

# AGENDA

## ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

**Assemblymember Hector De La Torre, Chair**

**WEDNESDAY, MAY 11, 2005  
STATE CAPITOL, ROOM 444  
1:30pm**

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## ITEMS FOR CONSENT

### ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

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#### CONSENT ISSUE #1: CWS-CMS REPORTING LANGUAGE

The Subcommittee will consider conforming to reporting language adopted by the Senate.

#### BACKGROUND:

The Senate adopted placeholder Trailer Bill Language requiring a CWS-CMS system report on performance standards. The language being reviewed by the administration, may lead to some minor technical changes. The proposed language is as follows:

*On or before December 1, 2005, the Department of Social Services shall provide a Child Welfare Services/Case Management System system performance commitments plan to the Chairperson of the Joint Legislative Budget Committee. The plan shall be developed in conjunction with the Office of System Integration, Department of Technology Services, and the County Welfare Directors Association. The plan shall include, but is not limited to, performance standards for system availability, application transaction time, printing time, batch processing, data downloads, local repair services, central repair services, data back up and recovery, help desk responsiveness, notification and containment of security incidents, and customer service satisfaction. The plan shall describe (1) the mechanism for tracking system performance, (2) incidents that do not meet performance standards, (3) corrective action protocols, and (4) steps that will be taken should performance fall below standards for a specified period of time.*

#### STAFF COMMENT:

The proposed language is consistent with discussions about the CWS-CMS system that took place during the May 4 Subcommittee hearing.

#### CONSENT ACTION:

Conform to Senate.

**CONSENT ISSUE #2: ABAWDS**

The Subcommittee will consider conforming to the Senate's Able-Bodied Adults Without Dependents (ABAWD) action.

**BACKGROUND:**

On April 20, 2005, the Subcommittee took action to require that the State seek all possible waivers for ABAWD Food Stamp applicants. The goal of the action was to streamline the process of applying for exemptions, so that counties would receive the waivers faster and more efficiently.

The Senate also considered this issue and adopted a recommendation by the County Welfare Director's Association (CWDA) to require the State to seek all ABAWD waivers, but allow counties to opt out of the waiver if they wanted.

**STAFF COMMENT:**

The proponents of the ABAWD waiver believe that the proposed compromise offered by CWDA still meets their goals while also addressing some of the concerns raised at the April 20<sup>th</sup> hearing.

**CONSENT ACTION:**

- Rescind previous ABAWD action
- Conform to Senate

**ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES****CONSENT ISSUE #3: CHILD SUPPORT SUPPLEMENTAL REPORTING LANGUAGE**

The Subcommittee will consider conforming to the Senate on proposed reporting language.

**BACKGROUND:**

On May 4, the Subcommittee adopted a Spring Fiscal Letter that transferred the Child Support Full Collections unit from the Franchise Tax Board to the Department of Child Support Services.

The Senate has also taken action on this issue. The Senate adopted the letter, but also adopted Budget Bill Language to require the Department of Child Support Services to report at next year's budget hearings on the staff workload requirements that were transferred.

**STAFF COMMENT:**

The proposed language will help the Subcommittee better understand the budgetary needs of the Department of Child Support Services.

**CONSENT ACTION:**

Conform to Senate.

**ITEM 4170 DEPARTMENT OF AGING****CONSENT ISSUE #4: DEPARTMENT OF AGING CASELOAD REPORTING**

The Subcommittee will consider conforming to the Senate on proposed reporting language.

**BACKGROUND:**

The Senate adopted placeholder Trailer Bill Language to require the Department of Aging to report annually upon release of the Governor's Budget on the number of clients served and funding for each type of service included in the Aging's budget, including services provided via Area Agencies on Aging (AAA) contracts.

A 2003 report by the California Policy Research Center at UC Berkeley recommended that Aging take steps to improve the consistency and reliability of data collected by local aging service providers and AAA's. This report was commissioned by the state in response to SB 910 (Vasconcellos, Statutes of 1999, Chapter 948), which promoted improved data collection for the formation of public policy and legislative action, as well as to allocate resources and provide services. Consistent, regularly reported data would help the Legislature determine if funding is being appropriately allocated and the extent of unmet need for services.

Department of Aging indicates that they are in the process of developing a common dataset that will closely mirror the Minimum Data Set (MDS) recommended by the UC Berkeley report. The Department's efforts include a standardization of descriptions and definitions and agreement that a standard unique identifier must be collected across programs. Department of Aging is moving forward to collect client level data so that comprehensive data comparisons can be performed. The Department of Aging indicates that the California Association of Area Agencies on Aging has endorsed the Department's plan for a common dataset.

**STAFF COMMENT:**

The proposed Trailer Bill would require Aging to submit information to the Legislature that most other departments in the Health and Human Services Agency currently provide.

**CONSENT ACTION:**

Conform to Senate.

**ITEM FOR VOTE-ONLY****ITEM 5180 DEPARTMENT OF SOCIAL SERVICES****VOTE ONLY ISSUE #1: COUNTY SHARE OF FEDERAL CHILD WELFARE PENALTIES**

The Subcommittee will take action on a proposal to pass federal child welfare penalties to the counties.

**BACKGROUND:**

California could be fined as much as \$73.9 million a year in the future for not meeting our federally required Program Improvement Plan (PIP) goals. The PIP penalties are assessed in a three year process which starts after the initial federal review is completed. There are 7 outcome factors and 7 systemic factors (14 total) the federal government reviews for compliance. For each one of the 14 factors found out of compliance, a penalty of 1 percent of the State's entire IV-B allocation and 10% of the IV-E administrative funds will be applied up to a maximum of 14% the first year. This increases to 28% in the second year and 42% in the third year. This results in the following maximum penalty amounts:

Maximum Penalty 1st year:	\$24.6 Million
Maximum Penalty 2nd year:	\$49.3 Million
Maximum Penalty 3rd year:	\$73.9 Million

In the initial review, California passed two (Statewide Information System and Agency Responsiveness to the Community) of the 14 outcome indicators, so our maximum risk for the first year decreased from \$24.6 million to \$18.1 million. The State is currently in the second year of the penalty process so if the federal Region IX office determines that California is not satisfactorily meeting all 14 outcome indicators in the second year, the maximum penalty the State would be at risk of is \$49.3 Million and year three, the State would be at risk of \$73.9 Million. Those amounts could be reduced if we are found to meet some or all of the outcome indicators. However, California will not know until it receives notification from Region IX.

Under the current federal regulations, the penalties can only be set aside if a State has satisfactorily met all the terms of the Program Improvement Plan (PIP). The responsibility for making a final determination on whether a State meets/does not meet the terms of the PIP is delegated to the federal Regional offices (in California - Region IX).

The Governor's Budget includes Trailer Bill Language that would pass federal Child Welfare penalties from the State to counties. The penalty would be apportioned to counties that were unable to meet the performance goals that prompted the penalty from the federal government.

**STAFF COMMENT:**

The Subcommittee considered this issue during the March 30, 2005 hearing.

**VOTE ONLY ACTION:**

Reject the proposed Trailer Bill Language.

**VOTE ONLY ISSUE #2: CALWORKS SANCTION STUDY**

The Subcommittee will reject the placeholder savings for a new sanction policy in CalWORKs because the Legislature did not receive a required report.

**BACKGROUND:**

The Governor's Budget assumes \$12 million in savings from enactment of a new sanction policy in the CalWORKs program. The sanction policy is supposed to be derived from the results of a major study on the effect of sanctions on work participation. Last year's human services trailer bill, SB 1104 required that the Legislature receive this study by April 1, 2005.

The study was not received in time to be reviewed by staff or heard in any public hearing. In addition, the proposed sanction policy has not been released.

**VOTE ONLY ACTION:**

Reject \$12 million placeholder savings assumed from the enactment of a CalWORKs Sanction.

**VOTE-ONLY ISSUE #3: SB 2030 CASELOAD REPORTING**

The Subcommittee will consider adopting reporting language regarding SB 2030 (Costa, Chapter 785, Statutes of 1998).

**BACKGROUND:**

In 1998 SB 2030 required the Department of Social Services to commission a study of counties' caseloads. At the time, the study concluded that for most categories the caseloads per-worker were twice the recommended levels. According to the study, it was difficult for social workers to provide services or maintain meaningful contact with children and their families because of the number of cases they were expected to carry.

The LAO believes the Legislature should be informed of the progress that is being made toward reducing social worker caseloads and the steady movement toward the SB 2030 recommendations. Toward this end, they recommend enactment of legislation that requires DSS to submit a county specific social worker staffing ratio report annually no later than January 31. This report should provide each county the social worker staffing ratios compared to the Child Welfare Services Workload Study's (SB 2030) minimum and optimum caseload standards and the agreed upon 1984 standards. The methodology for measuring the individual county staffing ratios should take into account funding from the CWS augmentation, hold harmless funding, and any other funding that is used for social worker staffing. The LAO believes that the additional workload generated by this requirement would be minimal because the current budget is built individually for each of the 58 counties. Therefore, there should not be any state staffing increases needed to produce this report.

**STAFF COMMENT:**

The Subcommittee considered this proposal on March 30<sup>th</sup> and directed the LAO, CWDA and Department of Social Services to develop Trailer Bill Language requiring an annual update on how county staffing compares to the SB 2030 study standards.

**VOTE-ONLY ACTION:**

Adopt placeholder Trailer Bill Language requiring the Department of Social Services to report at the time of budget hearings, comparing the Governor's proposed budget for CWS, including the augmentation and hold harmless funds, to the caseload standards recommended by the SB 2030 study updated for cost-of-doing business and the use of CWS funds for non-case-carrying activities.

**VOTE-ONLY ISSUE 4: LAO CASELOAD SAVINGS**

The Subcommittee will consider caseload savings identified by the LAO.

**BACKGROUND:**

The LAO has identified savings in the budget to various Social Services programs, the chart on the next page illustrates these savings.

<b>LAO Caseload Savings—Social Services</b>			
<i>(Dollars in Millions)</i>			
	2004-05	2005-06	Analysis Page <sup>a</sup>
<b>General Fund</b>			
Caseload overestimate for CAPI <sup>b</sup> program	\$2.0	\$3.5	C-232
Foster Care administration overbudgeted		\$2.3	C-243
Foster Care caseloads overstated	\$10.0	\$21.8	C-244
<b>Totals</b>	<b>\$12.0</b>	<b>\$27.4</b>	
<b>TANF</b>			
CalWORKs caseload overestimate		\$17.4	C-208
Current year CalWORKs costs overstated	\$118.5		C-212
<b>Totals</b>	<b>\$118.5</b>	<b>\$17.4</b>	

<sup>a</sup> 2005-06 Analysis of the Budget Bill.  
<sup>b</sup> Cash Assistance Program for Immigrants.

**FOSTER CARE SAVINGS:**

The Senate took the following action on Foster Care Administration:

- 1) Approve LAO savings of \$30.8 million General Fund for Foster Care grants.
- 2) Recognize Foster Care county administration savings of \$2.3 million General Fund and reinvest that savings back into Foster Care administration, as counties have not received cost of doing business adjustments for a number of years.

**STAFF COMMENT:**

The Subcommittee considered the caseload savings at hearings held on March 30th and April 13<sup>th</sup>.

The savings to the CalWORKs program can be scored to the CalWORKs reserve, so that the Subcommittee can consider using those funds for any potential restoration to the program.

**VOTE ONLY ACTIONS:**

- Adopt CAPI savings identified in the LAO chart.
- Adopt CalWORKs savings identified in chart and score the savings toward the CalWORKs Reserve.
- Conform to Senate action of Foster Care savings.

**ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES****VOTE ONLY ISSUE 5: FEDERAL CHILD SUPPORT AUTOMATION PENALTY**

The Governor's Budget includes \$218 million for a federal automation penalty.

**BACKGROUND:**

The Governor's Budget includes \$218 million General Fund in 2005-06 for the federal fiscal year (FFY) 2005 penalty. The 2004 Budget Act did not include funding for this penalty, as the payment was entirely deferred to state fiscal year 2005-06. The federal government recently informed the department that payment of the FFY 2006 penalty will be deferred to 2006-07. The penalty amount is a percentage of program administration costs, with an increasing percentage each year. California has reached the maximum percentage level at 30 percent of administrative costs.

Since 1997, California has been subject to substantial federal penalties due to the state's failure to establish a single statewide system for the collection of child support. The cumulative federal penalty from 1998 through 2006 is expected to be over \$1.2 billion General Fund. The automation system is scheduled to be completed and implemented statewide by 2008.

During 2004 budget hearings, the department indicated that federal certification of automation system compliance might be possible as early as September 2005. If approved this would have reduced the 2005-06 penalty by 90 percent. Based on an October 2004 letter from the federal government, the department now indicates certification and penalty relief are not expected until September 2006.

**OPTIONS FOR ADDITIONAL PENALTY RELIEF:**

The Subcommittee could consider additional options to achieve federal relief for Child Support Services. The chart below provides options that the Subcommittee could request the Governor to pursue in order to further reduce the General Fund impact of the proposed federal penalty.

Possible Penalty Relief Alternatives Option	Penalty Amount			Total
	FY 05-06	FY 06-07	FY 07-08	
No Penalty Deferral	385	66	-201	240
Governor's Budget to Defer Penalties	218	223	-201	240
Advanced Certification Credit	218	22	0	240
Gov. Davis Proposal (Matsui Bill)	90*	90*	-81	99

The Governor's Budget assumes that the federal penalties are delayed and that certification takes place on September 2006. The deferral of the penalty is not a cost savings to the State, it merely shifts costs from one fiscal year to another.

The Administration also states that it is working on a proposal to allow the State to receive credit for certification in 2006. Under federal law the State will only have to pay 10 percent of the penalty in the fiscal year that it receives certification, but the

current structure requires the State to pay the entire penalty up front and then have 90 percent of it returned once the State is certified, which could be several years later. The Administration's proposal would allow the State to pay 10 percent of the penalty.

In 2003, Governor Gray Davis sponsored a bill authored by Congressman Robert Matsui that would have frozen the penalty at a percentage of the State's administrative costs. Since the federal penalty is a percentage of the State's administrative costs, the penalty has been increasing each year as the State's expenditures to build the automation system increase. Thus, the State is being assessed an increased penalty for trying to fix the automation problem. The Matsui bill would have kept the penalty constant, to avoid punishing the State for its attempts to automate. The Schwarzenegger Administration has not sponsored a similar bill.

If the Matsui Bill had been enacted, the State would save \$128 million over the next three fiscal years from federal penalty relief. The Governor's Budget only assumes penalty relief from certification alone.

**STAFF COMMENT:**

Last year, the Department of Child Support Services believed that the State would be able to certify by September 2005. The federal government indicated that it would not allow the State to certify for federal funding until all automation and Statewide Disbursement Unit activities have been completed.

Because the FFY ends September 30<sup>th</sup> and the State expects to certify in September 2006, even a small delay in the CCSAS project could result in an additional year of automation penalties.

**VOTE ONLY ACTION:**

Assume \$128 million savings from the enactment of federal legislation similar to the 2002 Matsui bill.

**ITEM 4170 DEPARTMENT OF AGING****VOTE-ONLY ISSUE 6: HICAP**

The Subcommittee will consider increasing the HICAP assessment to increase funding for the program.

**BACKGROUND:**

HICAP is a volunteer-supported program that provides consumers with information about Medicare, related health care coverage, and long-term care insurance. In 2004, HICAP fielded 90,000 consumer phone calls, 40,000 of which resulted in insurance counseling appointments. This figure is expected to increase substantially in the last

few months of 2005 when 4.1 million Californians receive Medicare Modernization Act (MMA) enrollment information.

To Support HICAP, the California Department of Aging annually assess a health care service plan fee of not less than seventy cents (\$0.70), but not more than one dollar and twenty cents (\$1.20), for each person enrolled in a Medicare Managed Care plan. Every \$1 collected through this fee is matched by \$2 from the Insurance Fund to support the HICAP program.

**PROPOSED AUGMENTATION:**

To meet the expected demand for HICAP services by the 4.1 million Californian facing MMA enrollment decisions, the Subcommittee could supplement the existing budget of \$7.8 million total funds for HICAP by an additional \$2 million. According to the LAO, these additional funds could be raised by increasing the current assessment fee by \$.41 per client. The revenue generated by the additional assessment, combined with the match for the Insurance Fund would render the additional funding for HICAP without a General Fund impact. The funding would then be designated to local HICAP contractors, who could expand existing staffing to increase the total number of HICAP volunteers Statewide.

**STAFF COMMENT:**

The Subcommittee discussed options for increasing the HICAP program to meet the expected need at the April 11th and April 20<sup>th</sup> Subcommittee Hearings.

**VOTE ONLY ACTION:**

- Adopt Trailer Bill Language to increase HICAP by \$2 million by increasing the HICAP assessment fee.
- Adopt Trailer Bill Language to allocate the additional \$2 million to local HICAP agencies and prohibit the use of this funding for Department of Aging or Area Agency on Aging administration costs.

## ITEMS TO BE HEARD

### ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

#### ISSUE 1: GROUP HOME RATES

The California Alliance of Child and Family Services has made several requests to increase funding and statutory flexibility to group homes.

#### BACKGROUND:

Group homes provide care to children in the foster care, child welfare, juvenile justice, and mental health programs. Group home programs are given one of fourteen rate classification levels (RCL's) using a point system to measure experience, education, training, and professional experience. The group home rate has not increased in several years.

#### RATE FLEXIBILITY IN CURRENT YEAR BUDGET:

The last three budgets have included a statutory provision to allow group homes more flexibility in their staffing levels need to reach certain RCL levels. The provision expires at the end of the current year. The Alliance has requested that these provisions be extended again in the budget year.

#### NEW PROPOSALS:

The Alliance has also made the following requests:

- Allocate \$55 million General Fund to increase Group Home rates so that they were equal to their 1990 rate as adjusted for inflation.
- Change the RCL system by expanding weightings categories, recognizing certain work experience and education in certain occupations, and revising and expanding definitions.
- Award RCL points for accreditation.

#### STAFF COMMENT:

Allowing the current RCL provision to be extended would be consistent with prior Subcommittee actions. In the past, the Subcommittee was unwilling to offer more flexibility due to a concern that any further modifications to the RCL system would undermine its integrity. The RCL system is designed to reward Group Homes that have attracted and retained trained and experienced staff with higher rates.

**ISSUE 2: ADOPTION ASSISTANCE PROGRAM TRAINING AND TECHNICAL ASSISTANCE**

Sierra Adoptions is requesting \$100,000 to perform Adoptions Assistance Training.

**BACKGROUND:**

The Adoptions Assistance Program (AAP) was established in 1982 to provide monthly cash grants to parents who adopt difficult to place children. Adoption Assistance grants are limited to the amount of the foster family home rate that the child would have received if she or he had remained in foster care. The foster family home rate ranges from \$425 to \$597 per month depending on the age of the child. Also, if the child has specialized care needs that would have been covered had the child remained in foster care, the adoptions worker can set the grant as high as the foster family home rate plus a specialized care increment. This increment can range up to \$2,097 per month. As with foster care grants, the AAP grants are not subject to state or federal income tax.

During last year's budget process, the LAO recommended changes to the AAP program, mostly as a result of the large growth in caseload and expenditures in the program.

In response, the Subcommittee directed AAP advocates and programs to examine possible strategies for reducing the growth of the AAP program. Sierra Adoptions has provided the Subcommittee with a proposal that is intended to improve the AAP program's integrity.

**PROPOSED AAP TRAINING:**

The proposal would allocate \$100,000 General Fund to provide training to county staff administering the AAP program. The intent of the training is to standardize the administration of the program, which would help control the increasing utilization of it.

The proponents of the training believe that it could result in at least \$87,000 in General Fund savings from lower grant levels and reduced utilization of the program.

**STAFF COMMENT:**

The proposed training responds to concerns raised by the Subcommittee, but there have been concerns that the proposal needs more work before it would achieve the desired effect of improving the consistency of eligibility determination in the AAP program.

**ISSUE 3: CALWORKS PERFORMANCE DATA VALIDATION SYSTEM**

The Subcommittee will consider a budget proposal to monitor CalWORKs data.

**BACKGROUND:**

The Governor's Budget includes a Budget Change Proposal for \$794,000 of federal TANF funds and 7.5 positions for a web-based computer system to monitor county work participation data.

Currently counties report their work participation data using a form, called the WTW 25. Both Counties and DSS report that the data provided by this form is not reliable and lacks standardization across counties. The Department is proposing to establish the Performance Monitoring system to replace the WTW 25 form with a web-based data system that will provide statistically significant samples of county work participation data.

Counties have been working together to clarify and improve the existing WTW 25 form and data reporting process. The county efforts have yielded specific recommendations for improving the process for collecting data that uses existing resources. The counties have been unable to get Department of Social Services to engage in their efforts and were not invited to participate in the development of the proposed new data system.

**STAFF COMMENT:**

The goal of the proposal is sound and the requested resources may be justified. However, Department of Social Services has not been responsive to county efforts to improve the collection of CalWORKs data through less-expensive methods. In addition, the Subcommittee has received complaints from several counties that the Department has been dismissive of county concerns regarding the implementation of the proposed new system.

The Subcommittee could eliminate all funding for this proposal and allow Department of Social Services and the counties time to develop an alternative to this proposal that could be adopted in Budget Conference Committee.

**ITEM 4200 DEPARTMENT OF ALCOHOL DRUG PROGRAMS****ISSUE 4: PROPOSITION 36 OVERVIEW**

The Subcommittee will receive an update on Proposition 36.

**BACKGROUND:**

Proposition 36, the Substance Abuse and Crime Prevention Act (SACPA), provides drug treatment instead of incarceration for certain first or second time non-violent adult drug offenders. The law also appropriates \$120 million annually through 2005-06 for drug treatment. Although the state must continue spending this amount after 2005-06 to meet its maintenance of effort requirement for the federal Substance Abuse Prevention and Treatment Block Grant, the funding may be used for other drug and alcohol services beyond Proposition 36 clients. The sentencing guidelines established by Proposition 36 do not sunset. Researchers at the University of California at Los Angeles (UCLA) are currently evaluating SACPA results.

SACPA changed state sentencing laws, effective July 1, 2001, to require adult offenders convicted of nonviolent drug possession to be sentenced to probation and drug treatment instead of prison, jail or probation without treatment. The Act excludes offenders who refuse treatment or who are found by the courts to be "unamenable to treatment." The Act further requires that parolees with no history of violent convictions who commit a non-violent drug offense or violate a drug-related condition of parole be required to complete drug treatment in the community, rather than being returned to state prison.

According to UCLA's November 2004 evaluation of SACPA, in 2002-03, 50,335 clients were referred to the system and 35,947 (71%) received treatment. This "show rate" compares favorably with show rates in other studies of drug users referred to treatment by criminal justice. The UCLA findings include:

- Most SACPA clients (90%) were on probation. The remaining 10% were parolees.
- SACPA clients had long histories of drug use and half were experiencing treatment for the first time. Methamphetamine was the primary drug used by 53% of SACPA clients.
- Most SACPA clients (86%) were placed in outpatient drug-free programs, and 10% were placed in long-term residential programs. However, many clients had drug problems severe enough to suggest a need for residential treatment.
- Of those clients who agreed to participate in the first year, 34% were tracked to completion. Of the total clients referred (clients entering treatment as well as

those who dropped), the completion rate is 24%. SACPA treatment performance rates are typical for drug users referred to treatment.

- Success in treatment was particularly difficult for those with heroin addiction. Few heroin users (12.7%) were treated with methadone detoxification or maintenance programs, despite the proven effectiveness of those programs.

SACPA appropriated \$60 million for 2000-01 and \$120 million annually from 2001-02 through 2005-06. Of total expenditures in 2003-04, counties spent 76% on treatment and related services, and 24% on court, probation, and other criminal justice activities. In 2003-04, \$8.6 million in federal funds were available for drug testing. Counties spent 62% of this funding on SACPA drug testing and the remaining funds on other allowable federal activities.

**Total County Funds Available/County Expenditures FY 2000-01 - FY 2005-06**

A	B	C	D	E	F*	G*
	Amount Allocated to Counties	Carryover Funds from Previous Year	Total Funds Available	Total Expenditures	Percentage Expended of Total Funds Available	Percentage Expended of Total Allocation
FY 2000/01	\$58,800,000	Not applicable	\$58,800,000	\$7,177,107	12.2%	12.2%
FY 2001/02	\$117,022,956	\$54,241,609	\$171,264,565	\$92,783,434	54.2%	79.3%
FY 2002/03	\$117,022,956	\$85,971,954	\$202,994,910	\$136,392,288	67.2%	116.6%
FY 2003/04	\$117,022,956	\$66,893,352	\$184,916,308	\$143,211,902	77.4%	122.4%
FY 2004/05	\$116,594,956	\$52,936,422	\$169,531,378	\$150,372,498	88.7%	129.0%
FY 2005/06	\$116,594,956	\$42,446,151	\$159,041,107	\$157,891,122	99.3%	135.4%

\*Columns F and G: Counties can expend more than their annual allocation by using carryover funds from previous fiscal years.

Notes:

(1) The data source for 2000-01 through 2002-03 is the SACPA Annual Financial Status Report/SACPA Reporting Information System.

(2) The figures for 2003-04 through 2005-06 are projections using five percent annual increase through 2005-06. The five percent is based on past history and then applied to future year projections.

Most counties have maintained reserves from previous fiscal years, especially the start-up period before July 1, 2001. Counties have used carryover funds to expend more than their annual allocations (see table above). The department indicates that statewide carryover will be virtually eliminated by the end of 2005-06. The department is drafting regulations to ensure that funds beyond those needed as a prudent reserve are moved to counties that need additional funding.

### HOW EFFECTIVE HAS PROPOSITION 36 BEEN?

The UCLA Integrated Substance Abuse Programs is conducting a five-year independent evaluation that will measure the fiscal impact and effectiveness of the program. The November 2004 report, summarized above, describes outcomes in 2002-03. An additional report will be provided to the Legislature by early 2006, and

will address whether SACPA leads to overall cost savings, including treatment, criminal justice, and incarceration costs.

**STAFF COMMENT:**

No action is needed in the budget this year for Proposition 36. Funding for the program is continuously appropriated until next budget year, fiscal year 2006-2007. There are several bills going through policy committees that are attempting to address the future of Proposition 36 after the funding guarantee ends. If these bills are not enacted, the future of Proposition 36 may be determined in next year's budget process.

Department of Alcohol and Drug Programs reported that the actual expenditures for fiscal year 2003-2004 have been reported and they are lower than the amount noted in the chart in the background section of this agenda. However, the Department was not able to provide the updated figures to staff in time to update the chart before this agenda was published.

**ISSUE 5: DEPENDANCY DRUG COURTS**

The Subcommittee will consider the future of Dependency Drug Courts.

**BACKGROUND:**

The Governor's budget proposes Trailer Bill Language to extend the sunset date for the Comprehensive Drug Court Implementation (CDCI) Act of 1999 from January 1, 2006 to January 1, 2007. A report on the CDCI outcomes was due to the Legislature on March 1, 2005.

Also, the Budget Act of 2004 also provided \$1.8 million in federal funding to expand dependency drug courts, and required the Department of Alcohol and Drug Programs, with input from Department of Social Services, to measure program outcomes and cost-effectiveness of dependency drug courts, including the amount of Foster Care savings realized. The Governor's Budget proposes a 2.6 percent increase for Foster Care, for a total of \$1.6 billion to care for 74,000 children.

The first drug court in California began in Oakland in 1993. As a result of the significant increase in drug-related crime, Drug Courts expanded in the 1990's. The Drug Court Partnership Act of 1998 appropriated \$4 million for competitive grants to counties to expand drug courts, and required periodic reporting to demonstrate the cost-effectiveness of the grants. The CDCI Act of 1999 expanded drug courts to include juvenile drug courts, dependency drug courts, family drug courts, and increased capacity in existing adult drug courts. The CDCI was originally due to sunset on January 1, 2005, but was amended in 2003 to sunset on January 1, 2006.

Drug Courts use a team approach that emphasizes sobriety and accountability. They integrate drug treatment with other rehabilitation services, conduct frequent drug testing, and provide intensive judicial supervision that deals promptly with relapses of drug use and its consequences. Judges may modify program services and exercise enforcement options, including jail sentences and other sanctions, to assure client compliance. Drug courts are diverse and serve different populations. There are over 150 drug courts for adult and juvenile offenders in 50 counties in California.

- **Adult Drug Court Results:** In the March 2004 Interim report on the CDCI, the DADP reported that adult drug court participants who completed the CDCI program averted a total of \$34.2 million in prison costs, compared to \$22.3 million in drug court expenditures. The ratio of prison costs avoided to drug court costs is 1.53 to 1.
- **Dependency Drug Courts:** These drug courts work to reduce foster care costs and increase permanency for children by providing substance abuse treatment to parents who are involved in dependency court cases. Failure to comply with a court-ordered plan could result in termination or limitation of parental rights and placing the child or children in foster care.
- **Dependency Drug Court Results:** San Diego, Santa Clara, and Sacramento Counties have well-established dependency drug courts that have demonstrated significant positive results, including: reduced time to

reunification, greater reunification rates, shorter stays in out of home care (including Foster Care), and greater participation in substance abuse treatment. Many studies have found that for one-third to two-thirds of children involved with the child welfare system, parental substance abuse is a contributing problem.

The Budget Act of 2004 included \$1.8 million federal funds to expand dependency drug courts, as well as trailer bill language as follows: "The department [DADP], in collaboration with the Judicial Council and with input from the State Department of Social Services, shall adopt appropriate data collection and reporting requirements to measure program outcomes and cost-effectiveness, including the amount of foster care savings realized." (Health and Safety Code Section 11970.2 (b) (4))

The Governor's budget proposes trailer bill language to extend the sunset of CDCI from January 1, 2006 to January 1, 2007. Current statute requires the Department of Alcohol and Drug Programs to present a report on the effectiveness of the CDCI by March 1, 2005.

**LAO RECOMMENDATION:**

The LAO has made the following recommendation:

Based on these considerations, we recommend that \$1.8 million in funding be budgeted for the Dependency Drug Court (DDC) program for 2005-06 instead of the proposed funding level of \$900,000. This would have the effect of continuing the program expansion at the present level rather than requiring a reduction and phase-out of the program expansion in the middle of 2005-06. We recommend that this result be accomplished through shifts in the proposed use of certain federal funds and General Fund resources. Under our approach, this higher level of funding could be provided to Department of Alcohol and Drug Programs to continue the DDC program expansion without an overall state augmentation of General Fund resources. Specifically, we recommend that you:

- Augment Department of Alcohol and Drug Programs Item 4200-101-0001 by \$1.8 million and reduce reimbursements in Item 4200-101-0001 by \$900,000.
- Reduce Department of Social Services Item 5180-151-0001 by \$1.8 million.

**STAFF COMMENT:**

Dependency Drug Courts have considerable overlap with the Child Welfare System. The Subcommittee may wish to consider future funding of these programs when it revisits some of the Child Welfare issues during the May Revision.

**ISSUE 6: OFFICE OF PROBLEM GAMBLING**

The Subcommittee will discuss language translation services at the Office of Problem Gambling.

**BACKGROUND:**

The Office of Problem Gambling (OPG) was established in August 2003 to reduce the prevalence of problem and pathological gambling. The first priority of the OPG is to develop a statewide plan for a problem gambling prevention program that includes:

- A toll-free telephone service for immediate crises management and containment.
- Public awareness campaigns.
- Empirically driven research programs.
- Training of health care professionals and educators, and training for law enforcement agencies and nonprofit organizations.
- Training of gambling industry personnel in identifying customers at risk for problem and pathological gambling and knowledge of referral and treatment services.

Implementation of the OPG continues to be delayed. The OPG is funded by \$3.0 million from the Indian Gaming Special Distribution Fund in each of the current and budget years. This funding supports three OPG positions, as well as a contract for a situational assessment available later this year, a resource website, and activities for California Problem Gambling Awareness Week.

Department of Alcohol and Drug Program reports that about \$200,000 of funding will not be spent in the current year.

The California Commission on Asian and Pacific Islander American Affairs reports that it is attempting to have literature that addresses problem gambling translated into widely spoken Asian languages. The Commission believes that unspent current year funding at the OPG could be used for this one-time purpose.

**STAFF COMMENT:**

The Subcommittee could re-appropriate funding to allow the unspent OPG funds to be used for creation of culturally-competent literature on program gambling.

**ISSUE 7: DRUG MEDI-CAL RATES**

The Subcommittee will consider the proposed freeze of Drug Medi-Cal rates.

**BACKGROUND:**

Drug Medi-Cal providers have requested a 5.0 percent rate increase for 2005-06 (\$3.7 million General Fund), due to increased costs in recent years associated with the statewide nursing shortage and increased accreditation costs. The Budget Act of 2004 reduced Drug Medi-Cal provider rates to 2002-03 levels during 2004-05. The budget proposes to maintain rates at the 2002-03 level in 2005-06, and provides \$118.9 million (\$62.8 million General Fund) for the Drug Medi-Cal program. This represents a 6.5 percent increase, due to a net caseload increase of 7.7 percent.

The department indicates that at an average cost of \$11 to \$13 per day, methadone maintenance treatment in particular is a cost-effective alternative to incarceration or hospitalization.

Approximately 70,000 Californians are anticipated to receive substance abuse treatment through Drug Medi-Cal in 2005-06. Treatment is provided through four modalities:

- **Narcotics Treatment Program (NTP)** provides narcotic replacement drugs (including methadone), treatment planning, body specimen screening, substance abuse related physician and nurse services, counseling, physical examinations, lab tests and medication services to person who are opiate addicted and have substance abuse diagnosis. The program does not provide detoxification treatment. NTP providers are the primary Drug Medi-Cal providers.
- **Day Care Rehabilitative** provides specific outpatient counseling and rehabilitation services to persons with substance abuse diagnosis who are pregnant, in the postpartum period, and/or are youth eligible for Early and Periodic Screening, Diagnosis and Treatment.
- **Outpatient Drug Free** provides admission, physical examinations, medical direction, medication services, treatment and discharge planning, body specimen screening, limited counseling, and collateral services to stabilize and rehabilitate persons with a substance abuse diagnosis.
- **Perinatal Substance Abuse Services** is a non-institutional, non-medical residential program that provides certain rehabilitation services to pregnant and postpartum women with a substance abuse diagnosis.

**STAFF COMMENT:**

The proposed freeze in rates could result in the closure of some facilities that provide Drug Medi-Cal services, like methadone treatment.

**ISSUE 8: QUALITY IMPROVEMENT ASSESSMENT FEES**

The Subcommittee will discuss Quality Improvement Assessment Fees (QIAF).

**BACKGROUND:**

The Budget Act of 2004 included budget bill language to require the Department of Alcohol and Drug Programs to report to the Legislature by January 10, 2005 on the feasibility of a QIAF for methadone clinics. If approved by the federal government, a QIAF would allow a fee to be assessed on clinics, and the fee revenue used to draw down additional federal funds.

The Legislature previously approved the establishment of QIAFs for other Medi-Cal providers, including intermediate care facilities for the developmentally disabled (ICF-DDs), Medi-Cal managed care plans, and skilled nursing facilities (SNFs). The QIAF for ICF-DDs has been fully implemented, but the Department of Health Services is still in the process of implementing the fee for other types of facilities. The federal budget proposed by the President in February would reduce the amount of the fee that may be assessed on facilities, but the option would not be fully eliminated.

The Department of Alcohol and Drug Program reports concluded that a QIAF would not work for Drug Medi-Cal. However, the report only cited discussions with Department of Health Services as the sole basis for this opinion. It is unclear whether Department of Health Services actually talked to the federal government about the possibility of a fee or if it was solely their own analysis.

**STAFF COMMENT:**

It is unlikely that a QIAF could be adopted this year, but further investigation is warranted for future budget years.