

AGENDA – PART I

ASSEMBLY BUDGET SUBCOMMITTEE NO. 5 ON INFORMATION TECHNOLOGY AND TRANSPORTATION

ASSEMBLYMEMBER DEAN FLOREZ, CHAIR

**WEDNESDAY, MAY 19, 1999
STATE CAPITOL, ROOM 127
1:30 P.M.**

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CONSENT ITEMS

4130 HEALTH AND WELFARE AGENCY DATA CENTER

ISSUE 1: ENTERPRISE INFORMATION SECURITY

The May revision includes an increase of \$244,000 and three positions for costs associated with implementation of a computer data security program.

Recommendation: Approve the Finance Letter.

ISSUE 2: ENTERPRISE SERVER SERVICES

The May revision includes an increase of \$2,894,000 and 8.9 positions for two new service offerings that will support Microsoft Exchange and Windows NT Server needs for the data center's client departments.

Recommendation: Approve the Finance Letter.

ISSUE 3: IN-HOME SUPPORTIVE SERVICES CASE MANAGEMENT

The May revision includes an increase of \$570,000 and three positions for support of the Case Management, Information and Payrolling System through replacement of the existing system with new technology that provides better system access.

Recommendation: Approve the Finance Letter.

ISSUE 4: TRANSFER OF STAFF COUNSEL

The May revision includes a decrease of \$201,000 and two positions due to the reorganization of the data center's legal support services. Legal support would be provided by the Department of Social Services in support of the data center's automation projects.

Recommendation: Approve the Finance Letter.

ISSUE 5: SUPPLEMENTAL REPORT LANGUAGE

The Legislative Analyst's Office recommends the following supplemental report language:

"The Health and Welfare Agency Data Center (HWDC) and the Department of Social Services (DSS), in cooperation with the California Health and Human Services Agency and the Department of Information Technology, shall submit to the Joint Legislative Budget Committee (JLBC) by April 1, 2000, a report to assess potential alternatives for the placement of the DSS projects currently administered by HWDC. The report shall include: (1) a methodology describing how this could be accomplished including strategies, time schedules, and the receiving department's capacity and readiness to assume responsibility which will ensure continued project success, (2) clear definitions of which organizations will have responsibility for the on-going support, operation and maintenance of the systems (e.g. including state and county entities), and (3) a determination of the appropriate phase at which the project could transition. The transition must minimize project risk and be the least disruptive to the individual project."

Recommendation: Adopt the LAO's recommendation.

ITEMS TO BE HEARD

2660 CALTRANS

ISSUE 1: MAY REVISION – OPEN ISSUES

The following issues were held open at the May 18th hearing.

- The cash balance of the State Highway Account. The committee appropriated \$225 million from the SHA for local road maintenance. Caltrans should report to the subcommittee on the impact to programmed projects from this action. It is the intent of the subcommittee to use interest accrued from delayed projects for the additional funding of local road maintenance.
- Highway Worker Safety Pilot Program. The subcommittee expressed a desire to expand the pilot to include a rural region and to make sure the media efforts are not limited to English.
- Budget Bill Language for the following issues:
 1. Two PYs for coordination with local agencies of local roads needs.
 2. Allocation of funding for local road maintenance.
 3. District Six Office Building.

COMMENTS:

The Budget Bill Language proposals will be available at the hearing.

4130 HEALTH AND WELFARE AGENCY DATA CENTER

ISSUE 1: ADDITIONAL WEST ANNEX LEASE

The budget proposes an increase of \$1,998,000 for the HWDC to acquire additional leased office space in the Alhambra Plaza adjacent to its current facility.

On May 12, 1999, the subcommittee held this issue open.

BACKGROUND:

HWDC's central site offices are co-located in Alhambra Plaza with the University of California at Davis (UCD) Medical Offices. The HWDC facility at Alhambra Plaza currently occupies approximately 50,000 square feet of computer room floor space and 68,000 square feet of office space for approximately 150 state staff. The facility contains an elaborate security system to ensure the safety of state staff, customer data, and over \$60 million in state information technology assets as well as the valuable information housed on these assets.

HWDC was recently notified that UCD would be vacating their leased space in July 1998. This space is part of the contiguous building that HWDC currently occupies. HWDC would like to negotiate a lease of the UCD space so that it may consolidate staff and acquire room for budgeted staffing increases. Because this space has housed medical offices, alterations would be required.

COMMENTS:

The May revision does not include any new proposals or changes to the department's original plan.

ISSUE 2: STATEWIDE AUTOMATED WELFARE SYSTEM

The January budget includes the following proposals for the HWDC for the Statewide Automated Welfare System (SAWS):

- A decrease of \$3.8 million and an increase of seven positions for the ISAWS.
- A decrease of \$1.2 million for technical architecture.
- A decrease of \$5.5 million for CalWORKs reprogramming.

The May revision includes an increase of \$17,218,000 for welfare-reform related system changes and infrastructure upgrades, including (1) replacement of 5,500 workstations, (2) acquisition of another 1,000 workstations and a mainframe, and (3) consultant services.

The May revision also includes an increase of \$5,634,000 and 6.2 positions for the Welfare Data Tracking Implementation project which is the successor to the former Statewide Automated Welfare System Technical Architecture project.

Although there is no impact to the HWDC's spending authority, the May revision includes an increase in the budget for the Department of Social Services for the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) project due to an extended schedule and contract amendments.

BACKGROUND:

In 1984, legislation was passed which authorized the development of SAWS. The SAWS automates eligibility determination, benefit computation, benefit delivery, case management and management information. The system encompasses the CalWORKs, Food Stamp, Medi-Cal, Foster Care, Refugee Assistance and County Medical Services programs. The Budget Act of 1995-96 required the department to: (1) develop a multiple county consortium strategy as the foundation for statewide welfare automation, and (2) develop and maintain a statewide technical architecture and interface standards.

The HWDC is responsible for overall project management and state oversight under an interagency agreement with the Department of Social Services. State oversight includes securing project approvals and funding, procuring and managing independent verification and validation services, reviewing and approving consortia deliverables, applying early issue identification and resolution methods, managing risk, managing stakeholder involvement, and approving and tracking expenditures. The counties or consortia are responsible for local project management.

The following chart shows the four consortia projects and their status:

SAWS Consortia Current Status of Projects	
<u>Consortia</u>	<u>Status</u>
<p>Interim SAWS (ISAWS)</p> <p>35 counties: Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Glenn, Humboldt, Imperial, Inyo, Kern, Kings, Lake, Lassen, Madera, Marin, Mariposa, Mendocino, Modoc, Mono, Monterey, Napa, Nevada, Plumas, San Benito, San Joaquin, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne, Yuba</p>	<ul style="list-style-type: none"> ➤ ISAWS project began in 1993-94 ➤ As of March 1998, the project was operational in all counties
<p>Los Angeles Eligibility Automated Determination, Evaluation, and Reporting (LEADER) System</p> <p>Los Angeles County only</p>	<ul style="list-style-type: none"> ➤ LEADER project began in November 1995 ➤ Currently in testing stage of the development and implementation phase ➤ A significant contract amendment has been approved by the federal government ➤ Countywide implementation scheduled to begin October 1999 ➤ Implementation to be completed July 2000
<p>Welfare Client Data System (WCDS)</p> <p>18 counties: Alameda, Contra Costa, Fresno, Orange, Placer, Sacramento, San Diego, San Francisco, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Solano, Sonoma, Tulare, Ventura, Yolo</p>	<ul style="list-style-type: none"> ➤ Planning activities began in April 1996 ➤ Procurement document was released December 1997 ➤ Contract negotiations have concluded ➤ Development expected to begin in 1999-00, following federal and state approvals and a contract award

	<ul style="list-style-type: none"> ➤ Development would continue through 1999-00
Consortium IV (C-IV) 4 counties: Merced, Riverside, San Bernardino, Stanislaus	<ul style="list-style-type: none"> ➤ Planning activities began December 1997 ➤ Procurement document was released in December 1998 ➤ Draft proposals were due March 1999 ➤ Contract expected to be awarded in September 1999

In addition to funding for the four consortia projects, the budget includes funding for the following activities related to SAWS:

SAWS Technical Architecture. As indicated above, the HWDC is responsible for technical architecture which would (1) enable the exchange of data among the four consortia for eligibility, anti-fraud, and case management purposes, (2) provide an interface for the consortia with other state automation systems, and (3) connect the consortia and state agencies to meet state and federal reporting requirements. The enactment of state and federal welfare reform legislation and delays in the consortia implementation schedules significantly impacted the original scope of the project. Consequently, the original SAWS technical architecture project was terminated February 28, 1999.

Consortia Planning and Management. This includes the various state oversight and county planning activities. The January budget proposes no changes in the level of spending for these activities.

CalWORKs Reprogramming. As a result of federal and state welfare reform, significant modifications will be needed to the electronic data processing systems for determining welfare eligibility, benefits and case tracking.

COMMENTS:

The subcommittee held this issue open due to anticipated increases in costs which are now reflected in the May Revision proposal.

ISSUE 3: STATEWIDE FINGERPRINT IMAGING SYSTEM

The January budget proposes an increase of \$9.5 million for the HWDC for the Statewide Fingerprint Imaging System (SFIS) in 1999-00.

On May 12, 1999, the subcommittee held this issue open.

BACKGROUND:

Current law requires that applicants for and recipients of CalWORKs and food stamp benefits be fingerprint imaged as a condition of eligibility. The following individuals must provide fingerprint images and a photo image:

- Each parent and/or caretaker relative of a child applying for or receiving aid when living in the home of the child
- Each parent and/or caretaker relative receiving or applying for aid on the basis of an unaided excluded child
- Each adult applicant or recipient
- A pregnant woman applying for or receiving aid in an assistance unit consisting of the woman only.

The SFIS is designed to provide an automated method of capturing the fingerprint and photo images. The SFIS project would create a database of stored fingerprint and photo images whereby the print images of new applicants would be matched against the database of stored recipient fingerprint images. If there is a positive match, an investigation would occur and aid would be denied or terminated if the investigation revealed fraud.

The May revision includes savings of \$12.3 million in the CalWORKs program in the budget for the Department of Social Services (DSS) to reflect the estimated CalWORKs grant savings associated with denying aid due to fraud. The DSS estimates savings of \$362 million (for a four-year contract period) from SFIS implementation.

In December 1997, a Notice of Intent to Award the contract was issued. However, an award protest was filed, followed by litigation surrounding the Minority and Women Business Enterprise provision. As a result of the *Monterey Mechanical v. Wilson* appellate court decision, the department canceled the procurement and re-bid the SFIS procurement.

The department issued another notice of Intent to Award in January 1999. However, there was *another* award protest which occurred at that time. The protest is currently under review by the Board of Control. The department had indicated that it anticipated completing the development and testing of the system by September 1999. At that point, the SFIS would be implemented in three phases in approximately 300 county sites:

- Phase 1: Approximately 8 counties by October 1999
- Phase 2: Approximately 22 counties by January 2000
- Phase 3: 58 counties by March 2000

COMMENTS:

There are no May revision proposals related to the SFIS project.

ISSUE 4: ELECTRONICS BENEFITS TRANSFER

The January budget proposes an increase of \$1.6 million for the HWDC and the establishment of nine three-year limited term positions for the Electronic Benefits Transfer (EBT) system.

The May revision includes the following:

- An increase of \$1,144,000 and 1.2 positions for planning activities because of schedule changes in the planning and procurement phase of the project.
- A decrease of \$566,000 and 5.2 positions due to changes in the project schedule caused by a change of the planning phase that reduces implementation phase funding needs.

BACKGROUND:

The EBT is designed to automate benefit authorization, delivery, redemption, and settlement processes through computers, plastic cards, and telecommunications technology which results in the elimination of paper benefits (coupons and checks). The EBT would provide benefits through automated teller machines (ATMs) and retailer point-of-sale terminals. Federal law requires states to implement an EBT system for the Food Stamp program by October 2002. The DSS is currently analyzing and planning an EBT design for the CalWORKs program, which under current law would be implemented only at each county's option. Currently, there are Food Stamp EBT projects already operating in San Bernardino County and San Diego County.

State legislation which implemented the CalWORKs program required the state to certify one or more vendors as eligible to contract with the counties to develop and implement the EBT system. The state pays 100 percent of the nonfederal share of costs for EBT system planning, procurement, development, implementation, and conversion. In addition to federal, state and local government agencies, other project stakeholders include the retailer and farmers' market community, client advocate groups and the banking industry.

In response to concerns expressed by the counties, the department is changing its strategy so that the would state contract with a single vendor to implement the EBT system statewide. Last year, one of the budget trailer bills provided authority for this change.

The state and county departments are preparing for implementation activities and decisions, such as the order of county implementation, which counties will opt to implement EBT for cash issuance, and the approach for cash settlement and reconciliation processes for the cash program.

COMMENTS:

The January budget proposal was based on the following projected schedule:

July 1999	Award vendor contract
July 1999-March 2000	Conduct system design, development and testing
March 2000-June 2000	Pilot implementation and evaluation
July 2000	Begin regional and statewide implementation
October 2002	Complete statewide implementation

ISSUE 5: CHILD WELFARE SERVICES/CASE MANAGEMENT SYSTEM

The January budget proposes an increase of \$1.2 million for the HWDC for the Child Welfare Services/Case Management System.

On May 12, 1999, the subcommittee held this issue open.

BACKGROUND:

The CWS/CMS is mandated under current law to provide a comprehensive database, case management tool, and reporting system for the CWS program. The CWS/CMS provides:

- Immediate statewide data on referrals for children at risk of abuse, neglect or exploitation
- Immediate case status and case tracking for children and families receiving child welfare services
- All necessary information and forms required to determine eligibility for the federal foster care program
- Tracking for all placement activities for children in foster care
- Issuance of the appropriate notice of action messages, court reports and services plans
- All required state and federal reports
- Adoptions information to produce the semi-annual adoption and foster care analysis reports

The one-time costs for the project were approximately \$120 million. During the development and implementation phase of the project, costs were shared by the federal and state governments. For a while, the federal government paid an "enhanced" share, or 75 percent of development and implementation costs. The federal share was later reduced to 50 percent of the costs. The federal share for ongoing maintenance and operations costs is 50 percent.

At this point, CWS/CMS activities include stabilization, business integration, and maintenance and operation. The CWS/CMS was implemented statewide in 1998. There are currently about 15,000 users and 175,000 transactions daily. The annual maintenance and operation costs are estimated to be approximately \$60-70 million. The current vendor is IBM and the contract runs through March 2000. The department has finalized a request for proposal for a new contract, which is currently under federal review.

COMMENTS:

There are no May revision proposals related to the CWS/CMS project.

ISSUE 6: CALIFORNIA CHILD SUPPORT AUTOMATION

The January budget proposes a decrease of \$8.7 million and 6.8 positions for the HWDC for the California Child Support Automation (CCSA) system. The reduction is primarily due to completion of transitioning counties from the Statewide Automated Child Support System (SACSS) to other systems and elimination of the SACSS maintenance and operations costs.

The May revision includes an increase of \$4,240,000 for planning activities associated with procurement of a single statewide automated child support system, transitions and enhancements to existing county-based systems including Year 2000 compliance modifications, welfare-reform related distribution enhancements for child support cases, and contract project staff.

The May revision also includes a proposal to include the following budget bill language:

“Notwithstanding any other provision of law, the Health and Welfare Agency Data Center is authorized to receive and expend reimbursements for the new KIDZ service offering subject to approval of the Feasibility Study Report in support of the project by the Department of Information Technology, and concurrence to pay for the new service offering at the data center by both the federal Administration of Children and Families and the affected KIDZ consortium counties.”

BACKGROUND:

The CCSA is the successor to the SACSS. The SACSS, a federal and state-mandated computer system, was intended to provide a statewide automated child support enforcement tracking and monitoring capability through the offices of county district attorneys. Following several years of difficulty and the expenditure of more than \$100 million, the state terminated its contract with the SACSS vendor and canceled the project in late 1997. As a consequence of failing to implement a statewide system as required by federal law, the state will pay federal fund penalties. The January budget assumed that the state penalty in the current year would be \$37.1 million and \$52.8 million in the budget year. The January budget proposed to pass through the full penalty on to the counties.

One of last year's budget trailer bills specified the approach for development of the CCSA.

Stabilization of Counties. This includes transitioning 17 counties that were operating SACSS to another system. There are three counties that have not yet transitioned, although they are expected to transition by May 1999. Stabilization also includes getting county systems Year 2000 compliant and compliant with certain federal distribution requirements. Some counties are being transitioned to “safe havens” if their system cannot be modified in time or are obsolete.

The federal funding for certain county transition activities has been extended through June 30, 1999.

Interim System Development. Current law allows the HWDC to choose up to four systems under a consortia structure, and specifies that Los Angeles County's system would be one of the four. In addition, the four systems must be compliant with the Year 2000 changes. Systems not found in compliance would be excluded. In November 1998, HWDC announced its selection of the four systems from which the counties could choose. They are:

- ARS (Los Angeles County's system)
- CASES (San Francisco County's system)
- KIDZ (Kern County system)
- STAR/KIDS (Riverside County's system)

Currently, 25 counties, which represent approximately half of the state's caseload and user population, are using one of the four consortia systems. In January 1999, the state submitted an Implementation Advance Planning Document and Feasibility Study Report to the federal government which reflected the state's consortia approach.

According to the department, the goals of the interim system were to (1) meet federal "statewideness" requirements, (2) meet federal requirements to implement a State Case Registry and a State Disbursement Unit, (3) move expeditiously to limit federal sanctions, (4) minimize risk, and (5) improve child support collections statewide.

The State Case Registry (SCR) is an automated central case registry (or linked local registries) for child support cases and orders. For all cases, the registry must use standardized data elements for both parents and other information required by the federal government. The state must send certain case information to the Federal Case Registry and conduct regular data matches with other agencies.

The State Disbursement Unit (SDU) is an automated system for the collection and disbursement of child support payments. This system may be centralized or link local systems. Employers must be given a single location to which wage assignments will be sent. All collections made by the SDU must be disbursed within two days of receipt.

Both the SCR and SDU were federally required to be implemented by October 1, 1998. The department indicates that it had released a Request for Proposal (RFP) to select a contractor to develop these two systems.

Long-Term System Feasibility Study. Current law also requires the administration to develop a long-term strategy for child support automation. The Department of Social Services (DSS) is required to establish a steering committee comprised of the DSS, HWDC, the Department of Information Technology, the California District Attorneys Association, the County Welfare Directors Association, child support advocates, Members of the Legislature, and the U.S. Department of Health and Human Services.

The committee must develop standards, goals, priorities, objectives, and an evaluation model to guide the department on a study and report regarding the best long-term solution for statewide automation, including whether another entity should be responsible for managing the CCSA project.

COMMENTS:

- On April 6, 1999, the state received a letter from the federal government which essentially disapproved the state's proposal to develop four systems rather than a single statewide system. The administration has now developed an implementation strategy to develop a single statewide system. The new implementation strategy for the single statewide system consists of the following:

- 1) Re-validation of current project processes and infrastructure,
- 2) Continued support of county transitions for counties with Year 2000 and federal welfare reform compliance problems
- 3) Continuation of the prototyping effort and development of a Feasibility Study Report for child support cases where the district attorney is not involved
- 4) Cancellation of the current request for proposal for a consortia-based system
- 5) Cancellation of the long-term Feasibility Study report and Consortia Governance Study contracts
- 6) Replace of current legislation governing the development of the consortia-based system
- 7) Initiation of early county conversion activities and data cleanup
- 8) External agencies must provide necessary assistance and decisions to ensure that project assumptions for procurements are met.

The CCSA 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 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

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.

- 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.

