AGENDA
SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER PATTY BERG, CHAIR

MONDAY, APRIL 16, 2007
STATE CAPITOL, ROOM 127
4:00 P.M.

ITEMS TO BE HEARD

CONSENT CALENDAR

0530 HEALTH AND HUMAN SERVICES AGENCY

ISSUE 1: CALIFORNIA COMMUNITY CHOICES

BUDGET REQUEST

The Health and Human Services Agency (Agency) is requesting one Staff Services Manager II (SSMII) position to act as Project Director of California Community CHOICES, California's Real Choice Systems Transformation grant of 2006. The position is mandated as a condition of the federal grant in order to provide oversight, management, leadership, coordination, and to serve as a liaison for the Centers for Medicare and Medicaid Services (CMS) Real Choice Grant across all state departments.

Funding for this position will be appropriated from the aforementioned CMS grant. The Agency is also requesting that the position be administratively established in fiscal year 2006-07 and also requests $300,000 in federal fund authority in fiscal year 2006-07 and $900,000 in fiscal year 2007-08.

BACKGROUND

The Agency, which has been designated as the lead entity for the Real Choice Systems Transformation Grant, will work in collaboration with the grant's contractor for policy development and Strategic Planning (California Institute on Human Services at Sonoma State University), as well as with other state departments, and local project sites to implement grant activities. The position will be funded by federal funds by the Centers for Medicare and Medicaid Services.

The purpose of the position is to oversee the grant's implementation over a five year period and coordinate statewide activities related to the grant, all of which support implementation of the Olmstead decision in California. The position will be required to manage complex and sensitive statewide activities, requiring a high level of expertise in long-term care issues. Therefore, the position should be of a sufficiently high level classification, in order to execute the responsibilities in an independent manner. The grant requires that a full-time position (at least 75 percent) be dedicated to grant oversight. The Agency does not have staff specifically assigned to oversee grant activities and cannot assume a leadership role without a Project Director dedicated to program oversight and implementation.

ISSUE 2: CHILD WELFARE LEADERSHIP AND PERFORMANCE ACCOUNTABILITY ACT OF 2006

BACKGROUND

The proposed Governor's budget includes $156,000 ($131,000 General Fund) and two positions to support the work of the California Child Welfare Council established by AB 2216 (Bass, Chapter 384, Statutes of 2006).

AB 2216 established the California Child Welfare Council (Council) within the California Health and Human Services Agency (HHSA). The Council serves as an advisory body that will be responsible for improving the collaboration and processes of the multiple agencies and courts that serve children and youth in the child welfare and foster care systems.

The budget request includes funding for one analyst, who would provide support for the strategic direction of the Council and be responsible for administrative and day-to-day operations. The HHSA will redirect one assistant secretary position to set workload priorities, provide leadership to address the needs of children in the child welfare system, and supervise/coordinate the duties of the analyst. The request also includes $60,000 to support regional meetings of the Council, professional facilitation, and travel funding for foster youth to participate in meetings as required by AB 2216.

5160 DEPARTMENT OF REHABILITATION

ISSUE 1: CALIFORNIA HIV/AUTO-IMMUNE DISORDER DEMONSTRATION PROJECT

BACKGROUND

The budget proposes $3.3 million in federal fund authority for the Department of Rehabilitation (DOR) to continue implementation of the California HIV/Auto-Immune Disorder (HIV/AIDS) Demonstration Project. No new positions are requested. The funding is from a federal Social Services Administration (SSA) grant.

Beginning October 1, 2006, DOR was awarded a five-year grant of $12.0 million to study various interventions to assist Supplemental Security Income (SSI) Program beneficiaries with HIV/AIDS in returning to work. The three objectives of the project are to: 1) develop creative and proactive employment supports; 2) increase the self-sufficiency of HIV/AIDS SSI beneficiaries by decreasing their reliance on public benefits; and 3) support a research and evaluation study of the project by Mathematica Policy Research that is being separately funded by the SSA.

The DOR is using a request for proposal (RFP) competitive process to select a contractor for data management and site coordination. The DOR is also using a separate RFP competitive process to select community support services contractors who will work with project participants. The SSA grant requires a non-federal match of five percent to the total funding, or $598,500 over five years, which will be provided entirely by the contracting agencies selected through the RFP process. The project is expected to serve an additional 800 DOR consumers with HIV/AIDS.

VOTE-ONLY

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

ISSUE 1: LOGBOOK DATABASE SYSTEM REDESIGN PROJECT

BACKGROUND

The Governor's budget proposes $2.429 million from the Hospital Building Fund to provide third-year funding for the redesign of the Logbook Database System. The Logbook Database System is used by OSHPD to track health facility construction projects through the plan review and construction phases. The system also supports the tracking of facility compliance with seismic retrofit projects and facilitates emergency operations in the event of a natural disaster. The system redesign is intended to integrate the current system of add-on modules and poorly integrated database tables to streamline the review of healthcare facility construction plans.

The new system is scheduled for implementation in 2009-10. The total proposed project costs to develop the new system are $11.5 million, including $8.0 million in one-time development costs and $3.5 million in ongoing costs over the six-year project period that began in 2005-06. All costs for the redesign project are funded from the Hospital Building Fund, a special revenue fund supported by fees charged to healthcare facilities for plan review and construction observation.

ISSUE 2: SENATE BILL 1661 WORKLOAD

BACKGROUND

The Governor's budget proposes $1.425 million from the Hospital Building Fund ($1.234 million one-time) and three positions to implement SB 1661 (Cox, Chapter 679, Statutes of 2006).

SB 1661 will allow general acute care hospitals to receive an additional two-year extension to January 1, 2015, to meet hospital building seismic safety requirements, if the building project meets specified criteria. In addition, SB 1661 requires all hospitals that have Structural Performance Category (SPC)-1 buildings (those considered hazardous and at-risk of collapse in a major earthquake) to complete a survey reporting specified data on the status of each SPC-1 building and that OSHPD post the hospital survey reports on their website within 90 days of receipt. For buildings that did not request an SB 1661 extension (301 buildings), the survey data is due April 15, 2007. For buildings that did request the extension (809 buildings), the survey data is due by June 30, 2009 and June 30, 2011.

Of the total funding, $1.234 million in one-time funding is proposed for a contract with graduate university students or private engineering firms to visit the 809 hospital buildings that have requested an extension to assist them in filling out the survey report. The requested positions would develop the survey report, assist hospitals in filling out the survey reports, validate the reported hospital data, and post the data on the OSHPD website.

ISSUE 3: HOSPITAL FAIR PRICING POLICIES

BACKGROUND

The Governor's budget provides $688,000 form the California Health Planning and Data Fund ($459,000 one-time) and two positions to develop an on-line system to implement AB 774 (Chan, Chapter 775, Statutes of 2006).

AB 774 requires each general acute care hospital, as a condition of licensure, to maintain policies for full and partial charity care, and to implement a broad range of policies and procedures related to the determination of charity care eligibility. AB 774 also requires OSHPD to collect from each hospital a copy of its charity care policy, discount payment policy, eligibility procedures, review process and application form for financial assistance, and to provide this information to the public. Hospital reporting of this data will begin January 1, 2008.

Of the total funding, $459,000 is one-time to develop a web-based system for document submission and tracking. The requested positions would notify hospitals of the reporting requirements, review required policies for appropriate content and compliance, maintain the web-site, provide technical support to reporting facilities and data users, and develop reports for publication.

ISSUE 4: CONSOLIDATION OF FACILITIES DEVELOPMENT DIVISION (SPRING LETTER)

BACKGROUND

This spring letter from OSHPD requests funding for the continued consolidation of the Facilities Development Division, which is on-going, from the current three locations to one location. The proposal is designed to improve internal communication, review quality, and reduce the turnaround time of plan reviews and field reviews.

These one-time costs (an appropriation of $1,427,000) would be financed from the Hospital Building Fund, a special revenue fund supported by feeds charged to health facilities for plan review and construction observation.

ITEMS TO BE HEARD

5160 DEPARTMENT OF REHABILITATION

ISSUE 1: OFFICE BUILDING (OB) 10 RELOCATION SUPPORT

BACKGROUND

The budget proposes an increase of $4.0 million ($2.0 million General Fund) for the Department of Rehabilitation (DOR) to furnish, occupy, and operate from OB 10 (721 Capitol Mall) in the summer of 2007. Of the total, $851,000 is one-time.

In fiscal year 2001-02, DOR began discussions with the Department of General Services (DGS) regarding options for DOR to move from their current location at 2000 Evergreen Street back to the downtown area. In May 2003, DOR received formal notification from DGS (with confirmation from the Department of Finance) that DOR would become the occupant of OB 10. The DOR agreed to become the tenant contingent on an augmentation to their budget to cover any increased facilities and moving costs. Without a budget augmentation, DOR will not be able to fund the relocation to and increased rent for OB 10 without redirecting federal Vocational Rehabilitation (VR) funds from services to consumers.

The majority of the requested funds ($3.1 million) would be used to cover increased rent costs. The rental cost is currently an estimate of those costs. The final rent amount will not be known until total bond debt service is calculated and other maintenance costs charged by DGS are known. The DOR indicates that these estimates will be finalized at the May Revision. The remainder of the funds requested are one-time and would be used to complete the move, including furnishing and equipping the new building, moving costs, costs to dispose of private office and modular furniture that can no longer be used, telecommunications costs, and technical support for new IT equipment and network infrastructure.

PANELISTS

- Department of Rehabilitation
- Legislative Analyst's Office
- Department of Finance

ISSUE 2: ELECTRONIC RECORDS SYSTEM

BACKGROUND

The budget requests $466,000 of increased federal fund authority to begin the initial development and procurement process for a new Electronic Records System to replace the existing Field Computer System. The Department of Rehabilitation (DOR) has submitted a feasibility study report to the Department of Finance for this project.

The Department of Rehabilitation (DOR) implemented the Field Computer System in 1990 to partially automate DOR case service functions previously recorded on paper. However, a number of the business functions remain a paper-only process due to limitations of the Field Computer System's design. The technical architecture of the applications supporting the system is based on obsolete technology making the system extremely difficult to maintain. In addition, the Field Computer System cannot track and report performance data now required by the federal government. Inability to provide this information could lead to the loss of federal funds in future fiscal years.

The Electronic Records System would be a commercial off-the-shelf (COTS) product to replace the Field Computer System. The new system would allow DOR to comply with federal reporting requirements as well as fully automate consumer and vendor financial data and payments. The project is scheduled to be completed in 2010-11 at a total cost of $15.8 million.

LAO CONCERNS

Although the Legislative Analyst's Office (LAO) concurs with the need for new technology, they have concerns about the project timeline and the funding source. The cost of the Electronic Records System is dependent on the proposed project schedule. Based on the LAO's review, they believe that the schedule provided in the approved FSR underestimates the time required for certain activities necessary to prepare users for the implementation of a new system. The LAO notes that the proposed system will require extensive user involvement and training and will require a data conversion effort in order to continue uninterrupted case services and vendor payments. An underestimation of the project schedule will lead to increased costs when the project schedule is revised through the procurement process.

The LAO is also concerned that the federal carryover funds proposed to fund the development and implementation of the Electronic Records System may not be available in future fiscal years. Carryover funds vary from year to year. To the extent that federal funds are not available, it is likely that General Fund support will be required in subsequent years in order to complete the system. The General Fund exposure could be as much as $4.4 million in 2008-09 and $4.6 million in 2009-10.

PANELISTS

- Department of Rehabilitation
- Legislative Analyst's Office
- Department of Finance

ISSUE 3: DEPARTMENT OF REHABILITATION REQUIREMENTS IN THE STATUTORY SUBVENTION PROCESS

BACKGROUND

This proposal would result in the enactment of trailer bill language to revise the documents that the Department of Rehabilitation (DOR) provides as part of the statutory subvention process. With the transfer of the Habilitation Services Program to the Department of Developmental Services (DDS) on July 1, 2004, it is no longer appropriate for DOR to use the subvention process as it is currently prescribed in statute for other departments in building their annual budget.

The Vocational Rehabilitation (VR) grant is administered by the federal government and is provided to DOR to provide vocational rehabilitation services to individuals with disabilities. The federal government does not dictate how the grant must be divided between direct services and administration, and the total amount of the VR grant provided to California is not based on the number of consumers served.

The DOR began providing subvention tables to the Department of Finance (DOF) in 2003 for the purposes of budgeting for the Habilitation Services Program. Subvention tables were needed because the Habilitation Services Program is an entitlement program funded with General Fund "local assistance" (subvention) category. The nature of local assistance subvention funding dictates that the funding is given to local providers who in turn perform services directly to consumers. Conversely, VR grant funds are provided by DOR as direct services to consumers; thus the VR funding is not subvented to local providers. However, DOF required that DOR provide subvention tables for both the federal VR funds and the Habilitation Services Program General Funds.

The Habilitation Services Program was transferred to the DDS commencing July 2004. Therefore, it is not appropriate to include DOR in the existing statutory subvention process. Use of the subvention process for budgeting federal VR funds prevents funds from being allocated in the most programmatically efficient way. Although DOR should still be required to submit caseload and fiscal documents by the existing statutory deadlines in building their budget, the documents should allow DOR to more efficiently use their funds.

STAFF COMMENT

This issue was considered in the April 12th hearing of the Senate Budget Subcommittee No. 3. The Subcommittee directed staff to work with DOR, DOF, and the LAO to develop trailer bill language to improve the information provided to the Administration and the Legislature by the DOR as part of the budget process. The issue is to be brought back to Senate Sub. 3 in time for the May Revision hearing.

This Subcommittee may simply want to direct staff to monitor the progress on the issue and report back if conforming action can be taken at May Revision.

PANELISTS

- Department of Rehabilitation
- Legislative Analyst's Office
- Department of Finance

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

ISSUE 1: HOSPITAL SEISMIC SAFETY STANDARDS AND PENDING COST CONTAINMENT PROPOSAL

OSHPD will provide the Subcommittee an update on the status of efforts to improve their review of construction plans for hospital seismic safety.

REVIEW OF PLANS FOR HOSPITAL SEISMIC SAFETY

In budget subcommittee hearings last year, concerns were raised about the timeliness of OSHPD's review process for hospital construction plans and the impact that delays in plan review have on increasing hospital construction costs. To address these concerns, the Administration requested at the May Revision and the Legislature approved 16.0 new positions and $1.3 million from the Hospital Building Fund to improve the efficiency of the hospital facility safety review functions performed by OSHPD.

In addition, trailer bill language was enacted (AB 1808, Chapter 75, Statutes of 2006) that established a program, contingent on funding provided in the annual Budget Act, for training fire and life safety officers and requires OSHPD to prepare a comprehensive report on the training program setting forth the program's goals, objectives, and structure. This report is to be submitted to the Joint Legislative Budget Committee by April 1, 2007. The 2006-07 Budget Act included $1.2 million for the training program. The Department will report to the Subcommittee on its development of the training program and its report in April or May.

Senate Bill 1838 (Perata, Chapter 693, Statutes of 2006) added to the trailer bill language to authorize the establishment of other training programs as necessary to ensure that a sufficient number of qualified personnel are available to review hospital construction plans. It also requires OSHPD to assess the processing time for its review of hospital construction plans and provide an annual update to the appropriate policy and fiscal committees of the Legislature no later than February 1 each year. OSHPD has not yet submitted that report and indicates that it is under review within the Administration.

HAZARDS U.S. (HAZUS) SEISMIC SAFETY ASSESSMENT

OSHPD will provide the Subcommittee a description of the Hazards U.S. (HAZUS) seismic safety assessment, how it is being used in California, and an update on the status of OSHPD's work with HAZUS. In 2001, hospitals underwent a safety evaluation in, which they rated their buildings according to how they would perform in a strong earthquake. Structural ratings ranged from Structural Performance Category (SPC)-1 (significant risk of collapse) to SPC-5 (reasonably capable of providing services to the public following strong ground motion). As a result of this evaluation:

- **Buildings Rated SPC-1.** 973 (37 percent) of California's hospital buildings did not meet the Seismic Safety Act standards, and are at risk for collapse in a major earthquake. These buildings must be retrofitted, replaced, or removed from acute care services by January 1, 2008 (or 2013 under certain circumstances).

- **Buildings Rated SPC-2.** 175 buildings (7 percent) do not significantly jeopardize life, but may not be reparable or functional following a strong earthquake. These buildings must be brought into compliance with the Seismic Safety Act by 2030 or be removed from acute care service.

- **Buildings Rated SPC-3, -4, or -5.** Over 1,400 buildings (56 percent) are considered capable of providing services following a strong quake and may be used without restriction to 2030 and beyond.

At the May Revision last year, the Administration requested, and the Legislature approved $100,000, for an independent contractor to peer review an analysis of the seismic safety risk of hospital buildings using HAZUS, a federal seismic safety assessment tool. HAZUS is a standardized, publicly available, and nationally applicable tool to conduct disaster loss estimations. It will be able to provide a more sophisticated analysis of the structural safety of California's hospitals in the event of a major earthquake. OSHPD is now using the HAZUS program to re-examine the seismic risk of acute health care facilities that are currently rated SPC-1, (those most at-risk of collapse or significant loss of life), and reprioritize these buildings based on a reassessment of their level of risk. The independent consultant is peer reviewing the results of this HAZUS reassessment.

As a result of the HAZUS analysis, OSHPD will be considering the reclassification of some SPC-1 buildings to other structural performance categories. Their current proposal would reclassify an SPC-1 building to an SPC-2 building if it is found by the HAZUS assessment to have a 10 percent or less chance of complete damage. If a SPC-1 building is found to have 10 percent to 15 percent chance for complete damage, the building will be placed in a new SPC-1E category. OSHPD is also considering an extension of 2008/2013 deadline for SPC-1E buildings to 2020.

PANELISTS

- Office of Statewide Health Planning and Development
- Legislative Analyst's Office
- Department of Finance

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: FUNDING FOR COST INCREASES IN COUNTY SOCIAL SERVICES

BACKGROUND

Counties are legislatively mandated to administer numerous human services programs on behalf of the state including Foster Care, Child Welfare Services, CalWORKs, Adoptions, In-Home Supportive Services, and Adult Protective Services. Prior to 2001, funding for the administration of these programs was based on a process to determine actual county costs. Since 2001, that process has been suspended and funding for these services remains frozen at 2001 cost levels creating a growing funding gap currently estimated at nearly $800 million annually.

Human services program funding includes services to eligible children and families that are primarily delivered by people. Counties are required to establish salaries and benefits under collective bargaining laws, and ensure an appropriate work environment with the basic tools that enable staff to meet federal and state program requirements. Certain costs increase over time for any organization or business public or private, Examples includes rent, utilities, health insurance, and transportation. These are the costs that have gone unrecognized and unfunded since 2001. Counties have had to choose between reducing services or cutting other programs to make up the difference in unfunded costs.

Insufficient county funding puts the state at risk for millions of dollars in federal penalties based on program accountability and performance standards in Child Welfare, CalWORKs, Foster Care, Adoptions, Food Stamps, and In-Home Supportive Services programs.

SURVEY OF COUNTY NEED

The 2006-07 budget trailer bill required the state to survey counties to estimate the actual costs for counties to administer human services programs. The survey process is underway and the 2007-08 May Revision budget documents are required to show the difference between the estimates developed from the survey and the proposed funding levels. Counties have argued that freezing program funding shifts costs to counties, increasing the county share of program costs above statutory sharing ratios and contrary to the constitutional provisions of Proposition 1A.

COUNTY PERSPECTIVE

The California State Association of Counties (CSAC), the Urban Counties Caucus (UCC), and the County Welfare Directors Association (CWDA) urge the adoption of placeholder trailer bill language that would restore the process of budgeting human services programs based on reasonable current costs, with an appropriate phase-in period.

Counties argue that resources have been strained in such a way as to affect service-delivery in significant and detrimental ways. For example, the 2006-07 budget for Child Welfare Services assumes that counties can fund 10,285 full-time workers to serve abused and neglected children. However, since counties have not been funded for increases in costs for several years, the budget truly funds only 8,514 full-time workers – a 17 percent reduction. This loss of 1,771 staff requires counties to either reduce services or figure out a way to fund additional staff from our own limited resources.

PANELISTS

- County Welfare Directors Association
- California State Association of Counties
- Department of Social Services
- Legislative Analyst's Office
- Urban Counties Caucus
- Department of Finance

0530 HEALTH AND HUMAN SERVICES AGENCY – OFFICE OF SYSTEM INTEGRATION (OSI)

ISSUE 1: STATEWIDE AUTOMATED WELFARE SYSTEM (SAWS)

The budget includes $222.2 million ($80.8 million General Fund) in 2006-07 and $230 million ($83.5 million General Fund) in 2007-08 for the Statewide Automated Welfare System (SAWS), which is comprised of five automation systems and a project management office.

The Statewide Automated Welfare System (SAWS) automates the eligibility, benefit, case management, and reporting processes for a variety of health and human services programs operated by the counties: CalWORKs, Food Stamps, Foster Care, Medi-Cal, Refugee Assistance, and County Medical Services Program. SAWS includes four primary systems managed by local consortia, a statewide time-on-aid tracking system, and a statewide project management and oversight office.

Statewide Automated Welfare System
(dollars in millions)

		2006-07		2007-08	
Program	**Region**	**Total Funds**	**General Fund**	**Total Funds**	**General Fund**
LEADER	Los Angeles County (39%of caseload)	$8.9	$2.0	$12.6	$2.9
LEADER Replacement	Replacement of LEADER	$1.6	$0.6	$2.0	$0.8
ISAWS	35 counties (13% of caseload)	$37.0	$14.4	$36.7	$14.3
ISAWS Migration	Migration of 35 ISAWS counties to C-IV	$2.8	$1.3	$2.3	$1.0
C-IV	4 counties (12% of caseload)	$48.6	$17.4	$48.7	$17.5
CalWIN	18 counties (36% of caseload)	$112.8	$42.3	$117.5	$44.3
WDTIP	Statewide time on aid tracking	$4.0	$0.0	$3.9	$0.0
Statewide Project Mgmt	Statewide project management and oversight	$6.5	$2.8	$6.3	$2.7
Total		**$222.2**	**$80.8**	**$230.0**	**$83.5**

Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER): The Governor's budget requests $12.6 million for the LEADER system, used by Los Angeles County. The Governor's budget proposes $2 million for planning activities to replace LEADER with a new system. This proposed replacement is discussed as a separate item in this agenda.

Interim Statewide Automated Welfare System (ISAWS): The Governor's budget requests $36.7 million ($14.3 million General Fund) for ongoing maintenance and operations of the ISAWS system. The budget also includes $2.3 million ($1 million General Fund) in 2007-08 for planning costs to migrate the 35 ISAWS counties to C-IV. The ISAWS system was completed in the early 1990's. Due to technology and functionality problems, including manual workarounds and a proprietary mainframe architecture, the ISAWS counties have evaluated options to migrate to another SAWS system. They have chosen to migrate to C-IV. Planning activities for ISAWS migration will began in July 2006, and will continue through April 2008. One-time transition costs to migrate the ISAWS counties to C-IV are roughly estimated at $136 million. Funding for transition costs will be requested as part of the May Revision. Once the transition to C-IV is complete, ongoing maintenance and operations costs for the 35 ISAWS counties are expected to decline by $10.8 million. Counties included are listed below:

Alpine	Imperial	Mendocino	Shasta
Amador	Inyo	Modoc	Sierra
Butte	Kern	Mono	Siskiyou
Calaveras	Kings	Monterey	Sutter
Colusa	Lake	Napa	Tehama
Del Norte	Lassen	Nevada	Trinity
El Dorado	Madera	Plumas	Tuolumne
Glenn	Marin	San Benito	Yuba
Humboldt	Mariposa	San Joaquin	

Consortium IV (C-IV): The Governor's budget includes $48.7 million ($17.5 million General Fund) for ongoing maintenance and operations of the C-IV system in 2007-08. C-IV began system development in 2001, and completed implementation in 2004. The budget reflects savings of $128,000 for 2006-07 for services supporting the C-IV Joint Powers Authority. The budget request for 2007-08 is $60,000, essentially flat from the current year. The C-IV counties are Merced, Riverside, San Bernardino, and Stanislaus.

CalWORKs Information Network (CalWIN): The Governor's budget requests $117.5 million ($44.3 million General Fund) to continue implementation and operations of the CalWIN system. Implementation of this system began in Sacramento County in March 2005 and was completed in July 2006. Current year funding for CalWIN reflects savings of $4.6 million due largely to one-time reduced print charge costs. Funding for 2007-08 includes one-time implementation costs of $33.0 million, and ongoing maintenance costs of $84.5 million. These counties are:

Alameda	San Mateo
Contra Costa	Santa Barbara
Fresno	Santa Clara
Orange	Santa Cruz
Placer	Solano
Sacramento	Sonoma
San Diego	Tulare
San Francisco	Ventura
San Luis Obispo	Yolo

PANELISTS

- Office of Systems Integration
- Department of Social Services
- Legislative Analyst's Office
- Department of Finance

ISSUE 2: LEADER REPLACEMENT

BACKGROUND

The Governor's budget includes $12.6 million ($2.9 million General Fund) for the LEADER system, used by Los Angeles County. This amount is for maintenance and operations (M&O) of the existing system. LEADER system implementation was completed on April 30, 2001. The initial contract term for LEADER M&O expired on April 30, 2005. A contract amendment for a 24-month extension was executed and expires April 30, 2007. Los Angeles County negotiated another contract amendment to extend that contract for five years, through April 2012, with three optional one-year extensions.

The Governor proposes that $2.0 million of additional funds be used for planning activities for replacing LEADER. The planning phase for a replacement system began in 2005-06 and had an original completion date of 2006-07. The planning phase has now been extended to 2007-08 to account for more realistic workload and review time estimates. In addition, the procurement scope has been expanded. Initially, the procurement approach would have resulted in the release of an RFP requiring vendors to propose the transfer of a California-based SAWS system that would meet the county's requirements to take advantage of the significant investment already made to develop systems appropriate for California's social services programs. Once planning activities began, DSS, OSI, and Los Angeles County concluded that a procurement strategy based on the County's business and technical requirements could result in other viable proposals. At the conclusion of the planning phase, Los Angeles County will have completed and released a request for proposals, evaluated the proposals received, selected a vendor, and negotiated a contract with the selected vendor.

REPLACEMENT PROPOSAL

Los Angeles County states that while LEADER in its current form is meeting the County's current business needs and performance and availability standards, it is clear that the technological and functional limitations of LEADER's current architecture will significantly impede LEADER's ability to meet the County's future needs. Specifically, LEADER has maintained an average of 13 seconds for Eligibility Determination and Benefit Calculation (ED/BC) and system availability of 98 percent, with few exceptions. The current LEADER application has approximately 800 screens and contains over 1,500 programs, with over 8 million lines of code, which supports over 11,000 active users at 112 local office sites, across nine County departments. LEADER currently services approximately 1 million active cases and processes an average of 5.5 million transactions on a daily basis.

Listed below are some of the architectural limitations preventing LEADER from meeting the County's future needs, and thus motivating the County to pursue a LEADER Replacement System:

- LEADER system architecture is between 10-12 years old in its current state, and will likely be another 5-6 years older by the time a LEADER Replacement System is implemented

- Currently, many application modifications require updating all 11,000+ desktop computers spread throughout the County, which is a very time consuming and tedious process, prone to error and quite costly to manage

- The current application interface was developed using PowerBuilder 5, which is no longer supported by the manufacturer. Upgrading from version 5 is not a viable option, due to the architecture constraints, as well as coding modifications and customization that has been made to LEADER over the years

- The core programming for LEADER is performed in COBOL, which does not provide the County with the flexibility and adaptability now needed in Social Services. The millions of lines of COBOL in LEADER have become extremely complex to support, making the system increasing difficult to modify to meet new regulatory requirements

- The database supporting LEADER is a proprietary Unisys product with limited support and configuration options for the County

- The mere antiquated nature of PowerBuilder 5, lack of vendor support and the growing complexity with supporting COBOL and supporting the Unisys proprietary database are major concerns and risks to LEADER's current and future stability

ISSUES WITH USE OF C-IV

Los Angeles County evaluated CalWIN and C-IV to assess the functionality in each system and discovered that neither system met the automated eligibility requirements of Los Angeles County. As a result, Los Angeles County states that the business requirements associated with automating eligibility processes in Los Angeles County are not satisfied by either CalWIN or C-IV. Additionally, the technical architecture of CalWIN is considered a “client-server” implementation and not web-based, meaning that it will not meet the technical requirements of Los Angeles County for the LEADER Replacement System without significant modifications. The County states that as a result, requiring the County to take C-IV or CalWIN will come at the cost of customization required to meet the business, functional and technical needs of its programs.

LAO CONCERNS

The LAO 2007-08 Budget Analysis does not express concerns with funding for SAWS except for the LEADER replacement. Specifically, the LAO questions why Los Angeles County cannot join one of the other existing SAWS systems (potentially with some modifications) rather than replace LEADER with an entirely new system. Given the substantial costs in developing a new system, (probably over $200 million total funds); this strategy would build upon a SAWS system that has already proven to be successful in supporting the delivery of social services programs. The LAO recommends that the Department of Social Services (DSS) and the Office of System Integration (OSI) report at the budget hearings why Los Angeles County cannot join one of the other existing systems and on the costs and benefits associated with development of a new system, and that funding for LEADER planning activities be withheld until a cost-benefit analysis is provided to the Legislature.

In response to these concerns, DSS, OSI and Los Angeles County have provided additional documentation intended to justify the need for a new system. LEADER was designed to support a number of business functions in Los Angeles, such as: automated support for the county’s General Relief program; automated eligibility determinations for the CalWORKs Homeless Assistance program; automated transaction logs for all users and creation of a history every time an update is made; mandatory supervisory reviews and checks for the presence of verification information before passing an eligibility determination; multi-layered security profiles; and online policy help. The other SAWS systems do not have these features and would need to be modified to accommodate the county’s particular business needs.

Furthermore, DSS, OSI and Los Angeles County argue that the risk to operations, eligibility determinations, county staff training, data conversion, quality control and the project timeline will be lowest by considering the full range of possible systems. By promoting competition, this strategy will also minimize costs. The state and county point out that the existing SAWS vendors are eligible to compete for the LEADER replacement contract and that modification of one of the existing systems could be the most efficient solution. However, the most efficient solution cannot be identified without a fully open, competitive process.

PANELISTS

- Office of Systems Integration
- Department of Social Services
- Department of Finance
- Legislative Analyst's Office
- Los Angeles County
- Service Employees International Union, State Council

ISSUE 3: COUNTY EQUIPMENT REPLACEMENT AND USER SUPPORT

BACKGROUND

The Governor's budget does not include funding for hardware replacements for the CWS/CMS, CalWIN, C-IV, and LEADER statewide automation systems and currently only includes placeholder funding for help desk staff to support CalWIN. The total estimated costs to fund the hardware replacement and help desk staff is $27.8 million ($11.3 million General Fund).

Beginning in 2006-07, the Administration established a new policy eliminating local equipment replacement funding from the statewide system budgets and funded county CalWIN help staff well below recommended levels. The Legislature took action to restore funding of $16.8 million ($7.4 million General Fund) for CWS/CMS and CalWIN equipment replacement and for CalWIN help desk staff; however, the Governor vetoed this funding from the final budget. The Administration's proposed 2007-08 budget again excludes funding for equipment replacement and includes only placeholder funding levels for the CalWIN help desk staff.

County welfare department staff use computers to access case information, check family history with the child welfare system, and assess eligibility for public benefits. Failure of these computers and the ability to access help desk staff could result in inaccurate decisions or inappropriate terminations from aid or inappropriate decisions about whether to remove children from their homes in potentially life-threatening situations. The Gartner Group, a nationally recognized independent information technology expert, recommends replacing computer workstations every three to five years. A number of workstations were installed in 2001-02 and will be six years old in 2006-07.

The $27.8 million ($11.3 million General Fund) is comprised of the following components:

- CWS/CMS: $5.4 million ($2.6 million General Fund)
- LEADER: $7.1 million ($2.8 million General Fund)
- CalWIN: $10.5 million ($4.0 million General Fund)
- C-IV: $4.8 million ($1.9 million General Fund)

PANELISTS

- County Welfare Directors Association
- Office of Systems Integration
- Department of Social Services
- Legislative Analyst's Office
- Department of Finance

ISSUE 4: CASE MANAGEMENT, INFORMATION, AND PAYROLLING SYSTEM

BACKGROUND

The Governor's budget proposes $25.0 million (11.6 million General Fund) for a new automation system to replace the existing Case Management, Information and Payrolling System (CMIPS). Development of the new system, known as CMIPS II, is necessary to meet state and federal program requirements for IHSS.

The existing CMIPS provides client case management and provider payrolling functions for the In-Home Supportive Services (IHSS) program. CMIPS is a 20 year-old system. Maintenance and operating costs for CMIPS are $11.9 million ($4.1 million General Fund) annually.

Justification for CMIPS II: Development of CMIPS II is necessary to meet state and federal program requirements for IHSS, such as business payroll and tax requirements for prompt and accurate reporting to the IRS, EDD, and SCO. Manual workarounds on the existing CMIPS are currently being performed to meet some state and federal requirements, as CMIPS cannot be enhanced without risk of system failure. In addition, the OSI indicates CMIPS II will be able to connect to the Department of Health Services Medi-Cal automation system, known as CA-MMIS. This connection will allow better Medi-Cal benefits coordination and oversight. Furthermore, the OSI indicates that CMIPS II will improve the efficiency of state and county IHSS business processes.

Finally, the federal government has indicated concerns with continuing the sole-source maintenance contract for CMIPS, and will withdraw federal matching funds if the state does not conduct a competitive procurement for CMIPS II.

Costs and Funding for CMIPS II: The budget includes $25.6 million ($12.8 million General Fund) for contract planning, procurement, and implementation activities for CMIPS II in 2006-07. Based on OSI cost models, the total estimated cost for the development of CMIPS II is $98 million over three years, and for maintenance and operations is $129 million over seven years. Actual costs are not yet available, as the final contract has not been awarded.

Status of CMIPS II: Contract development and procurement for CMIPS II began in fiscal year 1999-00. Between 1999-00 and 2006-07, a total of $15 million will be spent on procurement planning. Procurement has been delayed due to funding reductions in 2003, major program changes in 2004, and the efforts of OSI and DSS to ensure that competition to build the new system is maximized.

The request for proposals (RFP) was finally released and final proposals from bidders were received on August 28, 2006. The incumbent contractor is the sole bidder. An independent cost assessment of the vendor's final proposal was to be completed by March 2, 2007, with notification of intent to award to have taken place by March 14, 2007. The contract award is to be made on July 1, 2007.

PANELISTS

- Office of Systems Integration
- Department of Social Services
- Legislative Analyst's Office
- Department of Finance

ISSUE 5: CHILD WELFARE SERVICES / CASE MANAGEMENT SYSTEM

BACKGROUND

The proposed Governor's budget requests funding for two Child Welfare Services/Case Management System (CWS/CMS) issues: 1) $1.549 million ($774,000 General Fund) in the current year and $5.0 million ($2.4 million General Fund) in the budget year for on-going maintenance and operations of the existing CWS/CMS; and 2) $343,000 ($171,000 General Fund) in the budget year for updated planning costs for the new CWS/CMS project.

The Child Welfare Services/Case Management System (CWS/CMS) application provides case management capability for local child welfare services (CWS) agencies, including the ability to generate referrals, county documents, and statistical and case management reports. The system was implemented statewide in 1997 and is now in the maintenance and operations (M&O) phase.

CWS/CMS's current technical architecture is comprised of technologies and concepts that were common for large, mission-critical systems in the mid-1990s. However, the current system has significant limitations today:

- It depends on technologies that are expensive to maintain and update.
- It does not lend itself to enhancement using emerging technologies.
- It does not meet the federal Administration for Children and Families (ACF) functionality requirements for Statewide Automated Child Welfare Information Systems (SACWIS) including: Adoptions Case Management; Automated Title IV-E Eligibility Determination; Interfaces to Title IV-A (CalWORKs), Title IV-D (Child Support), IV-E (Foster Care), and Title XIX (Medi-Cal) systems; Financial Management for Out-of-Home Care and Adoptions Assistance Payments.
- It was developed, built, and is maintained by IBM. While it is not a proprietary system, the Office of System Integration (OSI) and Department of Social Services (DSS) are not able to generate sufficient competition when they go out to bid for reprocurement of M&O due to its size and complexity. This lack of competition is also of concern to the ACF.
- Caseworkers complain that they spend too much time on data entry and maintenance, which is taking time away from their case work.

In light of the current system's limitations, the ACF discontinued federal funding for the project for two years. To restore funding, OSI and DSS conducted an analysis of the system's architecture. That analysis concluded that it would be more cost effective to build a new system than to modify the existing CWS/CMS. OSI received approval of a feasibility study report (FSR) from the Department of Finance in April 2006 and from the ACF in July 2006. In the current year, OSI and DSS are in the planning phase of the new project.

Although replacement of the existing CWS/CMS is needed due to its significant limitations, the new project is in a stage where the Legislature will need to exercise thorough oversight. Once approval for a project is given beyond the planning phase, the state loses control of the project costs, short of canceling the project altogether. It is critical that OSI and DSS get the business requirements defined accurately for a new CWS/CMS, to ensure that actual project costs do not exceed the expected project costs that comprise the vendor's bid for the project. Should the Legislature approve this budget request for additional planning phase funding, they will have another opportunity to decide whether to go forward with additional investments in the project upon completion of the planning phase.

PANELISTS

- Office of Systems Integration
- Department of Social Services
- Legislative Analyst's Office
- Department of Finance

ISSUE 6: ELECTRONIC BENEFIT TRANSFER (EBT) SYSTEM

BACKGROUND

Currently, all of California's 58 counties issue food stamp benefits through the EBT system as required by federal statute. California statute provides counties the option to issue public assistance cash benefits via the EBT system, with CDSS approval. Currently, 54 counties are issuing cash via EBT, which is generally CalWORKs, but may also include General Assistance (GA), Refugee Cash Assistance, and California Cash Assistance Program for Immigrants. The counties of Fresno, Mono, Sierra, and Placer chose not to issue cash benefits via EBT, citing a variety business reasons for not participating.

OTHER FEATURES OF THE EBT PROGRAM

Farmers Market. EBT compatibility at Farmers' Markets has been a significant issue in other states. Traditionally, Farmers Markets have not been able to participate in EBT due to a lack of two key components (i.e., telecommunications and power) to permit EBT transactions. California resolved this problem by funding the use of wireless Point-of-Sale devices at farmers markets. Participating markets are able to accept EBT cards and issue scrip (tokens) to clients at a central location within the market. Clients use the tokens to purchase FNS-allowable food products from the individual farmers. Currently, there are 42 participating markets, some with several locations, accepting the EBT card. Total redemption at Farmers' Markets has reached an all time high of $40,551 in the month of March 2007, which represents a 36 percent increase.

Restaurant Meals Program. Currently, federal food stamp program rules do not allow clients to purchase hot foods prepared for immediate consumption. However, under a federally- approved state option, states may establish a Restaurant Meals Program to allow eligible homeless, elderly, and disabled clients to use food stamp benefits to purchase prepared meals. In California, counties may opt into this program, and it was piloted in San Francisco County in March 2003. Currently, there are four counties participating in this program and two counties awaiting FNS certification. Most locations are either Carl's Jrs or Subway sandwich shops. In the month of January 2007, a total of $130,917 in EBT benefits was redeemed at participating restaurants.

Adding New Benefits to EBT. California statute provides counties with the option to issue other cash public assistance benefits via EBT with CDSS approval. Counties have requested that Welfare to Work Services benefits and other local public assistance programs be added to the EBT system. Currently these benefits (Transportation, Ancillary, CalLearn, GA Workfare supportive services, etc.) are provided through warrants or vouchers. Issuing these benefits via EBT would give participants quicker access to benefits and avoid costly check cashing fees.

AB 2384 (Leno): Healthy Purchase Program. Requires the Department of Health Services, in consultation with the Department of Food and Agriculture, to develop and implement the Healthy Food Purchase Pilot Program in up to seven counties. In addition, DHS would work with CDSS to issue financial incentives via the EBT system to food stamp recipients whenever they purchase fresh fruits and vegetables with their EBT card. The purpose of the incentive is to increase consumption of fresh fruits and vegetables as part of a low fat, high fiber diet in order to improve health outcomes and prevent major chronic diseases.

CURRENT ISSUES

The EBT System provides cash and food benefits to CalWORKs and Food Stamp clients via debit card technology and retailer point-of-sale terminals. Implementation of this system began in August 2002 and was completed in May 2005. The original contract with the vendor was to expire in August 2008, with the possibility of two one-year extensions. The state recently exercised the optional years due to a negotiated price reduction for the EBT System in California. The price reduction will result in overall savings of $6.6 million in 2006-07 and an additional $4.7 million in 2007-08.

PANELISTS

- Office of Systems Integration
- Department of Social Services
- Legislative Analyst's Office
- Department of Finance