

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

Assemblymember Hector De La Torre, Chair

**TUESDAY, MAY 23, 2006, UPON CALL OF THE CHAIR
STATE CAPITOL, ROOM 4202**

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ITEMS FOR CONSENT

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

CONSENT ISSUE #1: MAY REVISION CASELOAD ADJUSTMENTS

The May Revision contains several caseload adjustments to the January Budget.

BACKGROUND

The May Revision proposes a reduction of \$106,650,000 (\$12,749,000 General Fund, \$103,428,000 Federal Trust Fund, and \$30,000 Child Support Collections Recovery Fund, and an increase of \$9,506,000 Reimbursements and \$51,000 Emergency Food Assistance Fund), due to the impact of caseload changes since the Governor's Budget, as displayed in the following table:

Program	Item	Change Since Governor's Budget
CalWORKs	5180-101-0001	\$1,342,000
	5180-101-0890	-\$104,652,000
	5180-601-0995	-\$266,000
Foster Care	5180-101-0001	-\$7,771,000
	5180-101-0890	-\$9,334,000
	5180-101-8004	-\$30,000
	5180-141-0001	\$315,000
	5180-141-0890	\$171,000
Adoption Assistance Program	5180-101-0001	\$2,971,000
	5180-101-0890	\$2,646,000
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	5180-111-0001	-\$21,881,000
In-Home Supportive Services (IHSS)	5180-111-0001	\$3,817,000
	5180-611-0995	\$10,305,000
Child Welfare Services (CWS)	5180-151-0001	-\$1,981,000
	5180-151-0890	\$1,294,000
	5180-651-0995	-\$144,000
Other Assistance Payments	5180-101-0001	\$2,115,000
	5180-101-0122	\$51,000
	5180-101-0890	\$233,000

County Administration and Automation Projects	5180-141-0001	\$5,651,000
	5180-141-0890	\$7,039,000
	5180-641-0995	-\$404,000
Remaining DSS Programs	5180-151-0001	\$2,673,000
	5180-151-0890	-\$825,000
	5180-651-0995	\$15,000

SENATE ACTION

The Senate adopted \$1.7 million General Fund savings in Adoptions Assistance Program due to revised caseload estimate identified by the LAO.

STAFF COMMENT

These adjustments reflect changes in the caseload since January, which are always included in the May Revision.

An additional caseload adjustment to CalWORKs caseload will be discussed later in the agenda.

CONSENT ACTION

Adopt May Revision Letter and conform to Senate on the \$1.7 million General Fund AAP savings.

CONSENT ISSUE #2: MARIN COUNTY FAMILY CHILD CARE LICENSING TRANSFER

The May Revision reflects the transfer of Family Child Care Licensing in Marin from the County to the State.

BACKGROUND

The May Revision includes an increase of \$108,000 General Fund and 1.5 permanent positions to manage the workload associated with the transfer of the Family Child Care Home (FCCH) licensing caseload from Marin County to the state effective July 1, 2006. A decrease of \$104,000 General Fund is requested to reflect the transfer of the FCCH licensing caseload from Marin County to the state effective July 1, 2006.

DSS May Revision Issues 326, 086

STAFF COMMENT

This request is consistent with statutory mandates that require the state to perform licensing oversight and facilities evaluation functions in the event counties fail to perform these activities.

CONSENT ACTION

Adopt May Revision Letters.

CONSENT ISSUE #3: STATE PLAN AMENDMENT FOR IHSS RESIDUAL

The May Revision contains funding for IHSS Waiver guidelines.

BACKGROUND

An increase of \$1,618,000 (\$681,000 General Fund and \$937,000 Reimbursements) is requested to implement recent federal direction resulting from the ongoing development of Waiver guidelines. As a condition of the Waiver, the federal government requires the collection of emergency contact and backup plan information from IHSS recipients, which will result in increased IHSS administration costs.

Issue 205

STAFF COMMENT

None.

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #4: TYLER V. ANDERSON

The May Revision includes funding to complete the settlement of the Tyler v. Anderson case.

BACKGROUND

The May Revision includes an increase of \$291,000 General Fund is requested to reflect the shifting of funding from 2005-06 for *Tyler v. Anderson* settlement costs. Due to a delay, the majority of outstanding settlement payments is expected to be made in 2006-07.

Issue 204

STAFF COMMENT

The Department believes that the last of the expenditures for this court case will occur in the Budget Year.

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #5: REAPPROPRIATION AUTHORITY FOR WELFARE FRAUD RECOVERY INCENTIVES

The May Revision proposes to reappropriate Welfare Fraud Recovery Incentives.

BACKGROUND

The May Revision proposes to add section 5180-493 to the Budget Bill to authorize the reappropriation of unspent fraud recovery incentive funds previously allocated to counties in 2000-01 and 2001-02. The reappropriation is necessary to ensure that the funds provided to counties pursuant to Welfare and Institutions Code Section 11486(j) continue to be available for expenditure.

Issue 493

PROPOSED BUDGET BILL LANGUAGE:

The following language is proposed:

5180-493—Reappropriation, Department of Social Services.

Notwithstanding any other provision of law, the balance of the appropriations provided for in the following citations are reappropriated for encumbrance or expenditure pursuant to Provision 1 and shall be available until June 30, 2007:

0890—Federal Trust Fund

- (1) Item 5180-101-0890, Budget Act of 2000 (Ch. 52, Stats. 2000)
- (2) Item 5180-101-0890, Budget Act of 2001 (Ch. 106, Stats. 2001)

Provisions:

- 1. Funds for fraud recovery incentive payments earned by counties in accordance with Welfare and Institutions Code Section 11486(j), but unexpended as of June 30, 2006, shall be reappropriated for transfer to and in augmentation of Item 5180-101-0890 of this act.

STAFF COMMENT

None.

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #6: BACKFILL CWS PROGRAM IMPROVEMENT COSTS

The May Revision backfills the costs of certain PIP and CWS Program Improvement Project activities that are ineligible for federal Title IV-E funding.

BACKGROUND

The May Revisions includes an increase of \$3,497,000 General Fund and a corresponding decrease of \$3,497,000 Federal Trust Fund to backfill the costs of certain PIP and CWS Program Improvement Project activities that are ineligible for federal Title IV-E funding. This request would proactively address the appropriate claiming of federal funds for only those activities that are eligible for Title IV-E funding and likely would avoid future federal disallowances for these costs.

Issue 316

STAFF COMMENT:

None.

CONSENT ACTION:

Adopt May Revision Letter.

CONSENT ISSUE #7: BACKFILL FOR CWS TRAINING

The May Revision backfills the reduction of federal Title IV-E funds for certain social worker training activities that do not qualify for enhanced federal financial participation.

BACKGROUND

A net increase of \$1,818,000 (an increase of \$1,924,000 General Fund and a decrease of \$106,000 Federal Trust Fund) is requested to backfill the reduction of federal Title IV-E funds for certain social worker training activities that do not qualify for enhanced federal financial participation. The federal Administration for Children and Families has recently determined that certain child welfare training costs are not eligible for Title IV-E funding at the 75 percent rate and only qualify for the Title IV-E administrative rate of 50 percent.

Issue 308

STAFF COMMENT

None.

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #8: CWS CASE MANAGEMENT COSTS

The May Revision backfills the loss of federal Title IV-E funds for CWS case management activities that are no longer eligible under the federal Deficit Reduction Act of 2005.

BACKGROUND

A net decrease of \$84,000 (an increase of \$195,000 General Fund and a decrease of \$279,000 Federal Trust Fund) is requested to backfill the loss of federal Title IV-E funds for CWS case management activities that are no longer eligible under the federal Deficit Reduction Act of 2005.

Issue 306

STAFF COMMENT

None.

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #9: ROSALES V. THOMPSON

The May Revision reflects the effect of the federal Deficit Reduction Act of 2005 on the Rosales V. Thompson case.

BACKGROUND

The May Revision includes a decrease of \$20,000 (\$8,000 General Fund and \$12,000 Federal Trust Fund) to reflect lower foster care administration due to the revised caseload projection as a result of the *Rosales v. Thompson* court decision and the assumed impact of the federal Deficit Reduction Act of 2005. An additional decrease of \$1,878,000 (\$1,151,000 General Fund and \$727,000 Federal Trust Fund) is requested to reflect a larger shift from state-only to federal foster care and a lower number of cases that shifted from CalWORKs to federal foster care as a result of the *Rosales v. Thompson* court decision and the assumed impact of the federal Deficit Reduction Act of 2005 on this court ruling. The decrease in Foster Care assistance payments is expected to more than offset the increased CalWORKs grant costs.

Issue 135, 255

STAFF COMMENT

None.

CONSENT ACTION

Adopt May Revision Letters.

CONSENT ISSUE #10: LEGACY SYSTEMS SAVINGS

The May Revision reflects changes to costs for Legacy automation systems.

BACKGROUND

The May Revision requests a decrease of \$425,000 (\$175,000 General Fund and \$250,000 Federal Trust Fund) to reflect increased legacy systems savings for the Foster Care and Food Stamp programs due to an updated cost allocation plan. An increase of \$2,312,000 Federal Trust Fund is requested to reflect decreased legacy systems savings for the CalWORKs program due to an updated cost allocation plan. This decrease in savings is offset by increased legacy systems savings in the Foster Care, Food Stamp, and Medi-Cal programs.

Issue 137, 251

STAFF COMMENT

None.

CONSENT ACTION

Adopt May Revision Letters.

CONSENT ISSUE #11: INTERIM STATEWIDE AUTOMATED WELFARE SYSTEM MIGRATION

The May Revision reflects reduced legal costs associated with the Interim Statewide Automated Welfare System Migration project.

BACKGROUND

The May Revision includes a decrease of \$238,000 (\$90,000 General Fund, \$69,000 Federal Trust Fund, and \$79,000 Reimbursements) is requested due to reduced legal costs associated with the Interim Statewide Automated Welfare System Migration project.

Issue 272

STAFF COMMENT

None.

CONSENT ACTION

Adopt May Revision Letter.

**CONSENT ISSUE #12: FOOD STAMP STANDARD UTILITY ALLOWANCE
ADJUSTMENT**

The May Revision includes an adjustment to the California Food Assistance Program due to a mid-year change to the Standardized Utility Allowance.

BACKGROUND

The May Revision proposes an increase of \$129,000 General Fund to reflect the impact to the California Food Assistance Program (CFAP) due to mid-year adjustment of the Standard Utility Allowance (SUA). This adjustment will increase benefits to which Food Stamp and CFAP recipients are entitled. The increased CFAP costs are expected to be more than offset by the increased revenue generated by the subsequent increase in recipients' purchases of taxable goods. This proposal would adjust the SUA two months prior to when this adjustment would normally occur pursuant to state regulations.

Issue 190

PROPOSED BUDGET BILL LANGUAGE:

Add the following provision to Item 5180-101-0001:

8. The Department of Finance is authorized to approve expenditures for the California Food Assistance Program in those amounts made necessary by changes in the Food Stamp Program Standard Utility Allowance, including those that result from mid-year Standard Utility Allowance adjustments requested by the state. If the Department of Finance determines that the estimate of expenditures will exceed the expenditures authorized for this item, the department shall so report to the Legislature. At the time the report is made, the amount of the limitation shall be increased by the amount of the excess unless and until otherwise provided by law.

STAFF COMMENT

This change is consistent with actions taken by this Subcommittee in prior years to increase the Food Stamp Benefits. Food Stamps are 100 percent federal benefit, with the exception of the small CFAP program.

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #13: FEDERAL BUDGET IMPACT ON SSI/SSP

The May Revision reflects General Fund savings from federal changes to the SSI/SSP program.

BACKGROUND

The May Revision includes a decrease of \$20,865,000 General Fund to reflect the impact of the federal Deficit Reduction Act of 2005 on the SSI/SSP program. The federal government will perform more frequent eligibility redeterminations, which will result in modest ongoing General Fund savings, and make retroactive benefit payments quarterly rather than as a single lump-sum, which will result in significant one-time General Fund savings.

Issue 201

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #14: CONLAN V. SHEWRY

The May Revision includes budget bill language that would allow for fund transfers.

BACKGROUND

The May Revision includes an increase of \$990,000 (\$495,000 General Fund) and establishment of 0.5 one-year limited-term positions to comply with the pending *Conlan v. Shewry* court decision that is expected to require the DSS to provide notification for retroactive reimbursement payments for Medi-Cal services received and paid for by certain In-Home Supportive Services (IHSS) recipients.

It is requested that Budget Bill provisional language be added to Item 5180-111-0001 to allow the transfer of funding to state operations for the appropriate level of resources to manage actual workload that materializes from the final *Conlan v. Shewry* court order. Proposed language is included for this purpose in Attachment I. Refer to Item 5180-001-0001, Issue 035 for a related state operations component.

PROPOSED LANGUAGE***Conlan v. Shewry***

Add the following provision to Item 5180-111-0001:

4. *The Director of Finance may authorize the transfer of amounts from this item to Item 5180-001-0001 in order to fund increased costs due to workload associated with the retroactive reimbursement of Medi-Cal services for the IHSS program to comply with the Conlan v. Shewry court decision.*

SENATE ACTION:

The Senate took the following action on this issue:

- Approve \$990,000 (\$495,000 General Fund) and establishment of 0.5 one-year limited-term positions to comply with the pending *Conlan v. Shewry* court decision.
- Approve BBL to allow transfer of funding to state operations, but amend the language to require Legislative notification.
- In addition, adopt BBL to require an estimate of the county impact of *Conlan* by October 1, 2006, and the provision of additional funding to counties to reflect increased workload

CONSENT ACTION

Conform to Senate.

CONSENT ISSUE #15: PROVISIONAL TRANSFER LANGUAGE

The May Revision includes budget bill language that would allow for fund transfers.

BACKGROUND

The May Revision proposes that Budget Bill provisional language be added to Item 5180-111-0001 to authorize the transfer of funds to state operations for administrative hearing costs in the SSI/SSP and IHSS programs. This language would be consistent with existing provisional language for the administrative hearing process in the CalWORKs program.

Issue 035, 207, 208

PROPOSED LANGUAGE

Administrative Hearings for IHSS

Add the following provision to Item 5180-111-0001:

5. *The Director of Finance may authorize the transfer of amounts from this item to Item 5180-001-0001 in order to fund the cost of the administrative hearing process associated with changes in aid or service payments in the IHSS Programs.*

SENATE ACTION

The Senate adopted amended provisional language to add Legislative notification.

CONSENT ACTION

Conform to Senate.

ITEM 0530 HEALTH AND HUMAN SERVICES AGENCY
ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**CONSENT ISSUE #16: CMIPS II, CMIPS AND CWS/CMS**

The May Revision includes several changes to the CMIPS II project.

BACKGROUND

The May Revision proposes several changes to automation projects:

1. An increase of \$722,000 (\$447,000 General Fund) for Case Management Information and Payrolling System (CMIPS) enhancement activities associated with the federal IHSS Waiver and the IHSS Quality Assurance (QA) Initiative. This augmentation is a shift from 2005-06 funding due to a delay in completion of CMIPS enhancements.
2. A decrease of \$2,169,000 (\$699,000 General Fund) to adjust funding for various DSS information technology projects due to the removal of a price increase.
3. Reappropriation from 2005-06 to 2006-07 of unspent Independent Verification & Validation contract funding due to delayed CMIPS II procurement activities
4. Redirection of \$1 million to support the continuation of 12 PYs that would have expired this year. Of that amount, 6 PYs will be permanent and 6 PYs will be extended one year. The positions will continue to work on the CMIPS II project design and procurement.
5. A decrease of \$4.9 million in expenditure authority for OSI to remove a price adjustment for OSI that is not necessary due to the nature of OSI's contracting.

Issue 202, 273, 323, 206, 207, 006, 500

CONSENT ACTION

Approve as budgeted.

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES**CONSENT ISSUE #17: CHILD SUPPORT PROGRAM BASIC FEDERAL INCENTIVES**

The May Revision reflects lower than anticipated Child Support Program Basic Federal Incentives.

BACKGROUND

The May Revision includes an increase of \$3,945,000 General Fund and a decrease of federal funding by the same amount to reflect lower than anticipated Child Support Program Basic Federal Incentives. The Governor's Budget assumed the receipt of \$49,192,000 in federal child support incentives for local administration in 2006-07. Based on federal fiscal year 2004 performance data, the state anticipates receiving \$3,945,000, or 8 percent, less in federal incentives. In order to maintain funding for local child support agencies at the level proposed in the Governor's Budget, an additional \$3,945,000 General Fund is required.

Issue 100

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #18: COLLECTION ENHANCEMENT PROGRAMS FEDERAL INCENTIVES

The May Revision reflects reflect lower than anticipated federal incentives for the Collection Enhancement programs.

BACKGROUND

The May Revision requests that Item 5175-101-0001 be increased by \$452,000 and Item 5175-101-0890 be decreased by the same amount to reflect lower than anticipated federal incentives for the Collection Enhancement programs. The Governor's Budget assumed receipt of \$1,850,000 in federal incentives for Collection Enhancement programs in 2006-07. The state anticipates receiving \$452,000, or 24 percent, less in federal incentives for the Collection Enhancement programs. In order to maintain administrative expenditures for the Collection Enhancement programs at the level proposed in the Governor's Budget, an additional \$452,000 General Fund is required.

Issue 102

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #19: CREDIT CARD FEES FOR NON-CUSTODIAL PARENTS

The May Revision contains a description of a new DCSS policy to pay the credit card fees for non-custodial parents who choose to make their child support payments using a credit card.

BACKGROUND

The May Revision include a description of a new DCSS policy to pay the credit card fees for non-custodial parents who choose to make their child support payments using a credit card. The DCSS estimates the cost for paying the fees could range from \$475,000 to \$887,000, with a state share of approximately \$150,000 to \$300,000 General Fund. No additional funding is requested for this proposal as the anticipated transaction and other savings from the proposal will offset the state's cost. There is no specific budget action required to implement this proposal.

Issue 107

STAFF COMMENT

There is no specific budget action required to implement this proposal. However it responds to Subcommittee discussions regarding how to make the program more customer friendly.

CONSENT ACTION

No action needed.

CONSENT ISSUE #20: FEDERAL TRUST FUND AND CHILD SUPPORT RECOVERY FUND FLEXIBILITY BUDGET BILL LANGUAGE

The May Revision proposes to remove legislative notification language from a provision that allows Finance to change the level of appropriation for the Federal Trust Fund and the Child Support Recovery Fund.

BACKGROUND

The May Revision proposes Budget Bill language to allow collection revenue related adjustments to be made to the expenditure authority of the Federal Trust Fund local assistance item and CSRFB upon approval of the Department of Finance. The 2005 Budget Act contains provisional language to allow the DCSS to request an increase or decrease in Federal Trust Fund and CSRFB authority based on its most current estimate of federal child support collections pursuant to the provisions of Section 28.00 and subject to 30-day legislative notification. Since these changes are technical in nature, it is proposed to make these adjustments subject to Department of Finance approval only.

Issue 112

**PROPOSED BUDGET BILL
LANGUAGE****Amend Provision 3 of Item 5175-101-0890, to read:**

Provision 3. ~~Notwithstanding Section 28.00 of this Act or any other provision of law,~~ Upon request of the Department of Child Support Services, the Department of Finance may increase or decrease the expenditure authority in this item ~~pursuant to the provisions of Section 28.00 of this act~~ to offset any increases or decreases in collections deposited in the Child Support Collections Recovery Fund and appropriated in Item 5175-101-8004.

Amend Provision 1 of Item 5175-101-8004, to read:

Provision 1. Notwithstanding any other provision of law, upon request by the Department of Child Support Services, the Director of Finance may increase or decrease this appropriation, for the purposes of Section 17702.5 of the Family Code, ~~not sooner than 30 days after notification in writing of the necessity thereof is provided to the Chairperson of the Joint Legislative Budget Committee and the chairperson of the committee in each house of the Legislature that considers appropriations, or not sooner than whatever lesser time as the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine.~~ Adjustments to expenditure authority shall be consistent with those made pursuant to Provision 3 of Item 5175-101-0890.

SENATE ACTION

The Senate amended the proposed language to require Legislative notification concurrent with adjustments to funding authority.

STAFF COMMENT

None.

CONSENT ACTION

Conform to Senate.

CONSENT ISSUE #21: FEDERAL TRUST FUND AND CHILD SUPPORT RECOVERY FUND ADJUSTMENT

The May Revision transfers the federal portion of Child Support Assistance Collections (collections that reimburse the government the costs of providing public assistance) into a separate account called the Child Support Recovery Fund (CSRF).

BACKGROUND

The May Revision transfers the federal portion of Child Support Assistance Collections (collections that reimburse the government the costs of providing public assistance) into a separate account called the Child Support Recovery Fund (CSRF). The DCSS must first use the federal child support collections for administrative program costs before drawing down Federal Trust Fund. Based upon most recent collections estimates, federal collections transferred to the CSRF will increase by \$3,663,000 in 2006-07, reducing the need of Federal Trust Fund expenditure authority by the same amount.

Issue 111

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #22: TECHNICAL ADJUSTMENT: CALIFORNIA CHILD SUPPORT AUTOMATION SYSTEM

The May Revision includes a decrease of \$454,000 for a technical adjustment to align the DCSS budget for the CCSAS-Child Support Enforcement (CSE) component.

BACKGROUND

The May Revision includes a decrease of \$454,000 to reflect a technical adjustment to align the DCSS budget for the CCSAS-Child Support Enforcement (CSE) component with the costs stated in CSE Special Project Report #6 and that

Item 5175-101-0001 be amended to reflect this change. There is a corresponding technical adjustment in the FTB budget.

Issue 108

CONSENT ACTION

Adopt May Revision Letter.

ITEM 4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS**CONSENT ISSUE #23: CONLAN IMPLEMENTATION**

The May Revision includes funding in DAPD's budget for the Conlan lawsuit.

BACKGROUND

The Conlan lawsuits resulted in a determination that Medi-Cal providers are required to promptly reimburse a beneficiary prior to billing Medi-Cal. If the provider does not promptly reimburse the beneficiary, the state now is required to directly reimburse a beneficiary. Further, the state will be obligated to pay beneficiaries retroactively for out-of-pocket expenses incurred on or after June 1997.

It therefore is requested that Item 4200-001-0001 be increased by \$172,000 and Reimbursements be increased by \$172,000, Item 4200-102-0001 be increased by \$283,000 and Reimbursements be increased by \$283,000, and that Item 4200-103-0001 be increased by \$2,199,000 and Reimbursements be increased by \$2,199,000. These changes are necessary to provide the resources to process and pay retroactive beneficiary reimbursement claims related to the anticipated settlement of the Conlan lawsuits.

Issue 025, 051

CONSENT ACTION

Adopt May Revision Letters.

CONSENT ISSUE #24: REGULAR DRUG MEDI-CAL AND PERINATAL DRUG MEDI-CAL ESTIMATES

The May Revision adjusts the estimates for Drug Medi-Cal caseloads.

BACKGROUND

The May Revision reflects updated Regular Drug Medi-Cal and Perinatal Drug Medi-Cal Estimates. It is requested that Item 4200-103-0001 be increased by \$3,590,000 and Reimbursements be increased by \$2,836,000 to reflect revised caseload and utilization estimates. Excluding the impact of the Conlan lawsuit, the Regular Drug Medi-Cal population is projected to be 188,461 in 2006-07, an increase of 6,702, or 3.7 percent, from the January Governor's Budget. In addition to caseload adjustments, the May Revision Estimate projects a net increase in average units of

service for the program. These increases are a result of expanded treatment capacity and an increase in the number of substance abuse treatment and recovery providers over the last several years.

It is further requested that Item 4200-102-0001 be increased by \$603,000 and Reimbursements be increased by \$605,000 to reflect revised caseload estimates for the Perinatal Drug Medi-Cal population. This change reflects an increase in caseload and a net increase in average units of service. The requested increase also includes \$566,000 for beneficiary reimbursements related to the Conlan lawsuits. Caseload is projected to be 9,574 in 2006-07, an increase of 1,894, or 24.7 percent, from the January Governor's Budget.

Issue 050

STAFF COMMENT

This May Revision item reflects updated caseload figures.

CONSENT ACTION

Adopt May Revision Letter.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ITEM 6110 CALIFORNIA DEPARTMENT OF EDUCATION****CONSENT ISSUE #25: MAY REVISION ADJUSTMENTS FOR THE TRANSFER TO STAGE 2 CHILD CARE**

The May Revision decreases the amount of TANF Block Grant funding to be transferred to the Department of Education for CalWORKs child care from \$402,518,000 to \$369,120,000.

BACKGROUND

The May Revision includes language in Item 5180-402 be modified to decrease the amount of TANF Block Grant funding to be transferred to the Department of Education for CalWORKs child care from \$402,518,000 to \$369,120,000 due to a decreased cost-per-case projection for Stage 2 child care.

Issue 402

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #26: TRAVEL BUDGET FOR THE ALTERNATIVE PAYMENT MONITORING UNIT

The May Revision augments the travel budget of the Alternative Payment Monitoring Unit (APMU).

BACKGROUND

The May Revision includes a increase of \$175,000 to augment the travel budget of the Alternative Payment Monitoring Unit (APMU). Based upon current-year expenditures, additional funds are necessary in order for the APMU to conduct a field audit of every Alternative Payment Program in the state as required by the annual Budget Act.

Issue 331

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #27: CALWORKS STAGES 2 AND 3 CASELOAD ADJUSTMENTS

The May Revision reduces funding for CalWORKs Stage 2 and increases the funding in Stage 3 child care to reflect a updated caseload estimates.

BACKGROUND

The May Revision updates the caseload estimates for CalWORKs Stage 2 and Stage 3 Child Care. This revised estimate results in the following:

1. A reduction in funding for CalWORKs Stage 2 by a net amount of \$25,854,000, including a \$7,544,000 increase in Proposition 98 General Fund and a reduction of \$33,398,000 in federal funds to reflect revised caseload estimates. This reduction in federal funds will decrease the transfer from Temporary Assistance for Needy Families (TANF). The estimated average monthly caseload for Stage 2 has increased from 79,400 to 81,400. Although estimated costs for Stage 2 have increased by \$3.3 million, the January appropriation for Stage 2 included \$26.3 million for the holdback to the TANF Reserve which should have been excluded from the appropriation. The proposed adjustment would therefore result in a net reduction to the appropriation since the Governor's Budget.
2. It is also requested that funding for CalWORKs Stage 3 be increased by a net amount of \$18,537,000, including a \$7,544,000 reduction in Proposition 98 General Fund and an increase of \$26,081,000 in federal funds to reflect revised caseload estimates. The estimated average monthly caseload for Stage 3 has increased from 53,700 to 59,100.

Issue 323

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #28: REAPPROPRIATION OF FY 03-04 UNSPENT CALWORKS CHILD CARE CARRYOVER

The May Revision proposes to appropriate \$2.4 million in unspent FY 03-04 CalWORKs child care funding.

BACKGROUND

The May Revision includes expenditure authority of \$266,000 and \$2,099,000 be provided for Stage 2 and Stage 3, respectively, from FY 2003-04 CalWORKs Child Care carryover savings. These funds have recently been identified as available. The proposal also includes provisional language to reappropriate these funds.

Issue 330

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #29: REAPPROPRIATION OF FY 04-05 UNSPENT CALWORKS CHILD CARE CARRYOVER

The May Revision proposes to appropriate \$3.1 million in unspent FY 04-05 CalWORKs child care funding.

BACKGROUND

The May Revision includes expenditure authority of \$3.1 million to be provided for Stage 2 and Stage 3, from FY 2004-05 CalWORKs Child Care carryover savings. These funds have recently been identified as available. The proposal also includes provisional language to reappropriate these funds.

Issue 330

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #30: REAPPROPRIATION OF FY 05-06 UNSPENT CALWORKS CHILD CARE CARRYOVER

The May Revision proposes to appropriate \$43 million in unspent FY 05-06 CalWORKs child care funding.

BACKGROUND

The May Revision includes expenditure authority of \$43 million be provided for Stage 3 from FY 05-06 CalWORKs Child Care carryover savings. These funds have recently been identified as available. The proposal also includes provisional language to reappropriate these funds.

Issue 330

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #31: FY 03-04 CALWORKS FEDERAL FUNDING CARRYOVER

The May Revision proposes to appropriate \$4 million in unspent FY 05-06 federal child care funding.

BACKGROUND

The May Revision includes expenditure authority of \$4 million for Stage 2 and Stage 3 to reflect an increase in available funds. The proposal also includes provisional language to reappropriate these funds.

Issue 330

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #32: REDUCTION IN FY 04-05 FEDERAL CARRYOVER

The May Revision reduces the expected FY 04-05 federal child care carryover funding by \$2.5 million.

BACKGROUND

The May Revision reduces the expected FY 04-05 federal child care carryover funding by \$2.5 million. Of these funds, \$739,000 was for support of Stage 2 and \$1,746,000 was for support of Stage 3. These funds will not materialize as originally expected and are offset by other one-time funds and caseload adjustments in the May Revision.

Issue 330

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #33: ONE TIME FEDERAL FUNDS ADJUSTMENT

The May Revision reflects \$34.9 million in addition one-time federal funds.

BACKGROUND

The May Revision includes an increase of \$34,898,000 to reflect an increase in one-time federal funds and to make these funds available for Stage 3 in 2006-07. Furthermore, it is requested that the one-time quality funds be reduced by \$1,000,000 as the required level of quality expenditures using these funds has decreased. It is therefore requested that Item 6110-196-0890 be amended to shift these one-time

funds from support of quality projects to support CalWORKs Stage 3 instead.

Issue 330

CONSENT ACTION

Adopt May Revision Letter.

CONSENT ISSUE #34: CHILD CARE TECHNICAL ISSUES

The May Revision proposes several technical changes to the child care section of the budget bill.

BACKGROUND

The May Revision proposes several technical changes to the child care section of the budget bill. These changes are as follows:

1. Amends the budget bill to reinsert the language referring to the original year of appropriation and the year of reappropriation.
2. Revises the date by which the Department of Education is required to provide CalWORKs data to the Department of Social Services (moves it back from March 15 to March 30th).
3. Deletes Provision 6 (e) from the budget bill, which was language that was included to determine the funding distribution to Alternative Payment agencies during the implementation of CalWORKs.
4. Updates the Standard Reimbursement Rate to reflect the additional "growth" allocated in the May Revision.
5. Changes the Alternative Payment administration rate language.
6. Updates the allocation of quality improvement funding to the new levels required by federal law and to adjust the allowed usages of the one-time quality funds.
7. Adds provisional language to allow funds from the Child Care Facilities Revolving Fund to be used for renovation and repairs of subsidized child care centers.

Issue 329

STAFF COMMENT

The proposed Alternative Payment Program administration language would address

concerns expressed by small providers because it would change the way administration funding is provided. The new language would allow providers to spend up to 20 percent of their contract on administration, which would allow providers to know their administration funding ahead of time.

The Subcommittee took action on May 3 to increase the Standard Reimbursement Rate by redirecting growth funding to the SRR. This May Revision Issue adjusts the Standard Reimbursement Rate without reflecting this change.

CONSENT ACTION

Adopt May Revision Letter, with conforming changes to reflect the Subcommittee's prior action to increase the Standard Reimbursement rate.

ITEMS FOR VOTE ONLY

ITEM 4260 DEPARTMENT OF HEALTH SERVICES

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

VOTE- ONLY ISSUE #1: IHSS FRAUD INVESTIGATION BACKLOG

The Subcommittee will provide staff for IHSS Fraud Investigations.

BACKGROUND

Chapter 229, Statutes of 2004 (SB 1104, Committee on Budget and Fiscal Review) established an IHSS quality assurance initiative designed to improve the accuracy of service needs assessments and program integrity. The initiative included additional funding for state and county staff to implement these changes. With respect to program integrity, Chapter 229 made several changes such as (1) defining the terms "fraud" and "overpayment," (2) expanding DHS's fraud prevention authority to the "residual" program, and (3) establishing state level program integrity functions.

Chapter 229 required counties and DSS to refer all suspected IHSS fraud to DHS for investigation, thereby shifting a county workload to the state. Although other DHS staff may assist with fraud investigations, DHS has only two designated investigators assigned to IHSS fraud. There is currently a backlog of about 1,800 IHSS fraud referrals awaiting investigation at DHS. This backlog may result from DHS's decision to focus its resources on other program areas (such as dentistry) which are perceived to have a greater risk of substantial General Fund loss due to fraud.

CURRENT BACKLOG

According to the Department of Health, the department has a backlog of at least 1,372 cases of suspected IHSS fraud cases. There are currently two staff that investigate these cases at DHS.

There are not many fraud cases identified in IHSS. In the six months between October 1, 2005 and March 31, 2006 only 219 suspected cases were reported. Of those, 116 cases were referred to DHS for investigation for fraud. 167 of the cases were cited for an overpayment action and 18 were cited for an underpayment.

DHS ESTIMATE

At the May 3rd hearing, DSS estimated that it would take nine additional positions to fully address the backlog for IHSS fraud over the next five years.

STAFF COMMENT

Some health experts have noted that DHS investigates very serious Medi-Cal fraud cases that yield hundreds of thousands of dollars of potential fraud per case. In comparison, many IHSS fraud cases can be very small, even under \$1,000 in total potential fraud. These health experts believe that diverting resources from the Medi-Cal fraud investigations to IHSS may not be cost effective for the State.

Although it may take nine positions to fully investigate the backlog, a small increase in staffing could keep the existing backlog from growing.

VOTE-ONLY ACTION

Provide funding and positions authority for four positions to investigate IHSS fraud.

ITEM 4170 DEPARTMENT OF AGING**VOTE-ONLY ISSUE #2: MULTIPURPOSE SENIOR SERVICE PROGRAM**

The Subcommittee will consider a request to increase the MSSP rate.

BACKGROUND

Forty-one MSSP sites provide social and health care management for frail elderly clients who are certifiable for placement in a nursing facility but who choose to live at home with MSSP support. The goal of the program is to prevent or delay premature nursing home placement of these very frail clients. The program has operated under a federal Medicaid 1915 (c) waiver since 1983.

MSSP has had only one small funding increase since its inception in 1983.

PROVIDERS REQUEST RATE INCREASE:

Multipurpose Senior Service Program (MSSP) providers request a \$6 million (\$3 million State General Fund) augmentation to increase the MSSP rate. The providers believe the higher rate will strengthen the capacity of the MSSP program to continue to serve its most impaired elders. According to the providers, this will assure viability of the program until the state's fiscal situation improves and a stable funding formula can be devised.

SENATE ACTION

The Senate approved \$6 million (\$3 million General Fund) additional funding for MSSP. In addition, to align MSSP program management and funding, the Senate consolidated all funding for MSSP in CDA (shift existing MSSP funding in DHS to CDA).

STAFF COMMENT

MSSP is a community-based option designed to provide services to low income individuals at-risk of institutionalization. Many senior advocates believe that the program is a cost effective alternative to other treatment options.

Although MSSP receives Medicaid funding, it has not received rate increase while other Medi-Cal programs have been adjusted.

Last year, the Subcommittee adopted a \$1.5 million General Fund increase to the MSSP rate. This increase was not part of the final budget package.

VOTE-ONLY ACTION

Conform to Senate

ITEM 4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS**VOTE- ONLY ISSUE #3: DRUG MEDI-CAL RATES**

The Subcommittee will consider the Drug Medi-Cal rates.

BACKGROUND

Advocates have asked the Subcommittee to consider a 5.0 percent rate increase for 2006-07 (\$3.7 million General Fund), due to increased costs in recent years associated with the statewide nursing shortage and increased accreditation costs. Full restoration of all Drug Medi-Cal provider rates would cost \$7.4 million General Fund in 2006-07.

Patients served by NTPs are primarily heroin addicts, although some patients become addicted to pharmaceutical opiates because the pain associated with a traumatic injury or chronic illness has been inappropriately medicated by their doctors. Patients who enter treatment are assessed to ascertain their physical condition and their level of tolerance to opiates. All patients are tested for various medical conditions and diseases, including sexually transmitted diseases, and once in the program must comply with regular, random testing to detect illegal drug use. Because many patients have other serious medical conditions or diseases, the NTPs work with primary care clinics, public health agencies and managed health care plans to provide appropriate referrals and coordinate care.

Methadone is a long-acting medication that normalizes the physical condition of addicts so that they do not suffer from withdrawal symptoms. Methadone also reduces craving for opiates. Some patients must come into the clinic for a daily oral dose of methadone and others who demonstrate progress in treatment may have a regimen of unsupervised weekly oral medications. The goal of methadone is to stabilize the patient in order to treat the other psychosocial and medical issues. The department indicates that at an average cost of \$11 to \$13 per day, methadone maintenance treatment is a cost-effective alternative to incarceration or hospitalization.

SENATE ACTION

The Senate adopted Trailer Bill Language to align current statutory fee levels for NTP providers with the current practice.

STAFF COMMENT

The Subcommittee heard testimony regarding the Drug Medi-Cal rate during the November rate hearing and on April 19th.

VOTE-ONLY ACTION

Appropriate \$3.7 million General Fund to increase the NTP Drug Medi-Cal Rate. Adopt Trailer Bill Language to limit Narcotic Treatment Center fee increases to CPI increases.

VOTE-ONLY ISSUE #4: BEST PRACTICES FOR REDUCING METHAMPHETAMINE USE

The Subcommittee will adopt a proposal to reduce the use of methamphetamine.

TREATMENT

DADP reports that methamphetamine has recently surpassed alcohol as the most frequently used substance used by individuals receiving treatment from counties. The State's existing treatment network has seen a dramatic increase in the number of methamphetamine admissions in the last five years. The chart below illustrates the recent trend of admissions rates for primary drug reported:

PREVENTION

Prevention has been shown to both reduce current usage and prevent new individuals from trying methamphetamine.

The State does not have a comprehensive methamphetamine prevention program. DADP is planning to use some materials and television commercials produced by the federal Partnership for a Drug Free America that deal with methamphetamine use, but has not created its own campaign. However, federal efforts do not focus primarily on methamphetamine because of the regional nature of the problem.

Counties receive a set-aside of the SAPT block grant for prevention activities. Some counties have used these funds for media and marketing campaigns regarding methamphetamine use. However, these campaigns are small and have not received a great deal of visibility.

Other states have conducted methamphetamine media campaigns that have received acclaim for being innovative and effective. For example, Montana has a Montana Meth project, which has received acclaim for raising awareness of methamphetamine use among youth aged 13-17.

PREVENTION

At the request of the Subcommittee the Department of Alcohol and Drug Programs has provided an outline of a methamphetamine prevention effort:

Major Elements of a Comprehensive California Methamphetamine Initiative**1. Public Education and Awareness Campaign**

The Public Education and Awareness Campaign would be targeted primarily to:

- Women of childbearing age (18- 35 years of age)
- Asian/Pacific Islander women
- African American women
- Youth
- Men who have sex with men

The campaign will focus on those regions shown by the latest research to contain the highest concentrations of targeted populations most affected by the methamphetamine epidemic. Studies show that targeting multiple media to target audience(s) in a saturation campaign most effectively conveys a message and generates community dialogue. The campaign will be presented in both traditional and contemporary media, along with other outreach methods.

Media components would include

- ***Traditional:*** Television and radio spots, newspaper and magazine ads and articles, on-air radio scripts, theatre spots, billboards, posters, brochures, tip-sheets, bus boards, etc.
- ***Contemporary:*** A dedicated website, online podcasting, Internet banner ads, cell phone text messaging, music CDs, and video DVDs.

Components of a Statewide Public Awareness Campaign to Prevent and Reduce Methamphetamine Abuse**A. MARKET RESEARCH:**

The need for good research is critical for carrying out a successful campaign. Market research will help establish the campaign objective, develop a budget, define target audiences, create the right message, select the most effective media, control spending and measure results. Its purpose is to inform and direct strategic, marketing, and operational decision-making, such as:

- ***Who is the target audience?*** For methamphetamine, proposed target groups include women of childbearing age (between 18 and 35 years of age); Asian/Pacific Islander women; African American women, youth, and men who have sex with men.

- ***What type of message(s) should be used?*** Depending on target audience(s), recent studies show that effective messages use some of the following characteristics: drama, intensity, novelty, emotion, a lack of preaching, and a fast pace. Messages that spark discussions and
- encourage ongoing dialogue within a target audience increase the reach and impact of the campaign.
- ***What types of media should be considered?*** Choose a medium or multiple media that reach the intended audience. Typically, spots aired on television and radio have been popular, as has print media. However, other media can be used, depending on the target audience(s) and the key message. For example, a robust Internet presence is essential today to reach youth, who prefer to access their news and information online and through cell phones, rather than through TV, radio, or newspapers.
- ***Public Relations (PR)?*** Public relations activities are designed to complement paid advertising efforts and to increase the reach of the campaign. PR activities can include press outreach, community organizing, special events, and distribution of collateral materials such as brochures and flyers. Partnering with community groups such as schools, businesses, hospitals, and associations of landlords, realtors, and hotel and motel owners helps to spread the message to the target audience(s). Participation in events such as community-based forums, school assemblies, and college/university forums will be used. Brochures, flyers, posters and promotional merchandise should be developed.
- ***Evaluation needed?*** Measuring results of the campaign should be included as part of the overall campaign strategy.

B. CONCEPT AND CREATIVE DEVELOPMENT:

Based on the market research, a concept for the overall campaign will be created: What are the key messages? Should a slogan/tag-line and/or a logo be developed? Will the target audiences be directed to take action via a toll-free line or to visit a website? Should sports or entertainment celebrities be used to help spread the messages to the designated target audiences?

C. MEDIA CAMPAIGN

Prevention advertising campaign, presented in the selected media formats.

D. EVALUATION:

Evaluation of the campaign is a critical element in measuring effectiveness of the campaign message. There are also other ways to determine if a campaign is successful. One can look at emergency room admissions, treatment center admissions, track the number of phone calls on a hot-line that may have been set up for the campaign; and/or analyze data from other surveys that ask about methamphetamine use.

What Is the Budget for a Statewide Public Awareness Campaign?

A comprehensive public education and awareness campaign should occur during a three-year period to have maximum effect. For Year 1 (of a three year effort), budgeted at \$12,000,000, the following budget expenditures are proposed.

Research	5%	(\$600,000)
Collateral Materials	5%	(\$600,000)
Public Relations	25%	(\$3,000,000)
Community Outreach	15%	(\$1,800,000)
Advertising	50%	(\$6,000,000)

2. Local Community Collaboratives/Methamphetamine Action Grants

ADP is conferring with The California Endowment to solicit funding for the Methamphetamine Action Grant project. The competitively awarded grants would be designed to foster the creation of collaborative methamphetamine-combating prevention, treatment, and public education strategies on the local level. Ten to twenty grants will be awarded, depending on funding availability.

3. Technical Assistance and Training

ADP will provide technical assistance and training to communities, providers and practitioners to include, but not be limited to:

- **Program planning to grant applicants** to create effective collaborative efforts in local communities.
- **Distribution of evidence-based methamphetamine prevention and treatment best practices** to communities, counties, substance abuse providers and practitioners.
- **A Methamphetamine Treatment Practitioner's Guide** to be published in July, in print and on the ADP website. This reference tool is designed to educate both treatment providers and county AOD programs about the most current evidence-based methamphetamine treatment practices. The Guide will be periodically updated in order to provide the most current information from rapidly evolving research.

4. California Methamphetamine Task Force

The **California Methamphetamine Task Force** will be comprised of state, county, and community stakeholders. It will conduct information-gathering and fact-finding missions around the state, and outline a collaborative statewide strategy for intervening in the negative impacts of methamphetamine addiction in California. It will identify the resources and solutions needed to result in the following outcomes:

- Improved information sharing, activity coordination, and resource leveraging among law enforcement, prevention, and treatment organizations, using collaborative strategies.
- Identification of best and promising practices in methamphetamine treatment, including effective assessments, treatment planning, progress monitoring, and recovery planning for dissemination.
- Identification of gaps and needs in the current service systems.
- Development of goals and criteria for action grants to local communities.

VOTE-ONLY ACTION

Adopt Trailer Bill Language and appropriate \$12 million for methamphetamine prevention.

**ITEM 6110 CALIFORNIA DEPARTMENT OF EDUCATION
ITEM 5180 DEPARTMENT OF SOCIAL SERVICES****VOTE-ONLY ISSUE #5: CHILD CARE ELIGIBILITY**

The Subcommittee will take action to increase child care income eligibility.

BACKGROUND

Under current law, a family must earn less than 75% of the State Median Income (SMI) to be eligible for subsidized child care. The SMI level for this determination has not been updated since 2000 (based on 1998 income data). The continued freeze of this eligibility level has significantly reduced the income range a family can earn and still be eligible for child care. Under the current eligibility threshold, a family of 3 can earn up to \$2,925/month; If the SMI were updated, that same family could make up to \$3,956/month

Current State law requires that the SMI used for eligibility be updated by March 1 of each year. However, for the last five years the Budget Bill has contained a provision that suspends this SMI update.

LOST FEE REVENUE

Most of the costs from eliminating the SMI will be a loss of fee revenue. Currently Alternative Payment providers collect \$37 million in fee revenue. Many of the current families paying a fee will not have to pay a fee when the SMI is adjusted, because the fee levels are also based upon SMI and will rise correspondingly.

STAFF COMMENT

The Subcommittee has received reports of many parents taking pay cuts, turning down promotions, or cutting hours so they don't go over the income limit. Some child care administrators also report former CalWORKs Stage 3 families returning to CalWORKs cash aid because they cannot afford private pay child care.

The Subcommittee heard this issue during the November rate hearings and during the April 26th hearing.

VOTE ONLY ACTIONS

- Unfreeze the child care SMI
- Eliminate Budget Bill provision that freezes the SMI.
- Eliminate Budget Bill Language to establish working groups for child care changes.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**VOTE-ONLY ISSUE #6: IHSS DIRECT DEPOSIT COSTS**

The Department had identified costs associated with the implementation of Direct Deposit for IHSS providers.

BACKGROUND

At the May 3, 2006 hearing, the Subcommittee adopted Trailer Bill Language to begin changes to the CMIPS system needed to allow providers to receive payment through a direct deposit mechanism. At the request of the Subcommittee, the Department has provided the following cost estimate for the budget year resources need to begin making the changes necessary to enact direct deposit:

One time cost of programming CMIPS	\$150,000
One-time State Controller costs	<u>\$362,000</u>
Total	\$512,000

SENATE ACTION

The Senate redirected funding from CMIPS II procurement to fund the \$512,000 CMIPS and SCO activities needed to implement direct deposit for IHSS providers in 2006-07, and adopt necessary placeholder trailer bill language.

STAFF COMMENT

There would be additional resources need in FY 07-08 to begin enrollment, help desk, and outreach activities.

VOTE-ONLY ACTION

Conform to Senate.

VOTE-ONLY ISSUE #7: CWS EMERGENCY HOTLINE COSTS

The May Revision backfills a corresponding decrease in federal Title IV-E funds for certain ineligible CWS Emergency Hotline costs.

VOTE-ONLY ISSUE #9: SUBSTITUTE EMPLOYEE REGISTRY

The Subcommittee needs to take further action to implement the Substitute Employee Registry in the budget year.

BACKGROUND

The Subcommittee took action to allocate funding and authorize positions for the Substitute Employee Registry. However, the prior action failed to delete budget bill language (Section 6 of 5180-001-0001) that requires all SER positions to be funded with fees.

STAFF COMMENT

None.

VOTE-ONLY ACTION

Delete section 6 from 5180-001-0001 of the Budget Bill.

VOTE-ONLY ISSUE #10: EROSION OF CALWORKS SAVINGS

The May Revision reflects an erosion of CalWORKs savings estimated in the January Budget

BACKGROUND

The May Revision increases funding for CalWORKs to adjust for lower than expected savings in two areas:

1. An increase of \$44,219,000 Federal Trust Fund is requested to reflect a reduction in the administrative savings assumed to result from Quarterly Reporting/Prospective Budgeting (QR/PB). This increase is in addition to a \$25.0 million placeholder included for this purpose in the Governor's Budget. Based on an analysis of time study data submitted by the counties, the Administration has confirmed that the QR/PB system initially requires more contact time between county case workers and CalWORKs clients than was previously anticipated.
2. An increase of \$15,649,000 Federal Trust Fund is requested to reflect an erosion of savings associated with welfare reform efforts. Savings are reduced due to a delay in commencing county visits combined with expanding the scope of data collection efforts to address the potential impact of federal Temporary Assistance for Needy Families (TANF) Reauthorization legislation. Under Reauthorization, the state must significantly improve work participation rates among CalWORKs recipients or face substantial federal penalties.

Issue 120, 125

SENATE ACTION

The Senate took the follow actions on these issues:

- o Approved the requested adjustment for Perspective Budgeting, and adopt an adjustment of \$9.6 million (\$3.4 million General Fund) for Food Stamp eligibility.

- o Amended the May Revision SB 1104 adjustment to reflect an additional \$5 million reduction in the estimated savings.

STAFF COMMENT

This restoration is responsive to concerns by the Subcommittee that the savings estimated for these two provisions were too aggressive.

VOTE-ONLY ACTION

Conform to Senate

ITEM 0530 HEALTH AND HUMAN SERVICES AGENCY
ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**VOTE-ONLY ISSUE #11: STATEWIDE AUTOMATED WELFARE SYSTEM
INTERFACE TESTING AND CALWIN TESTING**

The May Revision includes funding and language to begin interfacing the SAWS and CCASA computer systems.

BACKGROUND

The May Revision includes an increase of \$1,453,000 (\$557,000 General Fund, \$354,000 Federal Trust Fund, and \$542,000 Reimbursements) for costs associated with interface testing between the Statewide Automated Welfare System consortia and the California Child Support Automated System. It is requested that Budget Bill provisional language be added to Item 5180-141-0001 and 5180-141-0890 to ensure performance of necessary interface testing activities within the amounts appropriated.

Issue 271

**PROPOSED BUDGET BILL
LANGUAGE**

Add the following provision to Item 5180-141-0001:

7. The Statewide Automated Welfare System (SAWS) Consortia shall perform interface testing between the SAWS and the California Child Support Automation System within the amount appropriated in this item for SAWS maintenance and operations.

SENATE ACTION

The Senate approved funding, but amended the proposed Budget Bill Language to express Legislative intent that development and testing of the SAWS CCSAS interface be considered a high priority for SAWS consortia, county welfare departments, the Department of Social Services, the Office of Systems Integration, the Department of Child Support Services, the Franchise Tax Board, and local child support agencies. The Senate also adopted \$5 million (\$1.9 million General Fund) to accurately fund the cost of CalWIN help desk staff.

VOTE-ONLY ACTION

Conform to Senate.

VOTE-ONLY ISSUE #12: CWS-CMS

The Senate took action on various proposals regarding the CWS-CMS computer system.

BACKGROUND

CWS/CMS provides database, case management, and reporting functions to allow county and state users to track child abuse and neglect cases statewide. The CWS/CMS application hosting is currently being transferred from a private vendor location to the Department of Technology Services (DTS). The state Office of Systems Integration (OSI), in conjunction with DSS, is developing a request for proposal for a replacement system, known as the "New System" for CWS/CMS, as required by the federal government.

- A. **Planning and Procurement for CWS/CMS "New System" (April 17th Finance Letter):** The department has requested funding and positions for planning activities associated with the development of a new web-enabled CWS/CMS. This request would provide resources to address the increased workload resulting from the development of a New System, while continuing critical oversight activities for the ongoing operation of the existing CWS/CMS. The department indicates these resources are necessary to ensure a timely and high-quality procurement process for this system, and that the requested resources are necessary to avoid project delays, cost over-runs, and poor system performance. The request includes \$3.0 million (\$1.5 million General Fund) and 4.0 positions in DSS, and an increase of \$2.3 million in OSI. The total estimated seven year cost for the New System is \$233 million, including one-time costs of \$129 million and annual M&O costs of \$65 million.

The LAO recommends that the CWS/CMS New System consulting costs be reduced by \$509,000, including 1) \$286,000 for procurement assistance, as there are 6.0 state RFP positions being redirected from the Go Forward Plan, and 2) \$223,000 for a consultant Project Manager, as a state project manager (DPM IV) is being redirected to manage the project.

- B. **Extend Existing Vendor Maintenance Contract (May 8th Finance Letter):** The May Revision requests a reduction of \$17.0 million (\$8.5 million General Fund) in the DSS budget for a five-year extension of the current maintenance contract with IBM for CWS/CMS. The May Revision also requests a corresponding reduction of \$5.5 million in OSI spending authority. This revised strategy would significantly reduce the costs of the current contract in exchange for a five-year extension that would include two optional one-year extensions. The requested approach also would eliminate the risk and transition costs resulting from multiple changes in vendors.

- C. **CWS/CMS Disaster Recovery Services (May 12th Finance Letter):** The May Revision requests an increase of \$2,143,000 (\$1,072,000 General Fund and \$1,071,000 Federal Trust Fund) to purchase disaster recovery services for the CWS/CMS from DTS. Prior to the March 2006 transfer of CWS/CMS hosting services from IBM Global Services (IBM) to the DTS, disaster recovery services were provided under the combined hosting and maintenance services contract with IBM. Now that the CWS/CMS is hosted at the DTS, the state must secure disaster recovery services for the application.
- D. **CWS/CMS Workstations:** County welfare departments have expressed concern that the CWS/CMS budget does not include funding for a workstation replacement schedule. Counties indicate that the Gartner Group, a nationally recognized independent information technology expert, recommends replacing computer workstations every three to five years. A number of CWS/CMS workstations were installed in 2002-03, and will be four years old in 2006-07. The cost to replace the workstations that are four years old would be \$5.4 million (\$2.6 million General Fund). The LAO supports the need for CWS/CMS workstation replacement.

SENATE ACTION

The Senate took the following actions:

- Reduced funding for the April 17th proposal by \$223,000, per the LAO recommendation.
- Approved May 8th and 12th Fiscal Letters
- Adopted \$5.4 million (\$2.6 million General Fund) for CWS/CMS workstation replacement.

STAFF COMMENT

None.

VOTE-ONLY ACTION

Conform to Senate.

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES**VOTE ONLY ISSUE #13 LOCAL ASSISTANCE FUNDING**

The Subcommittee will examine funding for local child support administration.

BACKGROUND

The Governor's Budget proposes to continue holding General Fund support for local child support agencies (LCSAs) flat at \$740 million (\$192 million General Fund) in 2006-07. Funding has remained at that level since 2002 and LCSAs indicate that flat funding has reduced the rate of growth in child support collections. The Subcommittee may wish to consider a 5 percent increase for LCSAs.

Local child support agencies are responsible for the administration of child support programs at the county level and perform functions necessary to establish and collect child support. Program activities include establishing child support cases, establishing child support orders, collecting current and past-due child support, enforcing medical support orders, and implementing customer service initiatives. California provides baseline compensation to counties on a statewide basis, at a level comparable to 13.6% of the estimated level of collections adjusted to reflect county expenditures and available General Fund resources. The DCSS allocates resources for administration of local child support programs in a lump sum and does not control county expenditures for program activities and for child support initiatives.

Baseline county funding for the implementation of local child support programs is established according to a statutory formula based on child support collections. Individual county allocations are generally based on historic county expenditures and vary across the state.

In recent years, the Legislature has considered the effect on program performance of child support administrative funding reductions, and the relationship of existing allocations to program performance and actual costs. No statewide consensus has been reached, although some data suggests that California can improve its performance without investing new resources in the child support program if under-performing local agencies improve their performance.

**COUNTY REQUEST FOR
ADDITIONAL FUNDING**

At the April 5th hearing, the California Child Support Directors Association (CSDA) requested a five percent increase in Local Assistance Administrative funding to support local operation of California's Title IV-D child support program. Because the Federal Financial Participation (FFP) rate is 66 percent, CSDA's request would

require an additional State General Fund investment of approximately \$12.1 million in order to draw \$23.4 million in federal funds for a total of \$35.5 million in new funding.

In response to comments made at the hearing, CSDA has changed their proposal to be more responsive to the concerns raised by the Subcommittee. The revised proposal would create a Child Support Enhancement Fund to provide counties with additional local assistance funding linked to improved county performance.

To begin the fund, CSDA is requesting a \$12 million appropriation from the State General Fund. That amount would be matched by approximately \$23 million in Federal Funds for a total of approximately \$35 million. An additional amount would also be requested in 2007-08 to allow the fund to slowly grow.

CSDA estimates that the State General Fund would fully recover its initial \$12 million investment through a combination of increased public assistance recoupment, cost avoidance and additional federal incentives.

After two years the Child Support Collection Enhancement Fund would be self sustaining. The Fund would be replenished annually by crediting the Fund with:

1. Forty seven and ½ cents for every dollar increase in welfare recoupment
2. Ten cents for every dollar increase in non-welfare collections
3. Fifty dollars for each new medical insurance policy
4. Any increase in Performance Incentives attributable to increased collections

STAFF COMMENT

This Subcommittee has also considered the impact of county allocations on performance. Last year the Subcommittee appropriated \$1 million General Fund to supplement county administration funding for child support programs in three lowest per-case funded counties in the State (Los Angeles, San Bernardino, and Imperial Counties) to provide greater equity and improved performance. This funding was not part of the final budget agreement adopted by the legislature.

The Subcommittee could adopt Trailer Bill Language to pilot the proposed Child Support Enhancement Fund at a lower level of appropriation.

VOTE-ONLY ACTION

Appropriate \$4 million and adopt Trailer Bill Language to pilot the Child Support Enhancement Fund.

ITEM 4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS**VOTE-ONLY ISSUE #14: PROPOSITION 36 LOCAL ASSISTANCE FUNDING**

Local alcohol and drug programs have requested additional funding for Proposition 36 treatment.

BACKGROUND

Proposition 36, the Substance Abuse and Crime Prevention Act of 1998 (SACPA) appropriated \$60 million for 2000-01 and \$120 million annually from 2001-02 through 2005-06. The sentencing guidelines established by SACPA do not sunset, although the statutory funding requirement sunsets June 30, 2006. Of total expenditures in 2003-04, counties spent 76% on treatment and related services, and 24% on court, probation, and other criminal justice activities.

**SPLIT OF BENEFIT TO
COUNTIES AND THE STATE**

The Subcommittee requested that an analysis of how the cost effectiveness of the program benefits the State and Counties. The analysis presented to the Subcommittee in April illustrated and overall cost effectiveness of \$2.50 per \$1 spent and \$4 per \$1 spent for individuals that finished the program. However the cost savings were split between State responsibilities (Prisons) and local responsibilities (Jails) and this analysis was requested to inform the discussion regarding the counties fiscal responsibility for the program.

**SPLIT OF BENEFITS
BETWEEN COUNTY AND
STATE**

At the May 10th hearing, the Subcommittee heard testimony that the evaluation found that most of the benefits for Proposition 36 were for the State, with \$171 million in net savings over the long-run. Counties only saved a net of \$12 million over that same period.

ACTIONS TAKEN APRIL 19

On April 19th, The Subcommittee adopted an LAO recommendation to appropriate \$141 million (\$150 million total with an expected \$9 million reappropriations) for county Proposition 36 services.

The counties had requested \$209 million for this purpose.

**PROPOSED "PROPOSITION
36 IMPROVEMENT FUND"**

The Subcommittee could consider a proposal to fund county Proposition 36 beyond the \$150 million baseline level adopted on April 19th. The proposed Proposition 36 Improvement Project would have the following parameters:

- The State would provide a 50% match for certain county expenditures above the baseline county allocation for Proposition 36.
- Counties could spend a total (with the match) of 50 percent of their baseline Proposition 36 allocation.
- Eligible expenditures include intensive cost beneficial treatment (such as residential care and methadone), drug testing, and probation costs.
- Funding for Proposition Improvement Project would not be included in the Proposition 36 Trust Fund.

VOTE-ONLY ACTION

Adopt trailer bill language and appropriate \$25 million for the "Proposition 36 Improvement Fund".

ITEMS TO BE HEARD

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

ITEM 6110 CALIFORNIA DEPARTMENT OF EDUCATION

ISSUE #1: REGIONAL MARKET RATES

The Subcommittee will discuss the delay in implementing a regional market rate survey.

BACKGROUND

Federal law requires states to establish a child care funding system that reimburses child care costs at a rate that reflects the cost of child care in that community. To meet this requirement, the CDE contracts every couple of years to conduct a survey of the costs of child care across the state. The intent of this process is to ensure the reimbursement rate reflects the cost of child care in that community.

In 2004, CDE contracted with an independent research firm for a new RMR survey methodology. The new methodology used a new method of grouping providers by ZIP codes based on demographic variables. The new survey provides cost information for the cost of child care for each zip code in the state based on the underlying demographics of the communities.

After looking at the reimbursement rates that the new methodology generated, there were some ZIP codes for which the new methodology is problematic. For example, the new approach is problematic for centers in the downtown San Francisco area. This is because the new method is based largely on demographics of the residents in a zip code, and downtown San Francisco does not have many residents. Thus, the reimbursement rate does not accurately reflect the child care costs that families working in this area would face.

The new methodology may also create too many reimbursement rates for a region or county, leading to excess administrative burden. For example, in Los Angeles County there would be 13 different rates for preschool aged children in child care centers and 22 different rate for FCCHs. Even for a small county like Yolo County, there would be four different rates for child care centers and ten different rates for FCCHs. There may be some administrative burden to ensure that the centers and FCCHs are each reimbursed at the correct rates.

Because of concerns about sub-county rate changes, CDE has sought approval from the Department of Finance (DOF) to aggregate the new methodology to the county level. DOF has reviewed CDE proposal and has requested additional information on statistical issues and the impact that the CDE proposed rates would have in counties that face differential costs across the county. Because the survey has not been

conducted in several years, some providers operating at their regional market rate ceiling have not had a rate adjustment during this time period.

MAY REVISION

The Department of Social Services budget included sufficient funding in CalWORKs Stages 1 and 2 for the county roll up. DSS provided the funding to ensure that there was sufficient funding for any potential settlement of the RMR change. An increase of \$8,101,000 Federal Trust Fund is requested for Stage 1 child care to reflect adjustments to child care provider rate ceilings resulting from implementation of the updated Regional Market Rate survey methodology, pursuant to federal requirements. The updated survey is expected to result in an overall increase in provider rate ceilings statewide.

Issue 136

CONCERNS FOR ADVOCATES REGARDING STAGE 3 CHILD CARE

Advocates have raised concerns that CDE could run out of CalWORKs Stage 3 child care funding in the budget year. Advocates have requested that language be adopted that would provide clear legislative intent to fully fund CalWORKs Stage 3 Child Care.

STAFF COMMENT

The survey had sufficient response to make statistically valid descriptions of child care rates at the State level. However, it was used to develop local market rates, where the sample size was too small to accurately estimate the true market rates.

The survey collected only about 100 samples for the average market profile for Family Child Care Homes. As a result, the range of values that could be the real 85th percentile for each market profile will be very large. In addition, with such small sample size, there are likely differences within the market profiles that cannot be observed because the survey lacked sufficient number of responses.

ISSUE #2: HEALTH AND SAFETY TRAINING FUNDING

The Subcommittee will discuss expanding the types of child care that can use health and safety training funding.

BACKGROUND

The Budget includes federal CCDF Quality Improvement funds for health and safety training for both licensed (family child care) and license-exempt (relative) child care providers.

Health and Safety training is critical for staff of child development centers and state preschools as well. This is especially true given the larger groupings of children in such centers and the higher staff turn-over such centers experience.

Advocates have proposed to add centers and preschools serving California's low-income children and families to this appropriation. These advocates request budget bill language to allow for this expansion.

Advocates believe that it would cost \$3 million to fund one day of training for centers. The half year cost would be \$1.5 million. This cost of this training would be redirected from the funding provided for family child care and licensed exempt.

STAFF COMMENT

None.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE #3: PASS-THROUGH FEDERAL SSI/SSP COST-OF-LIVING ADJUSTMENT

The May Revision rescinds the Governor's Budget proposal to delay pass-through of the federal SSI/SSP cost-of-living adjustment (COLA) from April 1, 2007 to July 1, 2008.

BACKGROUND

The May Revision includes an increase of \$43,834,000 General Fund to rescind the Governor's Budget proposal to delay pass-through of the federal SSI/SSP COLA from April 1, 2007 to July 1, 2008. Based on this action, beginning April 1, 2007, benefits for aged and disabled SSI/SSP recipients are estimated to increase by \$13 per month for individuals and \$19 per month for couples.

Issue 209

The May Revision still proposed to continue current law, which would capture the January 1, 2007 COLA until April 1, 2007, for a savings of 45 million.

STAFF COMMENT

The Subcommittee rejected the proposal to delay the April 1st COLA at the April 29th Subcommittee hearing.

ISSUE #4: CALWORKS MAY REVISION CHANGES

The May Revision contains some proposals to change CalWORKs in response to the federal changes to the TANF program.

BACKGROUND

The federal Deficit Reduction Act of 2005 reauthorized the TANF program. Within this reauthorization were changes to the way State Work Participation is measured. The Act also required the Health and Human Service Agency to adopt "interim-final" regulations that defined countable activities for work participation, State policies for counting work participation, and data verification and measurement standards by June 30, 2006. While these regulations will go into effect on October 1, 2006, the State does not know what they will require.

INCREASE TO THE TANF RESERVE

The administration has proposed a series of CalWORKs changes that serve mostly as a placeholder in the budget process. According to the Administration, several critical issues remain to be defined by the federal regulations, and additional time is required to analyze programmatic data and identify options for improvement. The administration intends to wait until the federal regulations are issued to develop their response to the federal changes. The May Revision increases the TANF Reserve from \$181.4 million to \$325.7 million and earmarks two portions of the reserve for the changes to the program:

- \$114.6 million to fund future programmatic changes to increase the work participation rate of CalWORKs recipients as required by TANF Reauthorization.
- \$40.0 million as an incentive for counties who improve upon specific CalWORKs work participation and employment outcomes in 2006-07 compared to 2005-06. The funds would be allocated in 2007-08 to counties that successfully meet the desired outcomes.

The May Revision also contains Trailer Bill Language that would require DSS to publish the results of the Pay for Performance measures on a periodic basis.

CALWORKS PARTICIPATION IMPROVEMENT PROJECT

The May Revision only contains one new program initiative designed to address the State's response to TANF Reauthorization. An increase of \$20.0 million TANF is requested to implement a Participation Improvement Project to help counties overcome barriers in engaging CalWORKs recipients in appropriate activities and to

improve counties' ability to meet the required federal work participation rate. These funds will be available to counties on a competitive grant basis to implement strategies for addressing unengaged recipients, reducing counties' high sanction and non-compliance rates, or reducing the number of recipients who are able to participate but are not continuously engaged.

SENATE ACTION

The Assembly could consider conforming to the Senate's actions on CalWORKs. The Senate took the following actions:

- A. **Enhance Up-Front Engagement:** Redirect \$20 million TANF from the May Revision proposed Participation Improvement Project and \$10 million TANF from the proposed TANF reauthorization reserve to provide a total of \$30 million to encourage innovative engagement strategies.
- B. **CalWORKs Education, Training, and Employment Collaborative:** Redirect \$25 million from the proposed TANF Reauthorization reserve to fund collaborative programs that would emphasize activities that meet federal requirements, but give participants skills that will help them achieve long-term self-sufficiency.
- C. **CalWORKs in Community Colleges:** Redirect \$9 million from the proposed TANF Reauthorization reserve to count \$9 million in Community College Prop 98 funding toward the TANF MOE.
- D. **Sanctions Engagement Initiative:** Redirect \$40 million from the proposed TANF Reauthorization reserve to prevent sanctions by funding counties to engage non-compliant participants through personal contacts before a sanction is imposed. Eliminate barriers to complying by allowing families to come into compliance when they are in sanction status. To provide sanctioned families an incentive to re-engage, permit families that agree to meet work participation requirements to earn back the funds lost from the sanction.
- E. **CalWORKs Homelessness Prevention and Engagement:** Redirect \$10 million from the proposed TANF Reauthorization reserve for CalWORKs Homelessness prevention and support to prevent housing instability as a barrier to participation.
- F. **Increase Accountability:** Fund the Pay for Performance program at \$40 million annually, and clarify the counties' responsibility for potential federal penalties.
- G. **Restore Basic CalWORKs Program to 2004-05 Level:** Restore \$140 million for county CalWORKs programs to bring funding back to the actual 2004-05 spending level. Shift TANF out of Child Welfare Services and Foster Care to restore county funding.

- H. **Realign Foster Care and Child Welfare Services Funding:** Fund \$140 million Foster Care and Child Welfare with General Fund, rather than TANF. Adopt placeholder TBL to restrict the use of TANF for Foster Care and Child Welfare Services unless appropriated in Budget Act or authorized in BBL.
- I. **Shift Exempt Cases:** Fund Exempt CalWORKs cases with non-MOE General Fund. Adopt placeholder trailer bill language to express Legislative intent that these cases remain a high priority for engagement. Use other countable expenditures to meet the MOE requirement. (No Net General Fund cost or TANF/MOE impact.)
- J. **CalWORKs County Peer Review Program:** Redirect \$1.5 million from the TANF Reauthorization reserve for a CalWORKs county peer review program to identify and share best practices that enhance participation and engagement. Authorize state staff and contract funding, and budget bill language to authorize the establishment of additional positions and transfer of this funding between local assistance and state operations.
- K. **Research and Data Improvement:** Redirect \$2.5 million from the TANF Reauthorization reserve for state staff and contract funding for data improvement research, analysis, and reporting to understand caseload components, trends, and dynamics. Authorize state staff and contract funding, and Budget Bill Language that authorizes the establishment of additional positions and transfer of this funding between state operations and local assistance.
- L. **Plan for TANF Regulations:** Maintain \$15 million of the TANF Reauthorization reserve for automation and implementation activities related to pending June 30th federal regulations.
- M. **Conform Employment Training Fund Shift Back to Employment Training Panel**
- N. **Adopt necessary placeholder trailer bill language and budget bill language, including, but not limited to:**
- a. Require counties to enact a sanctioned caseload engagement improvement plan by January 1, 2007.
 - b. Require counties to submit a caseload application, termination engagement plan that contains recommendations to reduce the wait time for engagement.
 - c. Clarify county responsibility to use county funding to backfill any federal penalty assessed on the state and passed on to the counties.
 - d. Establish a TANF reauthorization Stakeholder process in statute (similar to the Quality Assurance workgroup statute)

- e. Require tracking of all cases over time.
 - f. ETP Transfer Reverse
 - g. Reject Governor's Budget current year reduction trailer bill language.
 - h. Foster Care/Child Welfare TANF restriction
 - i. New Kinship Care Program
 - j. Homeless Prevention Program
 - k. Sanctions Engagement strategies
 - l. Up-Front engagement strategies
 - m. Education, training, and employment collaborative: establish in statute, require outcomes measurement.
- O. **Tribal TANF:** Adopt placeholder trailer bill language to revise the methodology to more accurately reflect structure and costs of Tribal TANF programs.
- P. **Indian Health Clinics:** Increase funding for Indian Health Clinics by \$600,000.
- Q. **LAO CalWORKs Caseload Adjustment:** Approve \$24 million TANF/MOE reduction to reflect LAO estimate.

STAFF COMMENT

The Senate action reflects a proactive approach to dealing with challenges the State will face in addressing TANF reauthorization.

ISSUE #5: CHILD WELFARE AND FOSTER CARE

The May Revision provides additional funds for Child Welfare and Foster Care.

BACKGROUND

The May Revision contains several changes to the child welfare and foster care areas of the budget. These changes reflect the implementation of the pending federal IV-E Waiver in the budget year and the expansion of the "Redesign" pilot program.

MAY REVISION PROPOSALS

The May Revision contains three new proposals for child welfare:

1. Title IV-E Waiver

The May Revision includes \$35.5 million (\$10 million General Fund) for the state's new Title IV-E Child Welfare Waiver Demonstration Project. This funding will be available for first year costs for counties that formally commit to participate in the pilot project in 2006-07.

This waiver proposal will test a "capped allocation" strategy that will block grant federal Title IV-E foster care funds for up to 20 participating counties. This strategy will permit the flexible use of these funds on early intervention and prevention services in order to reduce the reliance on out-of-home care, promote reunification, and address required state and federal outcomes for child safety, permanence, and well-being.

The May Revision also includes Trailer Bill Language for the IV-E Waiver (see below) and proposes to create a new item in the DSS budget for the Waiver funding.

2. CWS Standardized Statewide Training

An increase of \$16,894,000 (\$5,955,000 General Fund) is requested for additional county social worker training stipulated under the statewide standardized core curriculum for all county child welfare workers. Increased training for county social workers is a key component of the state's approved Program Improvement Plan (PIP) and Title IV-B Children and Family Services Plan to improve the overall performance of the state in meeting federal child welfare outcome measures.

3. PIP County Expansion

An increase of \$19,572,000 (\$11,934,000 General Fund) is requested to expand three PIP initiatives to additional counties in 2006-07 to improve CWS program outcomes and achieve compliance with federal performance requirements. This

funding will allow the Standardized Safety Assessment initiative to be expanded to an additional 18 counties, and the Differential Response and Permanency Enhancements initiatives to be expanded to an additional 15 counties. This request will provide the necessary resources to support critical PIP activities to achieve federal compliance, avoid significant federal penalties, and protect federal funds for the CWS program.

MAY REVISION MESSAGE ON FOSTER CARE AND CHILD WELFARE SERVICES:

The May Revision Summary includes the following message regarding child welfare and foster care programs:

The January Governor's Budget calls for additional investments to support children and youth in foster care by increasing adoptions, promoting permanent homes and family connections, and supporting older children and youth emancipating from foster care. The Administration stands ready to work with the Legislature and advocates building on these proposals to advance improvements in the safety, permanency, and well-being of children and youth in foster care. In particular, the Administration looks forward to working with the Legislature to ensure that our county partners have the necessary support and flexibility to implement programs to prevent or reduce foster care placements. State support and county flexibility must be tied to improved outcomes for children and coupled with ongoing accountability for performance. In addition, the Administration is interested in identifying promising strategies to support youth in foster care to successfully transition to adulthood, to enhance the ability of relatives to care for children, and to support the adoption of older foster youth.

FUNDING INCLUDED IN JANUARY BUDGET

The Governor's January Budget included the following new proposals, which are unchanged in the May Revision:

January Child Welfare Service Initiatives		
<i>2006-07 (In Millions)</i>		
Description	Total Funds	General Fund
Increasing Adoptions Provides funds to State Adoption Services Bureau and counties to hire additional adoptions social workers to increase number of finalized adoptions.	\$12.5	\$7.1
Expanding of Kinship Support Services Provides increased funds to expand current county programs	2.5	2.5

and allow additional counties to apply for kinship support services grants.		
Foster Care Infant Rate	0.8	0.3
Provides funds to implement Chapter 630, Statutes of 2005 (SB 500, Kuehl). Increases foster care payment for infant child of a teen parent in foster care.		
Child Relationships	14.4	7.8
Implements Chapter 640, Statutes of 2005 (AB1412, Leno). Engages foster children in the development of their case plan and expands activities to find and support mentorship relationships for them.		
Transitional Housing for Foster Youth	2.6	1.4
Provides additional funds to allow more counties to participate in program funding transitional housing for emancipating foster youth.		
Totals	\$32.8	\$19.1

TITLE IV-E TRAILER BILL LANGUAGE:

Title IV-E Child Welfare Waiver Demonstration Project

SEC. __. Section 18258 is added to the Welfare and Institutions Code:

18258. (a) It is the intent of the Legislature to authorize the Department to conduct a demonstration project in up to 20 counties, which will allow flexible use of federal and state foster care funds by utilizing a federal capped allocation model over a five year period. Participation will be at the option of each county, subject to state approval, provided that federal approval has been obtained allowing use of federal funds for the demonstration project, and each county has entered into a Memorandum of Understanding (MOU) with the Department as described in subdivision (c). Counties choosing to participate in the demonstration project must indicate their choice within the timelines established by the state. The Department shall not be required to conduct any demonstration projects under this section if no county elects to participate.

(b) The Department is authorized to conduct a demonstration project in order to provide participating counties with flexibility in their use of state and federal foster care maintenance and administrative funds that were previously restricted to payment for the care and supervision of children in out-of-home placements and administrative expenditures. This flexibility will enable participating counties the use of foster care funds to provide direct services to children and families without regard to their federal eligibility or placement in out-of-home care. The target population will include children at risk of entering, or re-entering foster care, or who are already in out-of-home care. This flexible funding strategy will support practice, program, and system improvements for early intervention, reunification efforts, and reduction in out of home placements. Any foster care savings that occur as a result of the demonstration project will be reinvested by the counties in Child Welfare Services program improvements. These foster care savings will support the counties to develop a

broader and responsive array of services that will contribute to improved outcomes for children and families.

(c) The Department shall work with the County Welfare Directors Association to develop the terms and conditions of the county MOU. The county MOU shall incorporate the terms and conditions of the federal approval of the use of federal funds for the demonstration project, additional conditions as described in this section, and provisions deemed by the Department as reasonably necessary to fulfill the purpose of the demonstration project and to ensure compliance with its conditions and with this section. Provisions of the MOU shall include, but not be limited to, the following:

(1) The MOU shall specify the time periods for the county's participation in the demonstration project, and shall set forth procedures for the county to opt out of participation in the demonstration project. Counties electing to opt out of the demonstration project must provide notice to the Department of their intent to do so by January 31, in order for it to be effective at the start of the following state fiscal year.

(a) The county is responsible to ensure that adequate funds are available to protect children at risk of abuse and neglect, by out-of-home placement or otherwise, until funds are appropriated to the county through the Budget Act for this purpose.

(2) The county MOU shall specify the capped amount of state and federal funds that will be allocated to the county for each year of the demonstration project, subject to appropriation in the Budget Act, and shall require that counties are liable for costs in excess of the capped amount.

(d) The county and state share-of-costs for this demonstration project shall be determined notwithstanding Sections 15200 and 10100. The county MOU shall contain provisions describing the county's share-of-cost. The appropriation of state funds shall be established each year in the annual Budget, and the state share-of-cost shall not exceed this amount.

SENATE ACTIONS

The Senate adopted funding, Trailer Bill Language and Budget Bill Language for the follow actions on foster care and child welfare issues:

1. Protecting Children's Safety by Improving Casework Staffing Levels:

- \$50 million to begin the investment needed to meet the minimum caseload standards for social workers that will ensure the safety of children. A 1998 state study (established in SB 2030) concluded that child caseloads per social worker were twice the recommended levels. Since then, the state has made little progress in reducing caseloads per worker. High caseloads make it 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.

- \$3 million to expand Dependency Drug courts to 8 more counties, including Los Angeles. Dependency Drug Courts provide intensive substance abuse treatment along with close court supervision to parents who are involved in dependency court cases. This program increases foster care reunification rates.

2. Providing Support for Kin and Permanent Placement

- \$8 million to create the “Kinship Care Program” as a voluntary alternative to KinGAP, that will provide KinGAP rate parity with foster care, and KinGAP for probation youth. Annualized to \$16 million. The increasing number and proportion of children in out-of-home care placed in the homes of relatives are among the most important child welfare trends of the decade. KinGAP provides financial assistance for eligible children placed with relative caregivers.
- \$4 million for additional efforts to help with the adoption of hard to place foster youth. Funding for adoptions caseworkers has remained relatively flat in recent years, while the number of children needing permanent placement has increased.

3. Helping Foster Youth Achieve Success

- \$5.7 million to fully fund all eligible foster youth that applied for the Chafee Scholarship program. The California Chafee Foster Youth Grant program provides scholarships to former foster youth. Half of all foster youth do not complete high school, and only 15% take the necessary courses to gain college admission. Only 1% of foster youth who go on to college ever graduate. This will also include Trailer Bill Language to address the three month gap before federal funding arrives.
- \$4 million for the Transitional Housing Placement Program (THPP): this program provides housing assistance to emancipating foster youth aged 16 to 24. Counties currently have a sixty percent share of cost for THPP services provided to children 18 and older, and the high share of cost prevents this program from reaching the homeless and near-homeless youth that need it. This proposal would eliminate the county share of cost for THPP.

4. IV-E Waiver

- Approved the requested funding. Amended the budget bill language to include Legislative notification. Adopt the trailer bill language as placeholder language, and add provisions that provide flexibility in allowing the \$10 million to be used for either the waiver or AB 636 outcome improvements.)

5. Performance Improvement Plan (PIP) Initiatives

- Adopted the May Revision funding increase but redirect most of the funding to the CWS Outcome Improvement Project (AB 636 outcome system). Maintained \$1 million in the PIP initiatives to expand the standardized safety assessment statewide.

6. CWS Standardized Statewide Training

- Adopt May Revision

FOSTER CARE EDUCATION FUNDING

Foster Youth Services were established in 1981, to address the many barriers foster youth face such as multiple transfers between schools, loss of school and health records, difficulty adjusting, and loss of contact with other people who care about them. The California Department of Education awarded the first grants in 1998-99 that funded 35 countywide programs. By 2003-04, the program expanded to cover 50 county offices of education, serving about 12,000 foster children, representing 92 percent of the foster youth residing in Group Homes. Eligible applicants include county offices of education, a consortium of school districts working with the county office of education, or a consortium of counties as a single applicant.

The Subcommittee could add \$8.2 million to address educational issues faced by foster youth. Of this amount, \$7.5 million would expand Foster Youth Services to youth residing in other foster care placements and \$640,000 would extend education services to probation youth.

STAFF COMMENT

The Senate has adopted a proposal that addresses the key issues discussed by the Subcommittee at hearing this year.

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES**ISSUE #6: STATEWIDE DISBURSEMENT UNIT AND DATE OF COLLECTION**

The May Revision addresses Subcommittee concerns regarding the switch of the date of collection.

BACKGROUND

At the May 3rd hearing, the Subcommittee held open a Spring Fiscal Letter proposal to modify the Statewide Disbursement Unit contract because the changes failed to address a problem with child care arrearages caused by a change in the date of collections that was created when the SDU was implemented. The May Revision includes a proposal to mitigate this problem.

SPRING FISCAL LETTER

The Administration has submitted a Spring Finance Letter requesting an additional \$11 million (\$3.7 million General Fund) to ensure sufficient outreach and instruction to employers of non IV-D cases, proper allocation and processing of non IV-D payments, and sufficient resources are available for call center and help desk support for program participants, employers, and state and local child support staff. The Administration has also notified the Legislature through a Section 11.00 notification of a pending contract amendment with the SDU vendor to increase the contract by \$11.8 million.

The Finance Letter also requests Budget Bill Language to allow the Department of Finance to augment General Fund spending for CCSAS above the amount included in the 2006-07 Budget. The language provides that "if the Director of Finance deems that the augmentation is in the critical path to meet federal certification requirements and therefore necessitates immediate action or immediately necessary for system functionality, the Director may approve the augmentation. Any changes for these purposes would be excluded from the reporting requirements of Section 11.00." In such a case, written notification would be required to the Legislature within 10 days after Finance approval of the contract. If those conditions are not met, project augmentations would be authorized after a 30 day advance notice to the Legislature. Language is also requested to allow \$132 million federal funds in the 2006-07 budget to be available for expenditure through 2007-08.

LAO COMMENT

The LAO indicates it has no concerns with the funding requested in the March 14th Finance Letter, but suggests changes in the contract structure for the SDU help desk costs in the March 27th Finance Letter. The department indicates it is working to

address the LAO's concerns. The LAO has also expressed concern that the Budget Bill Language requested under the March 27th Finance Letter would limit Legislative authority.

**SENATE ACTION ON SPRING
FISCAL LETTER**

Approve the requested funding increase. Modify the proposed Budget Bill Language to 1) ensure Legislative oversight prior to mid-year spending increases, and 2) limit the amount of funding and time period for mid-year increases.

**MAY REVISION PROPOSAL
ON TRANSITIONAL
ARREARAGES**

The May Revision includes \$28,517,000 (\$25,523,000 General Fund) to resolve an issue with creation of arrears (outstanding child support obligations) due to a payment processing change implemented by the state. In developing the California Child Support Automation System (CCSAS), the state changed the method by which the date of payment for child support is recorded from the date of withholding from a non-custodial parent's (NCPs) wages to the date the payment is received by the state. This change has resulted in the creation of an arrearage balance for some NCPs. This proposal will allow the state to make payments on behalf of affected NCPs in 2006-07 to clear their arrearage balances and require the NCPs to repay these obligations upon termination of their child support orders.

Of the \$28,517,000 requested, \$23,000,000 would be for arrears payments, \$1,537,000 would be for the mailing of notification forms and local child support agency staff time to set up receivable accounts and respond to customer inquiries, and \$3,980,000 would be for automation system enhancements and system queries to identify NCPs affected by this issue. In addition, \$1,020,000 General Fund is requested for CCSAS automation changes in the Franchise Tax Board (FTB) budget (see Issue 30 in the FTB May Revision Letter). Budget Bill language is also proposed to: (1) provide the Department of Child Support Services (DCSS) with authority to make the transitional arrearage payments, and (2) to make the expenditure of the automation funding contingent upon review and approval of the Advance Planning Document/Special Project Report by the Department of Finance and subject to 30-day legislative notification.

Trailer bill language is also proposed to: (1) declare that the DCSS has the authority and discretion to prevent, correct, or remedy any impacts resulting from untimely receipt of child support due to implementation of the CCSAS State Disbursement Unit and (2) establish a statutory monthly interest calculation methodology based on the total arrears outstanding on the last day of the month, taking into account all payments received during the current month.

Issue 106

PROPOSED BUDGET AND TRAILER BILL LANGUAGE
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Proposed Transitional Arrears Language

Authorization Language for the Department of Child Support Services to Make Transitional Arrears Payments

Add Provision X to Item 5175-101-0001, to read:

Provision X. Of the funds appropriated in this item, up to \$23,000,000 is available to the Department of Child Support Services to advance funds to offset the effects directly attributable to the creation of arrears resulting from the implementation of the State Disbursement Unit.

Requirement for Automation Project Documentation

Add Provision X to Item 5175 101 0001, to read:

Provision X. Of the amount appropriated in this item, \$2,000,000 shall be available for enhancements to the two existing consortia automation systems to enable the receipt and recording of child support transitional arrears payments and to perform system queries necessary to identify non custodial parents affected by the Department of Child Support Services payment processing change. This funding shall not be expended until the Department of Finance approves the Advance Planning Document/Special Project Report and no sooner than 30 days after notification in writing of the necessity thereof, is provided to the Chairperson of the Joint Legislative Budget Committee and the chairperson of the committee in each house of the Legislature that considers appropriations, unless the Chairperson of the Joint Legislative Budget Committee, or his or her designee, imposes a lesser time.

Add Provision X to Item 5175 101 0890, to read:

Provision X. Of the amount appropriated in this item, \$1,980,000 shall be available for enhancements to the California Child Support Automation System project to enable the receipt and recording of child support transitional arrears payments and to perform system queries necessary to identify non custodial parents affected by the

Department of Child Support Services payment processing change. This funding shall not be expended until the Department of Finance approves the Advance Planning Document/Special Project Report and no sooner than 30 days after notification in writing of the necessity thereof, is provided to the Chairperson of the Joint Legislative Budget Committee and the chairperson of the committee in each house of the Legislature that considers appropriations, unless the Chairperson of the Joint Legislative Budget Committee, or his or her designee, imposes a lesser time.

Proposed Federal Trust Fund Child Support Recovery Fund Flexibility Language

Proposed Transitional Arrears Trailer Bill Language

Add Section 17307 to the Family Code

17307. The Legislature hereby declares as existing law that the California Department of Child Support Services has the authority and discretion to prevent, correct or remedy impacts resulting from changes in the timing of the receipt of child support payments due solely to the initial implementation of the federally required State Disbursement Unit. This authority shall not be construed to supplant existing statutory appropriation and technology project approval processes, limits, and requirements.

Add Section 17433.5 to the Family Code

17433.5. In any case being enforced pursuant to this Article of the Family Code, no interest shall accrue on any obligation for current child, spousal, family support or medical support due in one month until the commencement of the following month.

STAFF COMMENT

The propose mitigation addresses the concerns expressed by the Subcommittee.

ITEM 4170 DEPARTMENT AGING

ISSUE #7: SENIOR LEGAL HOTLINE

The Senior Legal Hotline has requested \$250,000 from the Department of Aging.

BACKGROUND:

The Senior Legal Hotline has operated since 1994. Last year, the hotline assisted over 10,000 seniors with legal assistance. The Hotline is funded with several grants, but relies on a federal Administration on Aging grant for the majority of its funding. The federal grant that supports the hotline expires this year and the Senior Legal Hotline is asking the Department of Aging to assume support of its current operations.

The Senior Legal Hotline is also looking to increase the scope of its operations to 20,000 callers per year. The \$250,000 requested represents the hotline's estimate of the cost of this level of service.

STAFF COMMENT:

The Subcommittee considered this issue during the March 25 hearing

ISSUE #8: PUBLIC GUARDIAN COSTS

The Subcommittee will discuss appropriating \$5 million for the Public Guardian and Public Conservators to cover costs associated with AB 1363.

BACKGROUND:

AB 1363, the "Omnibus Conservatorship and Guardianship Reform Act of 2006" is currently being considered by the Senate.

According to the Assembly Floor Analysis, the bill:

- 1) Creates a regulatory scheme for professional conservators and guardians, as defined within the Department of Consumer Affairs (DCA), and provides that no person may serve as a professional conservator or guardian without being licensed by the board. Specifies that applicants to become professional conservators and guardians must first meet certain requirements, including educational and training requirements, and passing a licensing examination. Requires a complaint committee to review complaints against professional conservators or guardians and, if appropriate, to impose sanctions, as specified, or refer the matter to the Attorney General for prosecution.
- 2) Limits the waiving of notice before appointment of a temporary conservator or guardian, and limits the duties of a temporary conservator, as specified.
- 3) Requires the probate court to review conservatorships at a noticed hearing six months after appointment of the conservator and annually thereafter.
- 4) Requires conservators and guardians to submit accountings to the court six months after appointment and annually thereafter. Requires accountings to include all supporting documentation and to be subject to full audit.
- 5) Requires the Judicial Council to develop qualifications and continuing education requirements for probate court judges, attorneys and court investigators; to establish uniform standards for conservatorships and guardians; and to develop conservatorship accountability measures, as specified, for use by each court.
- 6) Prevents conservators or guardians from receiving costs or fees for unsuccessfully opposing a petition or other action on behalf of the conservatee or ward, without good cause.
- 7) Removes professional conservators and guardians from the Statewide Registry and from the local court registries, and transfers responsibility for the Statewide Registry from the Department of Justice to DCA.

8) Requires the public guardian to apply for appointment as conservator or guardian in specified cases and requires the Judicial Council to develop specific criteria for making such determination. Permits the public guardian to apply for appointment in cases where the proposed conservatee or ward has assets below a specified level.

9) Establishes a Conservatorship Ombudsman (Ombudsman) within the Department of Aging, charged with investigating and resolving complaints made by or on behalf of conservatees.

REQUESTED FUNDING:

The requested \$5 million would fund Public Guardian costs associated with that this bill. The request also asks for Budget Bill Language to ensure that existing county Public Guardian funds cannot be supplanted.

STAFF COMMENT:

Absent Subcommittee action, if this bill were to be chaptered, funding for the bills provisions would either be appropriated by the bill itself or contained in FY 07-08 Budget.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES**ISSUE 9: PHARMACEUTICAL COSTS IN DISPENSING PRESCRIPTION DRUGS**

The pharmacists are requesting the re-examination of the cost of dispensing prescription drugs in the Medi-Cal Program because of the changes required as a result of the Federal Deficit Reduction Act of 2005. Also, the Department of Health Services would be authorized to increase pharmacy-dispensing fees based on the study results.

As of January 2007, a new reimbursement structure for drug costs will be utilized to set Medi-Cal reimbursement rates for pharmacies. The federal government is requiring that the average manufacturers price (AMP) be used to calculate Medicaid drug reimbursement for pharmacy providers. "AMP is the average price paid to manufacturers by wholesalers for drugs distributed to the retail pharmacy class of trade." However, there has been no determination yet as to how the AMP will be calculated. Thus, states and pharmacy providers have no idea what their reimbursement will be for drugs when this change is implemented. Pharmacy organizations have expressed strong concerns that the AMP is not an accurate measure of drug costs and are extremely concerned that pharmacies will be hit with substantial cuts in their reimbursement from the Medi-Cal program.

The best option for the Department of Health Services (DHS) to fairly apply the new drug pricing to California pharmacies is to be equipped with adequate information to set pharmacy dispensing fees to reflect pharmacy costs in California. To obtain pharmacy constituencies recommend that a study be done to evaluate current pharmacy costs of dispensing prescription drugs in the state.

The last authorized study of Medi-Cal rates was contained in SB 696 (Speier) of 2002, which required DHS to "conduct a study of the adequacy of Medi-Cal pharmacy reimbursement rates including the cost of providing prescription drugs and services." This study was completed in 2002 but utilized 2000 data to complete the report. Thus, the information contained in this pharmacy cost report will be over 7 years old by the time the new Medicaid drug reimbursement formula will be put in place.

Pharmacy providers are requesting that the Legislature adopt trailer bill language that will require DHS to conduct or contract out for a new study of pharmacy cost of providing prescription drugs and services.

ITEM 4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 10: FEDERAL REIMBURSEMENTS

Headquarters Staff to Increase Federal Reimbursements: DDS proposed 2 positions and \$193K as part of its May Revise proposal to introduce a manual process to collect individualized consumer information from regional centers and use this to bill the federal government for approximately \$16.1M in additional federal reimbursements in 2006-07 and \$21.4M in 2007-08. This is the companion piece in DDS headquarters and accompanies trailer bill language, budget bill language, and regional center operations and purchase of services funding that was approved in the Assembly hearing on May 17. Since the companion proposals were approved, Monday's action should be to conform to the policy decision already made.

ISSUE 11: REPORT REQUIRED BY BUDGET BILL

The Developmental Services has not complied with statutory budget language relating to prescription drug reimbursement systems that had been included in the *2005-06 Budget Act*. This language directed DDS to report to the Joint Legislative Budget Committee by April 1, 2006 regarding the feasibility and advisability of modifying reimbursement systems to account separately for drugs provided for eligible developmental center (DC) residents so that the state could obtain Medicaid prices and collect the rebates to which it is entitled from drug manufacturers.

According to DDS, the release of this report has been delayed because of the heavy workload caused by implementation of Part D of the Medicare Modernization Act. The department felt it was necessary for contract programmers to explore whether certain technical changes could be made in its Cost Recovery System, and to determine whether the Department of Health Services could collect drug rebates in conjunction with the use of a Prime Vendor Contract for drugs. According to DDS, the report is in the final stage of review within the department and will be submitted to the Health and Human Services Agency this week.