D of the Social Security Act) Agency.** There have been suggestions that a new state agency, whose sole mission is administering the child support enforcement program, should be created.
- **Centralize California's Child Support Program in a Single State Agency.** Some believe that the program must be operated by a single, statewide child support agency, without delegating the operation of the program to the counties. However, the state agency might operate local offices for ease of access for families.
- **Administrative Process.** Another approach would be to create an administrative process to hear child support matters, removing at least certain aspects of the child support enforcement program from the courts.
- **Focus on Self-Sufficiency, Not Welfare Cost Reimbursement.** Welfare recoupment and state debt policies present obstacles for many low-income noncustodial parents in connecting with the child support system, even when they are employed.
- **Child Support Automation.** The state should devise a backup plan for automating basic child support functions until the federally required statewide automation system is operational.
- **Performance Standards.** The state should collect reliable data from the counties, conduct sound evaluations and enforce minimum performance standards.

The Legislative Analyst's Office (LAO) also released a report in April 1999 which included the following options to improve performance from a fiscal perspective:

- **Transfer Administration of the Program to the State.** The state would have control over the allocation of program resources.
- **Establish a New Fiscal Incentive Program.** County administration would be retained, but a new fiscal incentive program would be designed to specifically address the reasons the counties often do not increase program spending even when such spending would result in net savings on a statewide basis.

COMMENTS:

- Several Legislators have introduced bills regarding child support system reform. These include: (1) AB 196 (Keuhl) which would establish the Department of Child Support Services within the Health and Human Services Agency and transfer the responsibility of local child support enforcement from the district attorney to a local child support agency, and (2) SB 542 (Burton) which would establish the Department of Child Support Enforcement to administer the child support program and to develop a plan for a system of local child support agencies directly accountable to the department.
- To the extent that legislation is enacted this year and major reforms in the child support enforcement system are adopted, there would be a need for additional resources in the budget year for planning and transition activities to minimize disruptions to child support collections.
- There have been concerns raised regarding the impacts of delayed child support automation development and federal automation penalties which could hinder successful child support system reform.

ISSUE 19: FEDERAL CHILD SUPPORT AUTOMATION PENALTIES

On April 28, 1999, the subcommittee held this issue open and asked the department to provide county-by-county information regarding incentive funds.

The May revision assumes that the impact of \$37.1 million in penalties in the current year will shift to the budget year, for a total of \$89.9 million in 1999-00. The penalties would still be passed on to the counties.

The budget also proposes \$379,000 (\$129,000 General Fund) and the establishment of five positions to support the consortia-based approach to the development of the statewide child support enforcement automation system.

BACKGROUND:

The state anticipates being subject to the following "alternative penalties" over several federal fiscal years (FFY) if the state fails to implement the federally required statewide child support enforcement automation system:

- FFY 1998: \$12 million
- FFY 1999: \$25 million
- FFY 2000: \$53 million
- FFY 2001: \$87 million
- FFY 2002: \$109 million
- FFY 2003: \$115 million

State Share of Penalties. The LAO recommends adjusting the budget to reflect the state's proportional share of the penalties, for a General Fund cost of \$5.4 million in the budget year. The LAO indicates that current state law provides that federal penalties shall be considered a reduction in federal financial participation in county and state administrative costs of the child support program. The budget, however, proposes to pass the full amount of the penalty on to the counties, with the state bearing no share. The LAO notes that the budget assumes the counties will maintain the level of spending on the program to backfill for the federal reductions. Because the counties are not required to backfill for reductions in federal funds, there is no assurance that the budget assumptions for county spending will be realized. Because of the strong relationship between county administrative effort and child support collections, collections could be affected if the counties reduce their spending below the amount assumed in the budget.

The LAO also notes that on the other hand, the estimated amount of federal reimbursements after the penalty, when combined with state and federal incentive payments that are distributed to the counties exceeds the budget estimate for administrative spending. The LAO indicates that this suggests that most of the counties probably have the ability to meet the budget expectations for administrative spending in spite of the federal penalty.

Los Angeles County's Share of Penalties. Los Angeles County, with the approval of the federal administration, developed and implemented its own child support automation system as part of the required statewide system. Because of this, current statute provides that no portion of the federal penalty for delayed implementation of the statewide system shall be assessed against Los Angeles County (unless the county system fails to interface with the statewide system, which has not yet been implemented).

Current law also permits the department to backfill with state funds "any dollar reduction to county administrative funding," subject to the availability of funds in the annual Budget Act. The budget, however, proposes to pass Los Angeles County's proportional "share" of the penalty (about \$8 million in the current year and \$11 million in the budget year) onto the other counties.

The LAO does not believe that it is reasonable to expect the other counties, rather than the state, to backfill for the reduction in federal reimbursements attributable to Los Angeles County's share of those reimbursements.

COMMENTS:

- On April 6, 1999, the state received a letter from the federal government which essentially disapproved the state's consortia-based approach to develop four systems rather than a single statewide system for child support automation. The administration has now developed an implementation strategy to develop a single statewide system. Meanwhile, the implementation date for the federally required system will be further delayed.

The new project would be procured in two phases. The Phase 1 contract would be awarded to up to four vendors. These vendors would spend six months generating preliminary design documents for a child support enforcement automation system. The Phase 2 contract would be awarded to the Phase 1 vendor whose design provides the best value to the state. Vendors would be able to bid any of the California child support systems or a system from another state. The administration projects that the Phase 1 contract would be awarded December 1999 and the Phase 2 contract would be awarded November 2000.

- The California District Attorneys Association have urged that the state backfill the federal penalties in order to ensure that counties are able to continue improving their programs and provide services, while preparing to address the new approach for automation.
- The department disagrees with the LAO regarding whether current statute requires the state to pay a share of the penalties.
- Due to the termination of the consortia-based approach for child support automation development, the department had indicated that the proposal for the five staff positions would be adjusted during the May Revision. However, the May revision does not include any revised proposal.

ISSUE 20: CALIFORNIA FOOD ASSISTANCE PROGRAM

On May 12, 1999, the subcommittee adopted savings from including naturalization assumptions and federal eligibility for the Hmong and Laotian veterans and costs for adopting the provisions of AB 873 (Villaraigosa), with a three-year deeming policy and provision for the effective date. The subcommittee also held this issue open.

The May revision includes \$60.4 million for the CFAP, which reflects caseload adjustments for naturalization rates and federal eligibility for the Hmong and Laotian veterans.

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:

- The subcommittee could adjust its prior action to adopt savings associated with naturalization rates and federal eligibility for the Hmong and Laotian veterans to reflect the May Revision estimates and reject the corresponding May revision proposal.
- The state also implemented the Cash Assistance Program for Immigrants (CAPI) which provides state-only SSI/SSP benefits to legal noncitizens who lost eligibility for the SSI/SSP program. To the extent that recipients for the CFAP and CAPI state-only programs are able to naturalize, there would be state savings since the recipients would be eligible for the federal programs.

ISSUE 21: EMERGENCY FOOD ASSISTANCE PROGRAM

The California Association of Food Banks (CAFB) requests that the Legislature consider an augmentation of \$12 million in state funding for the Emergency Food Assistance Program (EFAP). Of this amount, the \$12 million would be allocated as follows:

- \$6 million for local food bank programs to expand refrigeration space, purchase vehicles or other equipment that would be directly used to purchase, deliver, or distribute food products, or for other uses that would allow food banks to increase the amount of food they can receive and distribute,
- \$6 million as an ongoing augmentation for food purchase, or to aid in the collection of donated food, with 90 percent distributed to local food distribution programs and 10 percent for regional/statewide efforts.

On April 28, 1999, the subcommittee placed this issue on the augmentation list.

BACKGROUND:

The EFAP is a federal program that provides funds to purchase and distribute food to low-income individuals and households, and to community agencies that directly feed the hungry. In California, the EFAP is administered by the Department of Social Services. The type and amount of commodities are determined by the amount of federal funds provided, options available from the U.S. Department of Agriculture, and decisions made by the state. In addition, the program provides private donated food to supplement the purchased food. The food is distributed through a voluntary emergency food network comprised primarily of food banks and community action agencies. The state has never provided funds for food purchasing for emergency food providers.

The CAFB is comprised of 33 food banks and advocacy organizations. California's food bank network distributes over 150 million pounds of food to 5,000 community-based agencies each year. These agencies distribute food to over two million hungry families and individuals.

Last year, the Legislature provided an augmentation of \$6 million for the EFAP. This includes a one-time appropriation for local food bank infrastructure building and \$3 million for food purchase. However, Governor Wilson vetoed these funds. Subsequent legislation was signed by the Governor which provided a one-time appropriation of \$2 million for local food bank infrastructure.

COMMENTS:

- Information from California food bank studies shows that over 50 percent of individuals receiving emergency food do not receive food stamps and that of the individuals who do receive food stamps, over 80 percent report that benefits do not last the entire month. In addition, the 14th Annual U.S. Conference of Mayor's Survey of Hunger and Homelessness found that the demand for emergency food rose an average of 14 percent in 1998. Low-paying jobs were the main causes of hunger. Of the people requesting emergency food assistance, 61 percent are members of families with children and more than 20 percent of requests for emergency assistance go unmet.

- On March 6, 1999, the Assembly Budget Subcommittee No.1 held a hearing in Los Angeles. At the hearing, the subcommittee heard testimony regarding the following: (1) there has been a shift in responsibility in California for providing food from the government to emergency food providers, (2) there is still a lack of supply of food, and (3) studies show that many low-income school children are undernourished.

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.

On May 12, 1999, the subcommittee placed this issue on the augmentation list.

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.

ISSUE 23: CALWORKS - COUNTY ALLOCATIONS

In contrast to 1998-99, the January budget proposed 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 January, the estimated need for employment services for 1999-00 was \$1,258 million. The budget, however, proposed 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 was proposed for employment services.

On May 12, 1999, the subcommittee adopted budget bill language to implement a county allocation process for 1999-00 based on a proposal by the County Welfare Directors Association (CWDA). The subcommittee also adopted trailer bill language to require the department to work with the counties to develop a cost-based approach for county block grant allocations and to implement the CWDA proposal for 2000-01 and beyond.

The May revision assumes that \$612 million, rather than \$251 million, in unexpended county block grant funds from 1998-99 would be used as a fund source in 1999-00 for employment services.

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.

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 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.

COMMENTS:

For 1999-00, the subcommittee adopted the following proposal:

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 some counties would have funds available above the amount of funds they would have received using the current state model, or "surplus roll-over".

However, the May revision budget proposes to use \$612 million, rather than \$251 million, as a fund source in 1999-00. The subcommittee may want to amend its prior action regarding budget year county allocations.

ISSUE 24: CALWORKS - COUNTY INCENTIVE PAYMENTS

The January budget included \$479 million for county performance incentive payments, of which \$287 million (60 percent) was the result of the baseline level of recipient earnings, rather than savings attributable to improved county performance in CalWORKs.

On May 12, 1999, the subcommittee adopted trailer bill language per the LAO's recommendation to provide counties with 50 percent of all savings attributable to earnings and reduced county fiscal incentives by \$193 million in TANF funds. The subcommittee also adopted budget bill language specifying that \$120 million in TANF funds be placed into a reserve fund for counties for allocation with certain restrictions.

The May revision includes \$510.6 million, rather than \$479 million, for county performance incentive payments in 1999-00.

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.

To address this problem, the LAO recommends legislation to provide 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:

The LAO indicates that it has revised its recommendation based on the May revision estimates. The LAO now recommends a reduction of \$219.8 million, rather than \$193 million, for county fiscal incentives.

ISSUE 25: CALWORKS - CHILD CARE
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The May Revision 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 May Revision Proposal 1999-00 By Fund Source (in millions)		
Stage 1	Stage 2	Stage 3
Child Care Reserve: \$183 (TANF)		
\$ 496 (TANF/GF)	\$257.3 (TANF)	Former CalWORKs
\$ 87.7 Reappropriation (TANF)	\$ 123.7 (Prop. 98)	\$24.7 (CCDF/Prop.98)
	\$ 43 (CCDF)	Low-Income Families
	\$ 15 (TANF)	\$17.5 (CCDF/Prop.98)
\$583.7	\$439	
GF: General Fund TANF: Temporary Assistance for Needy Families CCDF: Child Care and Development Fund		

The major May revision proposals include:

- Requiring that all TANF funds for Stage 2 be allocated directly to Stage 2, rather than transferred through the CCDF or the Title XX Social Services Block Grant;
- Removing the two-year time limit in Stage 3 for CalWORKs families who have transitioned off of aid;
- Shifting \$75,786,000 from Stage 3 to Stage 2 and consolidating the CalWORKs "transitional child care" caseload into Stage 2;
- Augmenting Stage 3 by \$35 million, of which \$17.5 million would be used to fund services to former CalWORKs families who have left aid for more than two years and another \$17.5 million would be used to provide child care to the low-income population; and
- Adjusting Stage 1 and 2 funding to reflect revised caseload estimates.

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 the May revision CalWORKs Child Care proposal:

- The May revision redirects federal funding that would be earmarked for quality assurance activities to fund service. 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.

- Not transferring TANF funds into the CCDF for Stage 2 would create the need for separate contracts, with new fiscal and data reporting requirements, for SDE CalWORKs contractors. The SDE CalWORKs contractors are already required to have separate contracts for their CCDF and General Fund monies.
- By shifting \$50 million in Proposition 98 funding from Stage 3 to Stage 2, the May revision proposal would create a time limit for approximately 10,000 children currently funded in Stage 3 who are not subject to the time limit now.

ISSUE 26: MAY REVISION – LOCAL ASSISTANCE

The May Revision includes a total increase of \$420 million (\$221 million federal funds, \$100.7 million General Fund, \$38.3 million county funds, \$60 million in reimbursements) for local assistance for the DSS over the January budget.

BACKGROUND:

The following table lists some of the major proposals in the May revision:

DEPARTMENT OF SOCIAL SERVICES LOCAL ASSISTANCE MAJOR MAY REVISION PROPOSALS 1999-00	
Description	All funds in millions
Basic CalWORKs grants	\$64
Increased savings in CalWORKs grants due to increased earnings	-\$25
Increased CalWORKs grant savings from the Maximum Family Grant policy	-\$68
CalWORKs basic services	-\$80
CalWORKs county incentives	\$32
CalWORKs Mental Health and Substance Abuse rollover to be used as a fund source in 1999-00	\$42
CalWORKs county allocation rollover to be used as a fund source in 1999-00	\$361
CalWORKs child care for two-parent families	\$98
Foster care group home caseload	-\$23
Continuation of child support pass-on payments to families through March 31, 2000	\$18
SSI/SSP COLA increase from 2.08 to 2.36 percent	\$25
Cash Assistance Program for Immigrants caseload	\$22
Savings in IHSS due to receipt of federal funds	-\$56
Adult protective services program	\$10

COMMENTS:

➤ In previous hearings, the subcommittee adopted various changes to the January budget proposal regarding issues that are now reflected in the May revision. However, the May revision estimates for these issues are different from the amounts previously adopted by the subcommittee. The subcommittee could adjust some of these prior actions to reflect the May Revision estimates and reject these corresponding May revision proposals. The issues that are impacted include:

1. Federal Family Preservation Program Expansion Savings in Foster Care
2. Supportive and Therapeutic Options Program Savings in Foster Care
3. Federal Adoptions and Safe Families Act Incentive Funds
4. CalWORKs MOE Expenditures in the Department of Corrections

- The following May revision proposals have been addressed separately in this agenda:
- Issue 11: Adult Protective Services
 - Issue 14: Kin-GAP
 - Issue 16: Foster Care Provider Rates
 - Issue 19: California Food Assistance Program
 - Issue 22: CalWORKs – County Allocations
 - Issue 23: CalWORKs- County Incentive Payments
 - Issue 24: CalWORKs- Child Care