

**AGENDA
SUBCOMMITTEE No. 1
ON HEALTH AND HUMAN SERVICES**

ASSEMBLYMEMBER PATTY BERG, CHAIR

**WEDNESDAY, MARCH 12, 2008
STATE CAPITOL, ROOM 444
1:30 P.M.**

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CONSENT CALENDAR

0530 HEALTH AND HUMAN SERVICES AGENCY

ISSUE 1: BUDGET BALANCING REDUCTION (BBR) PROPOSALS

The administration proposed the following two Budget Balancing Reductions affecting the budget year and the Subcommittee considered these issues in its January hearings.

- Reduction of \$534,000 GF in State Operations for the Agency. The reduction is comprised of decreases in the Office of HIPAA Implementation and the Office of the Secretary.
- Reduction of \$325,000 for the Office of HIPAA Implementation. This is an OE&E reduction and the Agency states that the departments will have fewer resources to assist departments with the assessment activities associated with the new HIPAA changes, but that there should be minimal effect on actual activities.

STAFF COMMENT

Both BBRs are consistent with the actions for current year reductions taken in the Special Session on the Budget regarding state operations and should be adopted.

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

ISSUE 1: BBR – REDUCTION IN ADMINISTRATIVE SERVICES SUPPORT COSTS

The BBR proposes to reduce funding for administration at OSHPD by \$7,000 GF, leaving \$63,000 GF portion for this purpose.

The OSHPD's Director and Legal Offices, Administrative Services Division, and Information Technology Systems Section (Administration) provide support services to all programs within the Department. Administration expenditures are distributed to all funds across OSHPD based on personnel years. The GF share of the total \$11.5 million budgeted for Administration in 2008-09 equals \$70,000. The administration's reduction will be distributed to various operating expense line items.

STAFF COMMENT

The administration states that it can absorb this reduction without a major impact on services to OSHPD. This BBRs is consistent with the actions for current year reductions taken in the Special Session on the Budget regarding state operations and should be adopted.

ISSUE 2: BBR – STATE NURSING ASSUMPTION PROGRAM OF LOANS FOR EDUCATION (SNAPLE)

The Health Professions Education Foundation receives GF in the amount of \$95,000 to perform statewide marketing and outreach activities for the SNAPLE Program administered by the California Student Aid Commission.

The \$9,000 funding reduction will limit or restrict the number of marketing and outreach activities scheduled, as well as the production of marketing materials to promote the SNAPLE program.

STAFF COMMENT

The BBR is consistent with the actions for current year reductions taken in the Special Session on the Budget regarding state operations and should be adopted.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 1: BCP – CALIFORNIA CHILD SUPPORT AUTOMATION SYSTEM (CCSAS)

This annual BCP will provide the department with the resources to implement various changes to the CCSAS between State fiscal year (SFY) 07-08 and SFY 08-09. The BCP requests a reduction of \$43 million (\$20.9 million GF) to the department's budget to align it with approved CCSAS planning documents. The BCP also redirects \$398,000 (\$136,000 GF) of the proposed Local Assistance reduction to State Operations to provide for functions that will be transferring to the State.

STAFF COMMENT

There are no issues with the BCP at this time.

ISSUE 2: BCPs – TRANSFERS FROM LOCAL ASSISTANCE TO STATE OPERATIONS

- **CCSAS Reference Data Analysis.** This BCP requests two limited-term positions (two-year each) and the transfer of \$194,000 (\$66,000 GF) from Local Assistance to State Operations to maintain the CCSAS reference data and review it for duplicate, conflicting, or missing data elements. This data is included on forms and letters and used to communicate with clients to execute the day to day business of collecting and disbursing child support monies.
- **Child Support Performance Reports.** Similarly, this BCP requests two permanent positions and the redirection of \$196,000 (\$67,000 GF) from local assistance to state operations to analyze changes to the Office of Child Support Enforcement (OCSE) reports and the state Child Support reports.

STAFF COMMENT

DCSS notes the local child support agencies (LCSAs) are no longer the primary points of contact for reference data analysis, therefore a redirection of local assistance resources to state operations is proposed.

VOTE-ONLY ITEMS

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

ISSUE 1: BCP – INCREASE MENTAL HEALTH PRACTITIONER EDUCATION FUND EXPENDITURE AUTHORITY

The BCP requests an increase in the Mental Health Practitioner Education Fund expenditure authority by \$260,000 (special funds) for the Licensed Mental Health Service Provider Education Program for 17 additional on-going loan repayment grants beginning July 1, 2008. The BCP states that approval of this request will increase the number of mental health practitioners practicing in qualified mental settings and/or mental health professional shortage areas (MHPSAs) in California, and reduce the growing fund balance by administering more awards for mental health practitioners.

STAFF COMMENT

The fund balance is currently \$1.6 million and was \$883,000 at the end of the 06-07 budget year. In 08-09, after the withdrawal requested here, the balance is projected at \$865,000.

**ISSUE 2: BCP – INCREASE MENTAL HEALTH PROFESSIONAL SHORTAGE AREAS
IN CALIFORNIA**

The BCP requests an increase in the reimbursement expenditure authority by \$117,000 and establishment of one analyst position to strategically maximize the number of California counties or Medical Service Study Areas designated as Mental Health Professional Shortage Areas. OSHPD/Shortage Designation Program (SDP) is the only entity in California that administers the program that processes MHPSA applications. The SDP has the tools necessary to complete pro-active MHPSA applications in a timely fashion and the benefits of designation are numerous, including federal funding and award opportunities.

STAFF COMMENT

The State has the centralized expertise and experience to assist underserved areas in obtaining this valuable federal designation.

4170 DEPARTMENT OF AGING

ISSUE 1: BBR – STATE OPERATIONS

The BBR proposes reducing state administration by 2.5 positions, resulting in \$57,000 GF savings. Reductions include the Community Relations Officer, which also manages the Senior Farmers Market Program, the Legislation Analyst, and .5 Office Technician in Business Services.

STAFF COMMENT

The BBR is consistent with the actions for current year reductions taken in the Special Session on the Budget regarding state operations and should be adopted.

ITEMS TO BE HEARD

0530 HEALTH AND HUMAN SERVICES AGENCY

ISSUE 1: BCP ON E-HEALTH PRIVACY AND SECURITY STANDARDS

The administration is requesting to redirect \$327,000 from external contract funds to establish three limited-term positions (two years) to implement the new Privacy and Security Standards Advisory Board (PSAB). The PSAB will be overseeing a statewide collaborative process to develop privacy security standards for electronic health information exchange in California. This standards development effort is part of the health information technology initiative and was a component of the Governor's Health Care Reform proposal.

STAFF COMMENT

The three positions will lead, manage, and coordinate activities necessary for the development and expansion of electronic health information activities in the state. The Subcommittee may have questions about the availability of these external contract dollars and if they are General-Fund supported currently, given the General Fund pressures and reductions elsewhere in the Governor's Budget.

PANELISTS

- Health and Human Services Agency
- Legislative Analyst Office
- Department of Finance

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT**ISSUE 1: BBR – SONG-BROWN LOCAL ASSISTANCE REDUCTION****BACKGROUND**

The Song-Brown Program provides funds to Family Practice Residency Programs, Family Nurse Practitioner (FNP) and Physician Assistant (PA) Training Programs and Registered Nurse (RN) Education Programs to increase the training and education of primary care providers that will increase access to health care in rural and urban inner city areas of unmet priority in the state. This proposed local assistance reduction of \$497,000 will reduce the annual number of grants provided to education institutions offering Song-Brown funded disciplines. State operations reductions will decrease the dollars available for program staff providing support and general administration of the program.

PANELISTS

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

STAFF COMMENT

The reduction will impact the number of family practice physicians, FNPs, PAs, and RNs graduating each year and reduce the number of providers for healthcare to the State's indigent and uninsured population. The administration states that the reduction will result in 24 fewer nurses, 2.5 resident slots, and 44 FNP/PA slots.

ISSUE 2: BCP – TRAINING PHYSICIAN ASSISTANTS FOR PUBLIC MENTAL HEALTH

The BCP requests increasing reimbursement expenditure authority by \$500,000 to work in collaboration with the Department of Mental Health (DMH) and utilize \$500,000 in Mental Health Services Act funds to train Physician Assistants to provide health care services in California's public mental health settings and/or in areas of unmet priority need.

The administration states that this BCP will address and begin resolution of the California Mental Health Planning Council's concern regarding the shortage of human resources at all levels as one of the most urgent issues facing the mental health system. The Song-Brown Program is currently funding PA training programs and has the capacity to use one of their existing funding categories to distribute MSA funds.

PANELISTS

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

**ISSUE 3: BCP – HEALTH CARE WORKFORCE CLEARINGHOUSE PROGRAM
(SB 139)**

The BCP proposes to increase expenditure authority by \$439,000 in 08-09 and four positions and \$618,000 and six positions in 09-10 for administration of SB 139, the Health Care Workforce Clearinghouse Program to develop and implement the Clearinghouse. OSHPD has identified the California Health Data and Planning Fund (CHDPF), a non-General Fund funding source, to fund the costs of developing, implementing, and sustaining the Clearinghouse.

To meet the requirements of SB 139, this proposal provides the staffing, contract resources, and identification of infrastructure needed to collect, analyze, and distribute data and information to monitor, analyze, and assess California's health care workforce supply and demand.

PANELISTS

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

ISSUE 4: BCP – SEISMIC SAFETY DEADLINE EXTENSION (SENATE BILL 306)

The BCP provides one-time funding of \$614,000 and one limited-term analyst position to provide health impact assessments for hospitals requesting a seismic safety deadline extension per SB 306. SB 306 permits hospital owners a delay in compliance with the January 1, 2008, seismic safety deadline extension of 2013 if the owner lacks the financial capacity to retrofit or replace their SPC-1 buildings by 2013. The legislation additionally requires OSHPD to report to the Legislature on how it will implement the field review and approval process without undue delay.

The hospital owner will pay an additional fee to OSHPD to cover the cost of maintaining all reporting requirements including the review and verification of financial data.

PANELISTS

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

**ISSUE 5: BCP – OSHPD-FDD PRE-APPROVAL PROGRAM AND CONTRACTS
MANAGEMENT FUNCTION****BACKGROUND**

The BCP provides special funds for the permanent establishment of one Senior Structural Engineer positions and one District Structural Engineer position for the Pre-Approval Program and Contract Management functions. In an effort to reduce plan review turnaround time for healthcare facility construction projects, OSHPD-FDD redirected two positions from its Program Support Unit to assist with critical plan review workload in the Architectural/Engineering Plan Review Section's South Region. Meeting this immediate need drew resources away from the state that are now necessary to address the volume of plan review work statewide.

PANELISTS

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

4170 DEPARTMENT OF AGING

ISSUE 1: BBRs – SENIOR NUTRITION PROGRAMS

The Subcommittee considered these BBRs briefly in its January hearings. In summary, the proposals in this area include:

- **Home-Delivered Meals – Reduction of \$316,000 GF.** Program provides nutritious meals, nutrition education, and nutrition risk screening to individuals 60 years of age or older who are homebound by reason of illness or disability or who are otherwise isolated. Most home-delivered meal programs provide their clients with a hot meal five days a week delivered by staff or volunteer drivers. For seniors most in need, six or seven meals a week are provided.

The administration states that the reduction will be allocated statewide across the 33 AAAs based on existing funding formulas and will likely result in 240 older adults not receiving meals. Currently, more than 59,000 older adults receiving home delivered meals.

- **Congregate Nutrition – Reduction of \$253,000 GF.** Program provides nutritionally balanced meals, nutrition education, and nutrition risk screening to Californians 60 years and older. The program targets low-income, minority elderly Californians and provides socialization, disease prevention, and health promotion activities. The program encourages the use of volunteers and gives all participants the opportunity to contribute to the cost of the meal. The program is largely funded buy federal dollars.

The administration states that the reduction will likely result in 380 older persons no receiving meals. The program serves more than eight million meals to more than 145,000 individuals aged 60 and older.

- **Senior Farmers Market Elimination/Public Outreach– Reduction of \$130,000 GF.** The Senior Farmers Market Program is a discretionary program funded through an annual grant from the U.S Department of Agriculture. This annual grant of approximately \$661,000 provides \$20 coupon booklets to 30,000 low income seniors that can only be spent at certified farmers markets. CDA states that it has submitted the required Senior Farmers Market State Plan for 2008. The federal grant award will be made in March 2008.

Approximately 30,000 seniors would not receive \$20 worth of produce annually from farmers markets. The state would no longer apply for and receive \$660,000 in federal USDA funds. Translation of more CDA materials into other languages and reprinting brochures and tip sheets will only be done in years when expenditures result in available funds for these activities. Updates in English will continue to

occur on the website. The CDA will also need to reduce its attendance at community outreach events that state departments routinely attend.

- **Brown Bag Program – Reduction of \$60,000 GF.** The Brown Bag Program is a State-funded program that provides surplus and donated edible fruits, vegetables and other food products to low income individuals 60 years of age and older. The food is distributed to help supplement the nutritional needs of these older individuals. There is no fee charged to participants, although voluntary contributions can be made. Approximately 29,000 seniors are served annually in this program.

The reduction of \$60,104 will be spread equally across all 600 Brown Bag sites, resulting in a loss of approximately \$100 per site. Approximately 25 providers in California, including food banks and other community agencies, provide service at over 600 BB sites. Currently, each provider receives an average of \$23,000 per year in General Funds to operate the program. The \$60,104 reduction would be spread equally across all sites, resulting in a loss of \$100 per site.

PANELISTS

- Department of Aging
- Legislative Analyst Office
- Department of Finance

STAFF COMMENT

Advocates have argued that In recent years, senior nutrition programs receive approximately \$71 million in state and federal pass through funds, which equates to approximately \$3.86 per meal served in the state. Participant donations, corporate gifts and monies raised through local fund raising are used to leverage these funds. However, funding through the state budget is the cornerstone of their operations. Nutrition programs and senior advocates have urged the state to supplement public spending in the past, stating that there are few other nutritional resources for seniors.

ISSUE 2: BBRs – LINKAGES AND MSSP

- **Linkages – Reduction of \$544,000 GF.** The Linkages Program provides care management services to elderly and younger adults aged 18 and older with functional impairments who are at risk of institutionalization. Many of these programs operate at the local level in conjunction with Multipurpose Senior Services Programs (MSSP) and other Older Americans Act case management programs, providing referrals and cross-support. Linkages clients do not need to be eligible for Medi-Cal, but many of them are or are very close to spending down and may easily become eligible. The Linkages Program is provided through 36 sites throughout the state. In FY 2005-06, the program served an estimated 5,229 individuals.

The proposed \$544,000 reduction would be allocated equally across all sites. This proposal would result in a \$15,111 reduction to each of 36 sites and would reduce the number of individuals served statewide by 335.

- **Multipurpose Senior Services Program (MSSP) – Reduction of \$2.5 million GF.** The MSSP is a Medi-Cal home and community-based service (HCBS) waiver administered through an agreement between the Department of Health Care Services (DHCS) and the CDA and operated by 41 MSSP sites statewide. The MSSP's primary objective is to maintain elderly (65+) Medi-Cal individuals, who meet the nursing home level of care, in community settings, thus preventing or delaying inappropriate nursing facility placement. MSSP General Fund expenditures are matched by federal reimbursement. The current Federal Medical Assistance Percentage rate is 50 percent.

The Local Assistance (L/A) budget, although shown residing with CDA in the Governor's Budget, is not administered by the CDA. The funds are automatically transferred to DHCS immediately after the budget is enacted (Budget Act of 2007, Section 4170-101-001, Provision 3). Therefore, although this L/A reduction is a part of the reduction to CDA's budget, the actual control and disbursement of the L/A funds rests with DHCS. Also, if this proposal is enacted, the CDA's budget would reflect a \$2.526 million reduction, although the total reduction would be \$5.052 million (\$2.526 million experienced by DHCS).

The cut will be distributed equally among the 41 MSSP sites. This equates to an overall reduction of 1,179 client slots (\$5.052 million/\$4,285 per client slot). Each slot supports 1.17 individuals. Therefore, 1,380 clients will be reduced from the program statewide. Each of the 41 sites will see a reduction in the number of client slots available. These reductions range from 94 to 2 slots. The MSSP waiver requires a 40:1 staffing ratio (40 clients per care manager). Each site would have to follow its own HR policies and procedures if staff reductions are required. The GF reduction will have a corresponding reduction in the ability to claim Federal Funds.

PANELISTS

- Department of Aging
- Legislative Analyst Office
- Department of Finance

STAFF COMMENT

As components of the Home and Community Based Services, referrals are frequently received from In-Home Supportive Services (IHSS) and Adult Protective Services (APS) to provide ongoing care management services for disabled adults and seniors in these programs. The acuity of the cases served in these programs has increased and will continue to if the reductions are adopted.

ISSUE 3: BBRs – ALZHEIMER’S DAY CARE RESOURCE CENTER, RESPITE, AND SENIOR COMPANION

- **Alzheimer’s Day Care Resource Center – Reduction of \$416,000 GF.** The Alzheimer’s Day Care Resource Center (ADCRC) program provides day care for persons with Alzheimer’s disease and other related dementias who are often unable to be served by other programs due to their advanced dementia. The ADCRC program is designed to provide facilities with the enhanced infrastructure needed to meet the needs of persons with moderate to severe levels of dementia.

The \$416,000 reduction will be allocated proportionately across the 33 Area Agencies on Aging (AAA) based upon their existing share of the total program funding. There are a total of 60 ADCRCs throughout the state, with each AAA funding at least one center. The total funding per AAA and per center varies greatly. Each center is required to have at least \$80,000 of support from all funding sources (not just General Fund) for each center funded. The range of ADCRC funds each AAA receives is \$40,000 to \$527,000.

Funding from the State allows adult day programs to provide specialized staffing, training, education, and support systems to provide care to persons suffering from moderate to severe levels of dementia. Local ADCRCs would have to determine whether to reduce staff (and reduce clients) and/or programs or services such as outreach, transportation, etc. as a result of the reduction.

- **Respite Purchase of Service – Reduction of \$35,000 GF.** The Respite Purchase of Service (RPOS) program provides limited funding for the purchase of temporary services for frail elderly or adults with functional impairments. These respite services temporarily relieve family caregivers of their caregiving duties. There are 29 Area Agencies on Aging (AAAs) that administer this program. In Fiscal Year 2005-06, approximately 377 families received services through the RPOS Program.

\$35,265 will be reduced from 29 Respite programs. This means that each program will be reduced by \$1,216. Approximately \$450 is allocated to each client for services. Therefore, this reduction will result in 78 fewer clients being served.

- **Senior Companion Program – Reduction of \$35,000 GF.** The Senior Companion Program (SCP) is a dual purpose program. It provides services to seniors with physical, emotional or mental health limitations, the majority of which are considered at-risk for placement in a nursing home, and it provides low-income senior volunteers a tax exempt stipend of \$2.65 per hour to provide peer support to frail older persons in their local communities.

A volunteer must be 60 years of age or older, serve at least five frail senior clients, work between 15 to 40 hours per week, and have an income that does not exceed 125% of the poverty level. The proposed \$35,000 reduction would be allocated to the 16 funded SCPs statewide. A volunteer position (the Senior Companion) is

funded annually at a rate of \$4,676 per volunteer. This reduction would result in a reduction of 8 volunteer positions statewide ($\$35,000/\$4,676=7.49$ positions). In order to spread the reduction equally among the 16 programs, each SCP's allocation would be reduced by \$2,188 ($\$35,000/16=\$2,188$) or the approximate equivalent of one-half of a volunteer position.

PANELISTS

- Department of Aging
- Legislative Analyst Office
- Department of Finance

ISSUE 4: BBRs – AAA ADMINISTRATION AND LONG-TERM CARE OMBUDSMAN**BACKGROUND**

- **AAA Administration – Reduction of \$99,000 GF.** General Fund for Administration is provided to Area Agencies on Aging (AAAs) to administer Community-Based Services Programs (CBSP) at the local level. Administration activities include planning, contract administration, financial management, training, and policy development.

The Department contracts with 33 Area Agencies on Aging to provide the administrative support for these programs. The proposed reduction of \$99,000 will be allocated statewide across those AAAs that use a portion of CBSP funds for administration. The proposed reduction will not decrease the workload associated with the administration of the CBSPs. However, each AAA will be allowed to implement the funding reduction based on their local administrative requirements. The overall impact of this reduction on the AAAs will range from about \$1,000 to \$10,000, depending on the size of the program.

- **Long-Term Care Ombudsman – Reduction of \$250,000 GF.** Long-Term Care (LTC) Ombudsman representatives act as advocates for frail, elderly, and disabled residents who live in more than 9,000 LTC facilities throughout California. There are 35 local programs located within 33 Area Agencies on Aging which represent the Office of the State Long-Term Care Ombudsman. The local LTC Ombudsman programs employ 163 paid staff that supervise 937 part-time LTC Ombudsman volunteers. Staff and volunteers received, investigated, and attempted to resolve more than 46,000 complaints made by or on behalf of residents in Fiscal Year (FY) 2005-06. The program also receives and investigates reports of suspected elder and dependent adult abuse and neglect in LTC facilities throughout California.

Reductions would be made to all local LTC Ombudsman programs and would be allocated in FY 2008-09 using the LTC Ombudsman Funding Formula that is in Welfare and Institutions Code Section 9719.5. This formula allocates funding to all 35 local programs based on the percentage of LTC beds, facilities, and square miles in proportion to the total of these factors statewide. To achieve the necessary reductions totaling \$250,000, reductions would have to occur in staffing and operating expenses. Local program reductions would range from \$980 to \$33,000 depending upon the size of the program. Most programs would eliminate part-time staff positions and reduce operating expenses, such as reimbursement to LTC Ombudsman volunteers for mileage and travel expenses.

PANELISTS

- Department of Aging
- Legislative Analyst Office
- Department of Finance

**ISSUE 5: BBRs – SENIOR COMMUNITY EMPLOYMENT AND SENIOR LEGAL
HOTLINE****BACKGROUND**

Senior Community Employment – Reduction of \$35,000 GF. The BBR for the Senior Community Employment Program proposes a reduction of \$1.5 million. The program serves unemployed persons (125 percent of poverty) aged 55 and older. The program is mandated by the federal government through the Older Americans Act and is funded through the Department of Labor (DOL). Law and regulations require the State to pay the prevailing State minimum wage to individuals who participate in the program even though resources allocated by DOL are based on the federal minimum wage.

A reduction of \$1.5 million can be achieved because of the recent increase in the federal minimum wage, which resulted in a higher federal allocation to the State and a concomitant reduction in the State's required share of the minimum wage.

Senior Legal Hotline – Reduction of \$25,000 GF. The Senior Legal Hotline (SLH) provides brief telephone services to older Californians age 60 and older who seek legal help with issues including wills, landlord/tenant disputes, social security and health benefits, and scams. SLH, a program provided by Legal Services of Northern California, relies on Older Americans Act funds (Title III), private foundation grants, and donations to support its activities. This is the first year the SLH has received state funding. Previously, SLH had received approximately \$100,000 annually in federal discretionary grant funds from the Administration on Aging, but that federal grant is now only available to state agencies. The CDA partnered with the SLH in August 2007 to apply for the three-year grant but was unsuccessful in its effort.

The proposed \$25,000 reduction represents a 10% reduction in the allocation to the SLH. The CDA has no state operations supporting this program. This reduction will have some impact on the SLH's ability to expand services statewide but should not impact its ability to continue services at the current level.

This is the first fiscal year that this program has received a General Fund appropriation so there is no data available on the known impacts of a reduction. The CDA's current year contract with SLH requires SLH to provide a minimum of 3,000 hours in legal casework, which amounts to approximately 2,500 new cases.

PANELISTS

- Department of Aging
- Legislative Analyst Office
- Department of Finance

STAFF COMMENT

Regarding the Senior Community Employment Program, because of this new federal minimum wage, DOL provided additional federal funds to meet the mandate, making State General Fund available without any program impact.

ISSUE 6: BBRs – ADULT DAY HEALTH CARE, STATE OPERATIONS**BACKGROUND**

Adult Day Health Care Program – Reduction of \$19,000 GF. The Adult Day Health Care (ADHC) Program is a licensed community-based day health program. It provides services to frail older persons and adults with disabilities to delay or prevent their institutionalization. It seeks to maintain these individuals in their homes and communities for as long as possible. ADHC center services include: skilled nursing, physical, occupational, and speech therapies; psychiatric services; social services; nutrition services; therapeutic activities; and transportation, as needed. Over 92 percent of ADHC program participants are Medi-Cal beneficiaries. ADHC program participants have a wide range of diagnosis, including approximately 13 percent who have Alzheimer's disease or other dementias. The California Department of Aging's (CDA) ADHC Branch performs mandated activities associated with the certification of ADHC centers for participation in the Medi-Cal Program.

The CDA performs approximately 200 certification renewal and follow-up surveys annually to meet State statutory requirements for performing biannual certification renewal surveys of California's 324 licensed and certified ADHC centers. The Local Assistance funding for ADHC does not reside in the CDA's budget.

The proposed \$38,000 ADHC program reduction will be accomplished by eliminating 0.5 Aging Program Analyst position. There are currently 27 budgeted positions in the ADHC program. The reduction will require other ADHC staff to perform increased workload associated with mandatory Medi-Cal certification activities, including certification surveys, certification application processing, and certification renewal. The impact on work is as follows: fewer non-required surveys on ADHC centers since all staff time will be needed to complete the mandatory surveys; less non-essential technical assistance and follow-up on corrective actions to ADHC centers or other preventive-type work; and, delayed processing of certification applications and performing necessary on-site monitoring and follow-up.

PANELISTS

- Department of Aging
- Legislative Analyst Office
- Department of Finance

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 1: UPDATE ON CHILD SUPPORT COLLECTIONS AND PERFORMANCE

BACKGROUND

The 07-08 human services trailer bill included language requiring the department to provide an update to the Legislature in the annual subcommittee process, beginning in 2008, on state and local progress on child support federal performance measures and collections. The department has been asked to provide this update at the hearing.

The primary purpose of the child support enforcement program is to collect from absent parents, support payments for custodial parents and their children. Local child support offices provide services such as locating absent parents; establishing paternity; obtaining, enforcing, and modifying child support orders; and collecting and distributing payments.

Effective January 2000, the Department of Child Support Services (DCSS) was created by the enactment of AB 196 (Kuehl, Chapter 478, Statutes of 1999) and SB 542 (Burton and Schiff, Chapter 480, Statutes of 1999) in order to improve the administration of California's child support program. This legislation removed the state administration of child support from the DSS and shifted the local responsibility for collecting child support from the district attorneys' offices to local child support agencies (LCSAs). Most counties formed their own LCSA, however nine small counties joined together to form regional LCSAs. One of the driving forces behind these changes was to improve the program's ability to collect child support from noncustodial parents.

Pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), since federal fiscal year 2000, the federal government evaluates and awards federal incentives for state child support programs based on five performance measures. These measures include:

- **Paternity establishment percentage.** The Statewide Paternity Establishment Percentage: measures the total number of children born out-of-wedlock for whom paternity was acknowledged or established in the fiscal year compared to the total number of children in the state born out-of-wedlock during the preceding fiscal year (minimum federal threshold is 50 percent).
- **Percent of cases with a child support order.** This data element measures cases with support orders as compared with the total caseload. Support orders are broadly defined as all legally enforceable order, including order for medical support only, and zero support orders (minimum federal threshold is 50 percent).

- **Current collections performance.** This performance standard measures the amount of current support collected as compared to the total amount of current support owed (minimum federal threshold is 40 percent).
- **Arrearage collections performance.** This standard measures the number of cases with child support arrearage collections as compared with the number of cases owing arrearages during the federal fiscal year (minimum federal threshold is 40 percent).
- **Cost effectiveness performance level.** This measure compares the total amount of distributed collections to the total amount of expenditures for the fiscal year, expressed as distributed collections per dollar of expenditure (minimum federal threshold is \$2.00).

PANELISTS

- Department of Child Support Services
- Legislative Analyst Office
- Department of Finance

STAFF COMMENT

In light of CCSAS implementation, which is discussed next in the agenda, the Subcommittee may be interested in how this will impact child support performance measures in the budget year and thereafter.

ISSUE 2: UPDATE ON CALIFORNIA CHILD SUPPORT AUTOMATION SYSTEM**BACKGROUND**

The Subcommittee will hear from the department on recent developments in the creation of a single, statewide automated system for child support collections.

BACKGROUND

In September 2006, the Department of Child Support Services applied for federal certification of the California Child Support Automated System (CCSAS). Once the state applied for certification, the federal penalty for not having a single statewide automation system was placed in abeyance.

Since 1998, California has paid a total of nearly \$1.2 billion in penalties for failing to have a single statewide automation system. The 2006-07 budget included \$220 million to pay the federal penalty for federal fiscal year 2006 (October 2005 through September 2006). The state is currently in the process of becoming certified, during which time the federal penalty is not assessed. Once the system is certified, the federal government will reimburse the state 90 percent (\$193 million) of the final penalty paid in 2006-07. The Governor's budget assumes that the federal government will certify the system and reflects this reimbursement as revenue in 2007-08.

The CCSAS consists of two major components, the State Disbursement Unit (SDU) and Child Support Enforcement (CSE). The SDU collects, processes, and distributes child support payments. The SDU was fully implemented in May 2006. The CSE component of the project provides a central database and case management system to support child support enforcement activities in all LCSAs. The CSE portion of CCSAS is being implemented in two phases. The first phase of CSE is Version 1, which created a centralized database and reporting system for two preexisting systems (referred to as legacy systems). The second phase is Version 2, which will consolidate the two preexisting legacy systems and create increased child support enforcement capabilities.

Once both the SDU and Version 1 were operational in September 2006, the state applied for federal certification of this "alternative" system, which refers to the joined legacy systems. This application for certification means that penalties are held in abeyance pending federal certification. The roll-out of Version 2 is scheduled to begin in May 2007, with full implementation by October 2008.

LAO

From the LAO's recent *Analysis*:

Two Certifications. Because California is implementing its single statewide system in two phases, there will be two federal certifications. The first certification will be of Version 1. As indicated below, this certification process is currently underway. Upon certification of Version 1, the state will receive a reimbursement for a federal penalty incurred for failing to have a single statewide system in place. The second certification is of Version 2. Counties began to transition from Version 1 to Version 2 in waves beginning in May 2006. The earliest Version 2 will be certified is November of 2008. After Version 2 is implemented, a federal funding cap placed on project costs will be lifted. Below we discuss each certification and how it impacts state funds.

Penalty Relief and Reimbursement. Since 1998, California has paid a total of nearly \$1.2 billion in federal penalties for failing to have a single statewide system. The 2006–07 budget included \$215 million to pay the federal penalty for federal fiscal year 2006 (October 2005 through September 2006). As previously mentioned, the state is in the process of implementing a single statewide automation system in two phases. The first phase (Version 1) is known as the alternative system configuration (ASC). Once Version 1 and the SDU were fully operational in September 2006, the state applied for certification of this alternative system. After the state applied for certification federal penalties were held in abeyance pending federal certification. When the system is certified, the federal government will reimburse the state 90 percent (\$193 million) of the final penalty paid in 2006–07. The budget assumes that the federal government will certify the ASC, and reflects this reimbursement as revenue in 2007–08. At the time this analysis was prepared, 37 federal certification findings must be corrected before the ASC can be certified. Therefore, it is more likely that the reimbursement revenue will occur in 2008–09.

Version 2 County Implementation Experiences. Counties began to transition from CSE Version 1 to Version 2 in waves beginning in May of 2007. As of January 2008, 24 counties (representing about 13 percent of the caseload) had converted to Version 2. We have visited six counties after their conversion. The first three counties experienced difficulties because of system defects, design flaws, and forms printing incorrectly. The state and vendor worked closely with counties to correct many of these problems before additional counties were converted. Subsequent county conversions have resulted in fewer complications. In February 2008, Orange County is expected to convert to Version 2. Orange County has three times the caseload of any county converted thus far (Orange County's caseload is about 98,000). We will continue to monitor the county conversions to ensure the Legislature is advised of the status on a timely basis.

Federal Cap on Alternative System Configuration. When DCSS requested federal approval of the two phase approach to implementing a single statewide system, federal funding for the project was locked-in, or capped, at the cost estimates as of that date. This federal funding cap ensures that a state does not spend more in developing an ASC than it would spend building a single statewide system. The federal cap will be lifted when California's single statewide system is completed and obtains federal certification. Los Angeles, currently scheduled to convert in November 2008, will be the

last county to convert to Version 2. Thus, November 2008 is the earliest possible date for Version 2 certification.

Delayed Certification May Create General Fund Costs. Because the state is currently operating under a federal fund cap, any additional development costs above the cap must be covered solely by the General Fund. If the state is not certified in 2008–09, and CCSAS project costs remain at the currently estimated amounts, DCSS indicates that there would be an additional General Fund cost of approximately \$11.4 million in 2009–10 to absorb the federal portion of the planned project costs for that year. This is because, at that point, DCSS estimates that project costs will exceed the amount approved under the federal cap. It is important to note that this estimated \$11.4 million in additional General Fund costs in 2009–10 is not a firm number, but a point-in-time estimate. If project costs are higher than anticipated, General Fund costs, because of the federal cap could occur in 2008–09.

PANELISTS

- Department of Child Support Services
- Legislative Analyst Office
- Department of Finance

ISSUE 3: CHILD SUPPORT LOCAL ASSISTANCE**BACKGROUND**

LCSA administrative costs include salaries and benefits of county staff and operating costs. LCSA administrative duties include case intake, court preparation to establish paternity and support obligations, and the enforcement of support obligations, including locating absent parents.

LCSA administrative costs continue to be funded at the prior year's base of \$739.2 million for 07-08 and 08-09. Funding for this consists of 34 percent State General Fund (SGF) and federal incentives and 66 percent FFP matching funds. Included are \$30 million comprised of \$20 million in Federal Financial Participation (FFP) and \$10 million county match funds for counties that elect to supplement the program with local matching funds. The SGF portion for 08-09 is \$226.8 million.

PANELISTS

- Department of Child Support Services
- Legislative Analyst Office
- Department of Finance

STAFF COMMENT

The Governor's Budget does not propose a change to LCSA administrative costs, leaving it unscathed from the 10 percent reduction proposal applied to nearly every other health and human services program, including administrative support for counties in child welfare services, In-Home Supportive Services, and mental health areas.

ISSUE 4: CHILD SUPPORT FEDERAL DISREGARD**BACKGROUND**

The Federal Deficit Reduction Act of 2005 increases federal participation in the amount of child support passed through to families who currently receive welfare assistance. The Governor's budget proposes to increase the monthly pass-through from \$50 to \$100 in January 2009.

In general, child support which is collected from absent parents whose families are receiving cash grants through the California Work Opportunity and Responsibility to Kids (CalWORKs) program are deposited in the General Fund as a partial offset to the state's costs for the cash grants. Since the enactment of the 1996 federal welfare reform legislation, federal law lets states decide whether to pass through to the custodial parent on welfare any child support collected from the absent parent. However, any amount of child support that the state decides to pass through to the custodial parent reduces dollar for dollar the amount of collections deposited in the General Fund. Currently, California elects to pass through the first \$50 per month collected from the noncustodial parent to welfare families at a cost of about \$25 million General Fund annually.

Pursuant to the Deficit Reduction Act, beginning in October 2008 the federal government will share in the cost of the child support that is passed through to CalWORKs recipients up to specified limits. Specifically, the federal government will participate in 50 percent of the pass-through of up to \$100 for families with one child, and up to \$200 for families with two or more children.

The Governor's budget proposes to increase the monthly child support pass-through from the current \$50 to \$100 for all welfare families beginning January 2009. As shown in Figure 1, this policy change results in lost General Fund revenue of about \$5.6 million in 2008–09 and \$11.2 million in 2009–10. This is because, as mentioned above, child support not passed through to families would otherwise be retained by the state as General Fund revenue, partially offsetting the cost of the grant provided to CalWORKs families. The lost revenue is greater in 2009–10 than in 2008–09 because the budget proposal is effective for only six months in 2008–09, and for a full year in 2009–10.

Figure 1 General Fund Revenue Loss for Increasing Child Support Pass-Through		
<i>(In Millions)</i>		
	General Fund Impact	
	2008-09	2009-10
\$50 Pass-through (current law)	\$15.8	\$12.6
\$100 Pass-through (Governor's proposal)	21.4	23.8
Net Cost From Governor's Proposal	\$5.6	\$11.2

Although federal participation in the child support pass-through begins in October 2008, the Governor's budget delays the increase in the pass-through until January 2009, two months after the anticipated completion of the single statewide automation system.

LAO

Analyst's Recommendation. Without prejudice to the proposed policy change, the LAO recommends postponing the increase in the pass-through from \$50 to \$100 until July 2010. This recommendation, if adopted, would retain the current pass-through of \$50, and therefore, there would be no reduction in the income support for welfare families receiving child support. Adopting this proposal will increase General Fund revenues by \$5.6 million in 2008–09 and \$11.2 million in 2009–10.

PANELISTS

- Department of Child Support Services
- Legislative Analyst Office
- Department of Finance

ISSUE 5: BBR – STATE OPERATIONS REDUCTION**BACKGROUND**

The department has revised its original BBR and the revision is attached below. The department has been asked to provide a summary of the changes made in the BBR since its release in January.

**5175 Department of Child Support Services (DCSS)
Child Support Services
Title: State Operations Reduction**

	GF	FF	Other	Total Reductions	PY Reduction
<u>2007-08</u>					
Workload Budget	\$55,246				
Reductions	\$200			\$200	0
Governor's Budget	\$55,046				
<u>2008-09</u>					
Workload Budget	\$45,827	\$98,806			
Reductions	\$4,300	\$8,451		\$12,751	45.0
Governor's Budget	\$41,527	\$90,355			

Program Reduction

The DCSS proposes to reduce its State Operations budget by \$12.8 million (\$4.3 million General Fund) and 45.0 positions.

The DCSS' 2008-09 State Operation's base budget is \$144.6 million (\$45.8 million General Fund). The department excluded \$9.2 million (\$3.1 million General Fund) in the California Child Support Automation System (CCSAS) state operations project costs from its base, which is consistent with the Administration's decision to hold CCSAS General Funds harmless from reduction.

Reductions are proposed from the following areas of the department:

Direct Customer Service

The department proposes reductions to the following contracts and positions that provide direct services to families:

- **Judicial Council Contract [\$4.3 million (\$1.5 million GF)].** The department proposes an 8.8 percent decrease to the Judicial Council Contract. This contract provides for court commissioner, family law facilitator, support staff salaries and court expenses necessary to establish and adjust child support orders for all child support cases. The courts will redirect trial court funding to backfill the General Fund reduction to ensure there is no loss in General Fund revenue. In addition, the DCSS proposes to provide additional federal funds to the courts to provide a federal match to child support hearing costs that the courts currently absorb with trial court funds.
- **Locate and Intercept Contracts [\$781,000 (\$175,000 GF)].** The DCSS contracts with various state agencies to locate non-custodial parents (NCPs) and their assets and for the intercept of these assets. The department has identified administrative and workload savings in these contracts so that this reduction can be achieved without impacting customers or collections.
- **Child Support State Hearings [\$538,000 (\$183,000 GF)].** The department proposes to modify the child support complaint resolution process in order to better determine which issues should go forward to a formal state hearing. The department estimates that a modified complaint resolution process would cost half as much as the current state hearings process and would provide the same or better level of service to child support customers. The department has proposed trailer bill language to provide the Director of DCSS the discretion to determine the method the department uses for child support hearings.
- **Public Inquiry and Response Team (PIRT) – 2.5 positions and \$193,000 (\$66,000 GF).** The PIRT is responsible for responding to child support customer complaints regarding highly sensitive program operation and child support payment issues. The PIRT unit receives approximately 20-50 issues per month and 80 constituent referrals each month. Eliminating 2.5 positions would reduce the PIRT unit by 36 percent. The impact of the reduction would be delayed response to customer complaints.
- **DCSS Customer Operations – 14.0 positions and \$1.1 million (\$383,000 GF).** The DCSS proposes reductions to the following areas in its Operations Division:
 - **Non IV-D Call Center (4.0 positions):** The Call Center responds to inquiries from non IV-D customers regarding payment processing, PIN resets, payment errors, and customer information change requests. The Non IV-D Call Center is staffed with 21 call center staff and managers.
 - **Payment Processing (7.0 positions):** The department proposes the following Payment Processing sections:

- Central Financial Work (CFW) 3.0 positions: The CFW staff manage, maintain, and resolve suspended collections to financial data pertaining to Non IV-D and combined Non IV-D and IV-D cases. Eliminating 3.0 positions would reduce the CFW unit by 25%.
- California Central Registry (CCR) 3.0 positions. The CCR is the centralized area within the Operations Divisions that processes incoming cases from other states and countries and refers them to the appropriate county to be worked. Eliminating 3.0 positions would reduce the unit by 23 percent.
- State Disbursement Unit (SDU) State Disbursement Unit (SDU) 1.0 position: The position provides direct service to the public by responding to complex service inquiries and complaints escalated by DCSS and the Service Provider and assists in technical oversight of SDU functions. Eliminating 1.0 positions would reduce the SDU unit by 7 percent.
- **Locate and Intercept Processing (3.0 positions):** The Operations Division works with NCPs to discuss and negotiate the release of various licenses (e.g. driver's, occupational, recreational) that are held by the state pending payment of child support. The DCSS proposes to eliminate three positions out of a unit of 13, which would result in a 23 percent reduction to this unit.

Performance Improvement

- **Quality Assurance and Performance Improvement (QAPI) – 6.5 positions and \$530,000 (\$180,000 GF).** The QAPI unit is dedicated to reviewing LCSA for compliance with federal child support program requirements and monitoring the performance of the LCSAs on the federal child support program measures and providing technical assistance to them. The department proposes to eliminate 6.5 positions of the 12 QAPI positions which would be a 54 percent reduction to QAPI staff.
- **Contract Performance Support [\$133,000 (\$45,000 GF)].** The DCSS proposes to terminate two interjurisdictional exchange agreements between the DCSS and two counties for LCSA staff to provide county expertise to the State. These two agreements are with Santa Cruz and Solano to provide expertise to assist with the development of strategies to improve LCSA performance in relation to collections and the federal performance measures.

Information Technology (IT) Support

The department proposes a reduction to the following IT functions resources:

- **IT Support – 3.0 positions and \$307,000 (\$104,000 GF).** The DCSS proposes to reduce 1.0 Senior Business Problems Analyst (SBPA) and 2.0 Information Systems Analysts.

Administrative Overhead

The department proposes a reduction to the following administrative functions of the department:

- **Technology Infrastructure Support – [5 positions and \$512,000 (\$174,000 GF)]**
 - ***Application Development and Maintenance [5.0 positions and \$406,000 (\$138,000 GF)]***: These positions are responsible for supporting various applications such as the creation of a central data repository and forms maintenance. There are currently 29 positions assigned to this function; this proposal represents a 17 percent reduction.
 - ***Gartner, Incorporated [\$106,000 (\$36,000 GF)]***: The DCSS proposes to terminate a contract with the Gartner Group to conduct an evaluation of the department's current IT infrastructure and provide consulting services on industry best practices for the delivery of IT services and equipment purchases and maintenance.
- **Business Process Re-engineering \$279,000 (\$95,000 GF)**: The DCSS has a current contract with a consultant to review the business processes of the department's operations including financial management and IT support. The services of a business process re-engineering vendor can assist the department to increase the efficiency of its resources and reduce the risk that may exist in current business processes. DCSS would attempt to continue re-engineering efforts within existing resources.
- **Information Security Office (ISO) – 2.0 positions and \$178,000 (\$60,000 GF)**. The department proposes to eliminate two analyst positions out of the 14-person ISO. A reduction in positions would reduce the oversight role for information security at both the State and local level.
- **Accounting and Financial Planning – 6.0 positions and \$480,000 (\$163,000 GF)**. The department proposes to eliminate 4.0 Accounting positions out of 18.5 positions in Fund Accounting, Reporting, Fiscal Services and Accounts Payable Units. The positions are responsible for reconciling county expenditure claim and collections data, paying vendor invoices and resolving accounts receivables issues. The department also proposes to eliminate one budget analyst position in the six-person Budget support Unit and one county allocation analyst position in the County Allocations Unit.
- **Human Resources – 1.0 position and \$76,000 (\$26,000 GF)**. The department proposes to eliminate 1.0 Personnel Services Analyst position out of the 16 person Human Resources Section.

- **Legal** – 1.0 position and \$88,000 (\$30,000 GF). The department proposes to eliminate one position that serves as the coordinator for the department's regulations packages. This workload would be absorbed by the existing legal staff.
- **Child Support Services Division** – 1.0 position and \$88,000 (\$30,000 GF). The department proposes to eliminate one person that acted as the policy coordinator for the Child Support Services Division (CSSD). This position gathered information for and packaged department policy letters. This position also gathered information for departmental analysis of proposed legislation. This workload will be absorbed by existing CSSD staff.
- **Office Support – 3.0 positions and \$143,000 (\$49,000 GF).** The department proposes to eliminate three Office Technician positions, which represents 26 percent of the department's Office Technician workforce.
- **Operating Expense and Equipment – \$2.7 million (\$935,000 GF).** The department proposes to reduce its OE&E funding by 15 percent. The department would prioritize purchases, travel and training and seek additional economies in its purchases in order to stay within its reduced expenditure levels.
- **Temporary Help [\$300,000 (\$102,000 GF)].** The department proposes to reduce its temporary help blanket by 45 percent. The department would reduce its use of student assistants, retired annuitants and other temporary personnel.

Reduction Impact

Direct Customer Service— Delayed call center and payment problem resolution response times.

Performance Improvement—Less support to counties for quality assurance and performance improvement; loss of contracted support from counties to provide expertise to the state.

Information Technology Support—A reduction in the number of staff available for various IT related activities such as interfaces and application support.

Administrative Overhead—Prioritize reduced resources to maintain critical technology support and security, accounting, human resources, and other administrative functions.

Timing of Implementation

All reductions will be effective July 1, 2008.

Statutory and/or Regulatory Change

The DCSS would propose trailer bill language to amend Chapter 803, Statutes of 1999 (AB 472) that provides a mandatory right for both custodial parties and noncustodial

parents to a formal state hearing and instead provides flexibility to the director of DCSS to determine the method the department uses for child support hearings.

LAO

Prior to the release of the revised BBR, the LAO had made these comments in its *Analysis*:

The Governor's budget includes two budget reduction proposals where the estimated General Fund revenue loss exceeds estimated General Fund savings. In total, these particular reductions result in General Fund savings of about \$1.7 million, while creating General Fund revenue losses of about \$3.2 million. Additionally, the budget includes other reductions that we believe may potentially have a negative impact on General Fund revenues. We discuss these proposals in more detail below.

Reducing the Judicial Council Contract. The Governor's plan reduces the contract between the Judicial Council and DCSS by \$1.5 million General Fund in 2008–09. This contract provides for court commissioners, family law facilitators, support staff, and the court expenses necessary to establish child support orders. By assuming that the reduction will result in less court commissioners, and therefore less hearings and order establishments, DCSS estimates that this proposal will result in \$1.8 million in lost General Fund revenues.

Reducing the Locate and Intercept Contracts. The Governor's budget also reduces DCSS locate and intercept contracts by \$175,000 General Fund in 2008–09. The DCSS has several contracts with various state agencies to locate noncustodial parents and intercept their assets for purposes of paying their child support obligations. The locate and intercept contracts are responsible for an estimated \$160.5 million in child support collections per year. By reducing these contracts by \$175,000 General Fund (about 8.8 percent), DCSS estimates that locate and intercept collections will decline by \$1.4 million (about 8.8 percent) in 2008–09.

Other Potential Revenue Losses. The Governor's budget proposes to make several reductions to DCSS state operations. One proposal includes a reduction of 11 employees responsible for pursuing, through various means, the recovery of funds from noncustodial parents. Reducing these positions could result in delayed recovery of child support collections for the state General Fund and for families. The DCSS indicates that this reduction proposal is being revised.

Analyst's Recommendation. At the time this analysis was prepared, DCSS indicated that it is in the process of pursuing strategies to mitigate the General Fund revenue loss associated with the Judicial Council contract and locate and intercept reduction proposals. However, at this time additional proposals have not been identified by the administration. Because the difference between General Fund savings and lost General Fund revenue is so large for the locate and intercept reduction proposal, lost revenues are likely to exceed General Fund savings despite

mitigation strategies. As a result, we recommend rejecting the reduction proposals that reduce Judicial Council and locate and intercept contracts. Finally, we withhold recommendation on the 11 positions proposed for reduction, pending the receipt of information demonstrating that the reduction does not result in more lost General Fund revenue than it saves in General Fund costs.

PANELISTS

- Department of Child Support Services
- Legislative Analyst Office
- Department of Finance

ISSUE 6: BCP – RETAIN COMPROMISE IN ARREARS PROGRAM (COAP)

This BCP requests the permanent establishment of 7.5 positions and the related resources of \$700,000 (\$238,000 GF) to extend the offer in compromise solution for uncollectible governmental arrears. The positions currently supporting the COAP are limited-term positions that expire on June 30, 2006. The BCP accompanies trailer bill language to extend COAP for an annual two years, as it will sunset statutorily on July 1, 2008.

BACKGROUND

COAP was established in 2003-04 Human Services budget trailer bill to offer reduced lump sum settlements to parents in exchange for their commitment to make ongoing payments. This program accepts reduced lump sum settlements from non-custodial parents with arrearages in exchange for their commitment to make ongoing payments. This program is also intended to reconnect families estranged due to unresolved child support payments. The Governor's budget assumes 4,250 applications will be processed for COAP in the budget year.

Approximately \$19 billion in child support arrears is currently owed to families in California. An analysis conducted by the Urban Institute found that approximately \$4.8 billion of the state's arrears is collectable, including \$2.3 billion that is owed to the state for California Work Opportunity and Responsibility to Kids (CalWORKs) reimbursements. In September 2005, the DCSS sponsored an Arrears Management Roundtable, which looked at the performance of California compared to other States and examined options to reduce arrearages and increase child support collections. The Legislature may wish to review these options to reduce arrearages.

Two recent reports have been released on COAP, one from the administration and one from the Department of Finance, Performance Review Unit. DCSS and DOF have been asked to discuss the outcomes and recommendations in these reports briefly.

PANELISTS

- Department of Child Support Services
- Legislative Analyst Office
- Department of Finance

ISSUE 7: BCP – STATE DISBURSEMENT UNIT (SDU) BANK EXCEPTIONS AND ADMINISTRATIVE RESOURCES BRANCH

- **State Disbursement Unit (SDU) Bank Exceptions.** The department is requesting two permanent positions and one limited-term position to perform accounting activities for analyzing and processing banking exceptions and monitoring the recovery of funds. Workload has been increasing and the department states that it cannot meet demands without sacrificing other core critical accounting activities of the department. The BCP states that due to constraints on GF resources, the department is not requesting additional funding for these positions. The department will be funding these positions through existing resources.
- **Administrative Resources Branch.** Similarly, the department is requesting two permanent positions to provide administrative support to the DCSS, adding these positions to its existing Business Services Operations Unit to provide for mailroom and business services functions, funding these positions from existing resources.

PANELISTS

- Department of Child Support Services
- Legislative Analyst Office
- Department of Finance

STAFF COMMENT

The question for the Subcommittee centers on the redirection of existing resources to fund the positions. If resources are available for this purpose, is there a way to backfill a currently-GF supported function at the department, and thus provide GF savings for purposes of direct services either within DCSS or in other areas of state government?