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

Assemblymember Hector De La Torre, Chair

WEDNESDAY, MAY 3, 2006, 1:30PM
STATE CAPITOL, ROOM 4202

CONSENT ITEMS

ITEMS TO BE HEARD

ITEMS FOR CONSENT

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE #1: COMMUNITY CARE LICENSING REFORM

The Subcommittee will clarify its position on Trailer Bill Language regarding Community Care Licensing and consider conforming to the Senate.

BACKGROUND:

The Governor's budget includes $6.7 million ($6 million General Fund) and 80 new positions that would allow DSS Community Care Licensing (CCL) to complete required licensing workload and increase visits to facilities. Additional staffing is requested primarily to address a backlog of required visits, as well as to increase the number of random sample licensing visits from 10 percent to 20 percent annually. Other administrative and statutory reforms are proposed to improve the efficiency of the licensing program and increase client protections.

At the April 5th hearing, the Department testified that most of the statutory provisions contained in the Governor's budget would be addressed in a policy bill outside of the budget process.

SENATE ACTION:

The Senate Budget Subcommittee # 3 took the following two actions for Community Care Licensing reform proposal:

1. Adopted placeholder trailer bill language to clarify that the department shall conduct unannounced visits to at least 20 percent of facilities per year. This 20 percent requirement is consistent with the funding and staffing proposed in the Governor's Budget, as well as existing statute that requires facilities to be visited at least once every five years.

2. Adopted placeholder trailer bill language requiring the department to submit a written plan to the Legislature by April 1, 2007 that 1) outlines the system changes, options, and costs to provide compliance history and civil penalty information for CCL facilities to the public via the internet, and 2) reports on the costs and benefits of developing the capacity to track the following enforcement data: a) the number of civil penalties issued for noncorrection of violations and for repeated serious violations, b) total number of civil penalties assessed, c) the number of noncompliance conferences held and, d) the number of resulting probationary, and revocation actions taken against facility licenses.

The Senate's proposed language is consistent with the direction the Subcommittee has proposed in the past.

STAFF COMMENT:

This proposed consent action would ensure that the Subcommittee is explicit about the direction it stated during the April 5th hearing

CONSENT ACTION:

- Conform to Senate.
- Deny the remaining trailer bill language without prejudice and refer it to policy committee.

CONSENT ISSUE #2: CALWORKS STAGE 1 CHILD CARE FUNDING TRAILER BILL LANGUAGE

The Subcommittee will consider a proposal to allow DSS to capture funding allocated to counties that was allocated this fiscal year.

BACKGROUND:

The proposed Trailer Bill for Human Services includes a provision to amend the current year budget to capture expected savings to CalWORKs Stage 1 Child Care. The proposed language would require DSS to rescind County Fiscal Letters that allocated funding for counties this year.

STAFF COMMENT:

The proposed language would take current year funding back from counties. Counties believe that such a process would make it impossible for them to plan their budget for each year. There are other existing mechanisms to capture this unspent funding in the budget that do not have this impact.

CONSENT ACTION:

Reject the proposed Trailer Bill Language.

CONSENT ISSUE #3: GROUP HOME AUDIT THRESHOLD

The Subcommittee will take action on an issue regarding the audit threshold for group homes.

BACKGROUND:

At the March 15, 2006 hearing, the Subcommittee discussed the contract threshold for undergoing annual financial audit. Currently all California Group Homes with annual expenditures above $300,000 must undergo an annual financial audit. The federal government has raised its required the threshold for annual audits to $500,000, but the State requirements have remained at the $300,000 threshold.

At least two group homes that exceed $300,000 per year in total expenditures but spend less that the federal threshold of $500,000 have raised concerns that this audit requirement results in $5,000 to $10,000 additional administrative costs each year. These group homes would like to increase the State threshold to the federal minimum level. These group homes also comment that a recent federal change will deny federal reimbursements for audits below the federal threshold.

STAFF COMMENT:

The Subcommittee expressed an interest in taking action on this issue after considering the issue after the March 15th, 2006, hearing date.

CONSENT ACTION:

Adopt Placeholder Trailer Bill Language to set the audit threshold for group homes at the level reimbursed by the federal government.

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES

CONSENT ISSUE #4 SPRING FISCAL LETTER ON COAP

The Department of Finance has issued a Spring Fiscal Letter for automation of the Compromise of Arrears Program (COAP) program.

BACKGROUND:

The Department of Finance has issued a Spring Fiscal Letter to appropriate $88,000 (30,000 General Fund) and authorize one limited-term position for maintenance and operations of the COAP Automation System. The system is a web-based application housed at DCSS.

The COAP was established in 2003-04 Human Services Budget Trailer Bill to offer reduced lump sum settlements to parents in exchange for their commitment to make ongoing payments. This program is also intended to reconnect families estranged due to unresolved child support payments. The Governor's budget assumes 7,250 applications will be processed for COAP in the budget year.

The budget proposes $520,000 ($177,000 General Fund) to maintain 6.5 of 9 expiring limited-term positions for the Compromise of Arrears Program (COAP). This program accepts reduced lump sum settlements from non-custodial parents with arrearages in exchange for their commitment to make ongoing payments.

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

STAFF COMMENT:

COAP program staff for the budget year, with the additional position provided in the Spring Fiscal Letter, would be 7.5 positions, which is 1.5 positions fewer than the current year level of staffing.

CONSENT ACTION:

Adopt Spring Fiscal Letter.

CONSENT ISSUE #5 CCSAS SPRING FISCAL LETTER

The Subcommittee will consider the Child Support Automation System changes enacted in a Spring Fiscal Letter.

BACKGROUND:

The Administration has submitted a Spring Finance Letter requesting $16.1 million ($5.5 million General Fund) in 2006-07 redirected from unspent 2004-05 and 2005-06 funds for the CSE. This funding is requested to meet federal certification requirements, ensure proper system operation, and maintain existing local functionality. The Department indicates that major components of this request include $2 million to change data identifiers for Non IV-D cases, $4.3 million to incorporate bar coding on child support documents, $2 million for conversion of outstanding disbursements, and $1.5 million for interfaces and report functions for connections to welfare automation systems. The Administration has also requested expedited review of a Section 11.00 request, dated March 14, 2006, to sign an additional contract with the CSE vendor for $16 million, effective March 31, 2006.

The Spring Fiscal Letter also requests Budget Bill Language to increase the authority of the Administration in 2006-07 to use unspent prior year and current year funding to address unanticipated project needs and to accommodate very short project timelines. More specifically, the requested language would: 1) reappropriate unspent 2004-05 and 2005-06 DCSS funds to 2006-07 and allow the Department of Finance to authorize the expenditure of the funds; 2) allow the Department of Finance to transfer reappropriated funds among the DCSS budget items; 3) authorize reappropriated funding to be transferred between DCSS and FTB. The proposed language does not include any notification to the Legislature.

The department indicates that $31.0 million ($10.6 million General Fund) in unspent 2004-05 funding would be available for reappropriation to 2006-07.

SENATE ACTION:

Senate Budget Subcommittee #3 took the following action on this request:

Approve the requested funding increase in 2006-07. Amend the Budget Bill Language to require Legislative notification prior to reappropriation or reallocation of any funds.

STAFF COMMENT:

The additional funding requested is allocated to address automation changes needed to fully implement the CCSAS system and thus avoid the large fiscal penalty.

CONSENT ACTION:

Conform to Senate.

CONSENT ISSUE #6 SDU SPRING FISCAL LETTER

A fiscal letter addresses only a portion of the additional costs generated by the new Statewide Disbursement Unit.

BACKGROUND:

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 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.

SDU IMPACT ON FAMILIES NOT ADDRESSED IN SPRING FISCAL LETTER:

While implementing the SDU, DCSS has changed the definition for the “legal date of collections” for child support payments. Under this new system, payment will officially occur when the Department has posted the payment or "Date of Withholding". Previously, DCSS had dated collections to the day the payment was made to the

Department or "Date of Receipt". This change of definition means that most payments will now be credited several days later than the previous practice.

This change has resulted in two potential problems:

1. CalWORKs families could potentially not receive a $50 disregard payment if a support payment made at the end of the month is not posted until the subsequent month. In addition, they may not receive a payment for the first month of the support payment that they would have received under the previous method.

2. Non-custodial parents with a wage assignment may accrue an arrearage if their employer fails to submit the payment from the wage assignment early enough to be posted by the local child support agency.

SENATE ACTION:

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.

STAFF COMMENT:

The Subcommittee has requested that the Department identify a solution to mitigate the impacts of the SDU accounting changes on California families. Until this solution is included in the proposal for the SDU, there is no reason to approve more funding for this contract.

CONSENT ACTION:

HOLD OPEN until the Administration proposes a solution to the impacts on non-custodial parents and aided families from the change in child support accounting to Date of Receipt.

ITEMS TO BE HEARD

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE #1: IHSS QUALITY ASSURANCE

The Subcommittee will discuss the status of the IHSS Quality Assurance effort.

BACKGROUND:

SB 1104, the FY 04-05 Human Services Trailer Bill contained provisions to enact an In Home Supportive Services Quality Assurance Initiative (IHSS QA). The IHSS QA initiative responded to data that illustrated a variance in the assessed hours for IHSS by county. This variance suggested that counties were assessing and applying different standards for the IHSS programs.

SB 1104 also contained the provisions to enact the IHSS Plus Waiver. This waiver transitioned almost of the state-only IHSS Residual caseload into a new program that received federal participation, resulting in significant General Fund Savings. However, the federal government requires that the State have one uniform assessment for the IHSS program. The IHSS QA initiative ensures that the IHSS program meets this federal requirement.

IHSS QA will use a uniform assessment and time for task guidelines to standardize the program statewide. Per SB 1104, DSS has hosted a series of stakeholder meetings to develop statewide standards and implications of the IHSS QA initiative. The Stakeholders groups have met since 2004.

According to DSS, final regulations will be issued to implement the QA provisions some time after mid-July 2006. The Department comments that the public comment on the regulations is open until May 17th. Final regulations cannot be adopted until the administration has responded to all public comment.

ADVOCATE PROPOSAL:

Advocates have sent a letter to the Subcommittee that makes the following three requests:

- **Maintain ongoing IHSS Stakeholder meetings with CDSS** to formulate performance standards for the QA initiative (that is, how will we know its effect on consumers), review performance data and assess whether adjustments are merited in the HTG regulations and time ranges.

- **Completion of the Consumer Satisfaction Survey** to gain input from consumers who participated in the field test. The Field Test was done to measure the effectiveness and usefulness of the proposed HTG "Task Tool" in assisting social workers in the provision of a comprehensive assessment/reassessment that most closely identified and met the consumer's needs. The coalition has submitted a draft of the consumer satisfaction survey to CDSS. We believe that it is essential to have responses from the consumers that were part of the field test to determine if they received enough hours to complete the task that were approved on the Notice of Action.

- **Clarification on the timelines and approval process for exceptions** that would allow consumers to receive hours that are outside of average range of time.
    - CDSS reports that "of the 3,556 total needs assessed for the 573 recipient sub-sample (recipient needs can be in all 12 service categories) over half (54) percent of the total needs fell in the proposed ranges and 46 percent fell outside." This means that almost half of the total needs fell outside the established ranges. For the consumer to get the hours which the social workers say they need, social workers will have to request exceptions.
    - For this sample of 573 consumers, social workers would have had to document 1,636 explanations for exceptions. In the test, social workers documented 142 exceptions because documenting exceptions is NOT a current requirement.

PANELISTS:

Joe Carlin
Department of Social Services

Tamara Rasberry
SEIU

Jovan Agee
AFSCME

Karen Keesler
CAPPA

Cheryl Bergan
California Foundation for Independent Living Centers.

Debra Doctor
Protection and Advocacy Inc.

Herb Meyer

STAFF COMMENT:

The Department has agreed to continue the stakeholder process after the regulations have been adopted. DSS and staff are working on potential language to reflect this agreement in the budget bill, or if necessary in a trailer bill provision.

In addition to the comments above, some advocates have requested that steps be taken to help consumers understand their rights to appeal and access fair hearings. The Department has expressed a willingness to consider such feedback.

STAFF RECOMMENDATION FOR REPORTING LANGUAGE:

Based upon discussion with the Administration and stakeholders, staff recommends the following reporting language be adopted:

1. Supplemental Reporting Language to require the Department to report to the Legislature quarterly the IHSS utilization data by county, task, and client level. The data will also report the number of exceptions by county, task and client level.
2. Adopt Budget Bill Language to require the Department to report at budget hearing on the impact of the IHSS QA regulations.

ISSUE #2: IHSS CASE MANAGEMENT INFORMATION AND PAYROLLING SYSTEM (CMIPS II)

The Department of Finance has issued a Spring Fiscal Letter to extend positions for the CMIPS II computer project.

BACKGROUND:

The Governor's Budget proposes $25.6 million ($12.8 million General Fund) for a new automation system to replace the existing Case Management, Information and Payrolling System (CMIPS). CMIPS is a 20 year-old system that supports the In-Home Supportive Services (IHSS) program. Development of the new system, known as CMIPS II, is necessary to meet state and federal program requirements for IHSS. Analysis and preparation of the procurement of CMIPS II has been ongoing since 1999-00, and has been delayed a number of times. Final bidder proposals are due in May 2006, and the contract is expected to be awarded in January 2007.

The Health and Human Services Agency Office of Systems Integration (OSI) manages the procurement of CMIPS II for DSS. In 2005-06 there were 16 OSI and 4 DSS positions for CMIPS II procurement and implementation.

The Administration believes that under the current project plan, CMIPS II will be fully implemented during FY 10-11.

SPRING FISCAL LETTER:

The Department of Finance has issued a Spring Fiscal letter to appropriate $680,000 ($340,000 General Fund) for the CMIPS II project. The funding will 1) extend four existing limited-term positions for one year and 2) provide one-time funding for independent project oversight activities.

ISSUE #3: IHSS DIRECT DEPOSIT

The Subcommittee will discuss implementing voluntary direct deposit payments for IHSS providers.

BACKGROUND:

Although IHSS is a county administered program, the State Controller makes the payment for IHSS providers by issuing individual checks to each provider. Currently only a small number of IHSS clients that receive "advance pay" receive their funds through a direct deposit payment.

ADVOCATE PROPOSAL:

AFSCME has requested that the Subcommittee appropriate funds to allow IHSS providers to receive payment through a direct deposit mechanism. AFSCME notes that under the current arrangement many of its members must use expensive check-cashing establishments or pay banking fees because they cannot use direct deposit.

TIMELINE FOR IMPLEMENTATION:

According to DSS, expanding the direct deposit function of CMIPS so that all providers could use it could take between 14 months to over two years. The Department comments that it is working with the vendor to determine how a proposed programming change to CMIP for Direct Deposit could fit into existing automation changes.

The State Controller would also need to make adjustments to implement direct deposits. The Controller's Office believes it would take about 9 months to make the needed changes to begin direct deposit.

DSS COST ESTIMATE:

DSS projects costs between $ 1,259,000- $3,895,000 ($629,500 - $1,947,000 General Fund). The funding breaks down as follows:

Current Year Costs
In the budget year, the Department of Social Services believes that it will cost only $150,260 to reprogram the CMIPS system to allow for Direct Deposit. Currently, the system makes direct deposit payments for advanced pay clients and can be adopted to allow other IHSS providers to receive their funding through direct deposit.

One-time Out-Year Costs
DSS believes in FY 07-08, when the reprogramming is completed, that the State will need to spend close to $300,000 for one-time "outreach" to IHSS providers to get

them to sign up for direct deposit. In addition, DSS projects staffing costs between $100,000 and $600,000 to sign up of the initial direct deposit application.

Ongoing Out-Year Costs
DSS have identified out-year help desk and administrative costs of between $550,000 and $1 million to provide support to the Direct Deposit function of CMIPS.

CONTROLLER COST ESTIMATE:

The State Controller estimates a onetime cost of $362,178 and ongoing costs between $ 8,830 – $ 46,417 per year.

SHOULD THE STATE WAIT FOR CMIPS II?

Since computer programming costs are such a small part of the overall cost estimate, it appears that the implementation of CMIPS II would not offset most of the Direct Deposit costs projected by DSS. The chart below compares the costs for Direct Deposit on both systems (note that CMIPS II costs would not happen until 2010-2011 when the system is project to begin operations):

Component	Cost to Change Current CMIPS System	Cost to using CMIPS II	Difference
CMIPS Automation Changes	$150,260	$0	150,260
Outreach	$283,536	283,536	0
Enrollment Costs	$ 105,797 - $ 634,782	$ 105,797 - $ 634,782	0
Ongoing Administration	$ 710,868 - $ 2,780,436	$ 710,868 - $ 2,780,436	0
Controller's Setup Costs	$362,178	$362,178	0
Controller's Transaction Cost	$ 8,830 – $ 46,417	$ 8,830 – $46,417	0
Total Cost	**$ 1,259,000- $ 3,895,000**	**$ 1,108,740 – $ 3,744,740**	**$ 150,260**

PANELISTS:

Joe Carlin
Department of Social Services

Jovan Agee
AFSCME

STAFF COMMENT:

While implementing the Direct Deposit provision in the budget year would trigger $3.6 million in additional costs over the next several years, almost all of these costs would occur in future fiscal years when CMIPS II is implemented. The Subcommittee must weigh the benefits of direct deposit for providers against the additional $150,260 cost for reprogramming and beginning these ongoing costs earlier.

Enrolling most IHSS providers in Direct Deposit may not result in a budget year cost because the implementation timeline may shift these costs into FY 07-08.

ISSUE #4: IHSS FRAUD INVESTIGATION BACKLOG

The LAO has some recommendations regarding the IHSS program.

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.

To assess progress with the program integrity components of Chapter 229, the LAO asked DHS and DSS a series of questions including (1) how many suspected cases of fraud have been identified, (2) how many have been investigated, (3) what were the results of the investigations, and (4) what is the level of county staffing for IHSS program integrity. At the time this analysis was prepared, DSS and DHS could not answer these questions, in part because the program integrity initiatives were in the early stages of implementation. The DSS indicated that it was in the process of completing its first quarterly program integrity report. This report, beginning with the fourth quarter of 2005, will show for each county the number of fraud investigations, referrals, and their disposition. We understand that DHS is also in the process of compiling data on fraud referrals, investigations, and dispositions.

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.

LAO RECOMMENDATION:

The LAO recommends that that DSS, DHS, and the counties report jointly at budget hearings on the implementation of the program integrity initiatives required by Chapter 229. It is the LAO's understanding that the first DSS program integrity quarterly report should be available at the time of budget hearings**.**

PANELIST:

David Botelho
Department of Health

Joe Carlin
Department of Social Services

Todd Bland
Legislative Analyst's Office

STAFF COMMENT:

The current level of staffing at DHS is not sufficient to address the backlog. However, a small increase to the staffing could address this backlog.

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.

ISSUE #5: CALWORKS SANCTIONS

The Subcommittee will discuss the implication of the CalWORKs sanction rate.

BACKGROUND:

Recent data shows that about 20 percent of all CalWORKs families are sanctioned in sanction status. Most experts expect that the pending federal regulations for counting work participation will require California to count most sanctioned families in the State's work participation rate. Recently several studies by counties have provided more information about these sanctioned families.

RAND SANCTION STUDY:

The Legislature requested a sanction study in the FY 04-05 Human Services Trailer Bill to better understand the linkage between sanction levels and the level of participation of CalWORKs families in the program. Last year's Budget proposed a 25 percent grant sanction for noncompliance that would occur after one month of noncompliance. An increased sanction was also proposed for families that have reached their 60-month time limit for federal eligibility. Noncompliant families receive the child-only grant level.

In FY 04-05, the Governor proposed to reduce safety net child-only cases in addition to the elimination of the adult's portion of the grant level. The proposed increases in sanctions were predicated upon creating incentives for families to participate in the program requirements. The sanction study was due on April 1st, 2005. This report still has not been submitted because of problems with the vendor.

STUDY FROM WRPP:

At study conducted by the University of California's Welfare Policy Research Project found that case managers and administrators recognized two groups of noncompliant recipients within the welfare population:

(1) those who cannot comply with welfare-to-work requirements due to barriers (personal problems or problems beyond their control), and
(2) those who can comply but lack the motivation to do so.

The administrators and case managers interviewed generally agreed that recipients with significant barriers make up the larger portion of the noncompliant population. Every administrator noted that county funding constraints make it impossible for their staff to address and successfully contend with all of the barriers noncompliant recipients face.

The Study found that current sanctions are sufficiently severe and that more effort needed for focus on county outreach services aimed at preventing and curing sanctions.

COUNTY VARIANCE IN SANCTION RATES:

There is significant difference in sanctioned rates by county. The chart below illustrates these differences:

Statewide Sanction Rates
For the period beginning January 1, 2005 through December 31, 2005

	1-Parent AU Percentage of individuals in sanction	**2-Parent AU** Percentage of individuals in sanction	**1-Parent and 2-Parent AU** Percentage of individuals in sanction
Statewide	**23.17%**	**18.08%**	**21.91%**
Alameda	15.06%	14.49%	14.94%
Alpine	37.50%	14.93%	19.28%
Amador	24.07%	24.87%	24.23%
Butte	12.91%	7.80%	11.32%
Calaveras	24.52%	21.44%	23.76%
Colusa	36.00%	22.01%	33.48%
Contra Costa	24.71%	16.85%	23.39%
Del Norte	5.34%	5.23%	5.31%
El Dorado	14.74%	8.79%	13.38%
Fresno	33.03%	34.89%	33.67%
Glenn	29.11%	12.34%	24.51%
Humboldt	29.62%	19.40%	26.73%
Imperial	20.90%	17.10%	20.02%
Inyo	22.13%	39.46%	26.77%
Kern	22.27%	15.16%	20.41%
Kings	25.16%	21.21%	24.10%
Lake	26.55%	19.84%	24.54%
Lassen	20.00%	10.07%	17.29%
Los Angeles	31.51%	25.41%	30.20%
Madera	18.49%	15.22%	17.60%
Marin	29.23%	24.31%	28.42%
Mariposa	15.20%	15.74%	15.37%
Mendocino	20.59%	25.08%	22.00%
Merced	23.86%	15.89%	21.24%
Modoc	4.11%	0.00%	4.03%
Mono	8.33%	9.33%	8.55%
Monterey	28.53%	29.38%	28.71%
Napa	29.14%	22.87%	28.13%

Nevada	22.75%	14.78%	21.12%
Orange	19.10%	7.23%	15.63%
Placer	3.35%	5.62%	3.86%
Plumas	34.83%	20.89%	32.12%
Riverside	19.55%	24.14%	20.24%
Sacramento	1.46%	0.57%	1.16%
San Benito	13.50%	7.35%	12.03%
San Bernardino	18.62%	15.06%	17.97%
San Diego	31.04%	16.34%	27.74%
San Francisco	15.51%	9.71%	13.96%

Statewide Sanction Rates
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Statewide	**23.17%**	**18.08%**	**21.91%**
San Joaquin	20.80%	15.58%	19.41%
San Luis Obispo	24.07%	17.03%	22.43%
San Mateo	16.40%	7.51%	14.55%
Santa Barbara	15.05%	14.98%	15.03%
Santa Clara	17.49%	10.08%	15.26%
Santa Cruz **(a)**	11.27%	8.21%	10.72%
Shasta	34.93%	28.28%	33.08%
Sierra	1.26%	11.46%	5.10%
Siskiyou	15.50%	17.15%	16.01%
Solano	4.03%	4.69%	4.18%
Sonoma	31.81%	32.90%	32.02%
Stanislaus	20.08%	14.04%	18.36%
Sutter	24.90%	20.25%	23.61%
Tehama	28.01%	17.71%	24.99%
Trinity	25.33%	21.60%	23.79%
Tulare	11.07%	9.04%	10.34%
Tuolumne	18.00%	10.65%	16.01%
Ventura	14.21%	11.92%	13.84%
Yolo	11.65%	6.55%	9.76%
Yuba	19.53%	9.60%	16.39%

(a) missing data for June 2005

Total Enrollees = the total number of individuals who were enrolled in the program, at any time, during the report month, including individuals who are in unsubsidized employment for the required number of hours, but who may not have signed a WTW plan as well as individuals not participating because of “good cause.” This number includes individuals in noncompliance, but not those in sanction.

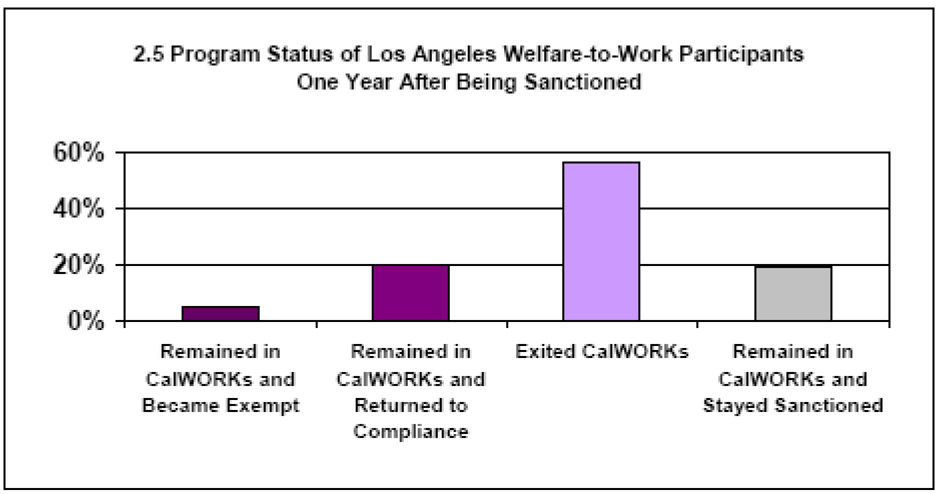
Percentage of individuals in sanction = individuals in sanction ÷ (total enrollees + individuals in sanction).

Data pulled from the WTW 25 & 25A reports for January 2005 through December 2005.

LOS ANGELES DATA ON SANCTIONED FAMILIES:

In response to concerns about sanctioned participants, Los Angeles County conducted a longitudinal analysis of recipients who entered the program between June and November 2002, following these recipients for 18 months. The county found that most of the sanctioned participants were sanctioned before they participated in any Welfare-to-Work activity at all. Almost two-thirds of those who were sanctioned had failed to attend their scheduled Orientation session. The participants who did attend Orientation were much less likely to be sanctioned than those who did not attend Orientation.

The below chart shows the status of a group of participants who were sanctioned between September 2002 and February 2003, one year after they first became sanctioned.



The Los Angeles analysis found that over time, most sanctioned participants returned to compliance became exempt or left the CalWORKs program altogether. The Los Angeles findings also are similar to the Riverside and San Bernardino studies, showing the dynamic nature of the caseload and the large percentage of recipients who leave the program over a given period of time.

CWDA RECOMMENDATIONS:

In the CWDA "CalWORKs at a Crossroads" white paper, the counties made several recommendations for improving the engagement of sanctioned families:

• **Require counties to attempt a home call before imposing a sanction**. Research in various counties indicates that sanctioned participants often have unidentified barriers to participation, and many are eligible to receive an exemption or a finding of good cause for not participating. A home visit program would require an intensive personal effort to engage every participant prior to implementation of a sanction. Prior to visiting the participant's home, the county could make other efforts to contact him or her in order to resolve the noncompliance, such as a letter and/or a telephone call, which may obviate the need for a visit, according to counties that have tested similar approaches.

• **Require counties to attempt to engage sanctioned individuals in the Welfare-to-Work program when they come in for annual redeterminations**. Currently, annual redeterminations for recipients (including sanctioned recipients) are required to be done in person. Requiring counties to aggressively pursue program participation during the redetermination process could persuade more individuals to engage in the program and have a positive effect both on families and the work participation rates.

• **Enable sanctioned individuals who come back into compliance during a specific time period to "earn back" some or all of their sanction over time through continued satisfactory participation, as a means to encourage ongoing participation**. Offering a time-limited "sanction amnesty" for a designated period of time, such as January through June 2007, could motivate participants to return to compliance who would not otherwise do so, while also providing a period of intense focus for counties to reengage sanctioned participants. Re-engaging sanctioned participants for the longest time possible is particularly important if the federal government issues regulations that add sanctioned families into the work participation rate calculation. Reducing the number of sanctioned families will be key to increasing the state's work participation rate.

The CWDA considered requiring participation in an orientation session as a requirement of eligibility for CalWORKs assistance. After substantial debate, the Counties decided against recommending this requirement as a policy change for several reasons. First, Counties were concerned about the significant due process requirements that would almost certainly be required in order for the requirement to be accepted by the Legislature and the advocacy community. For example, an identification of barriers to employment, a consideration of whether an individual applying for aid would qualify for a participation exemption and the provision of services such as child care and transportation would likely be required for these applicants. Knowing that approximately half of the applications counties receive are ultimately denied, CWDA could not recommend this level of activity using scarce resources on behalf of tens of thousands of people each year who would not actually be found eligible for the program.

CWDA also considered recommending full-family and graduated sanctions for recipients in long-term sanction status, but decided against recommending this policy change. Policy research has shown an inconclusive link between full-family and graduated sanctions and higher participation rates. In addition, California's existing partial sanction policy was based on the bipartisan consensus that children should not be punished if their parents failed to comply with CalWORKS program rules. It is difficult to see how the long-term well-being of children would be enhanced by implementing full-family or graduated sanctions. Finally, there is no evidence that partial sanction policies encourage non-compliance.

PANELISTS:

Char Lee Metsker
Department of Social Services

Frank Mecca
County Welfare Directors Association

STAFF COMMENT:

Given that most experts expect that the pending federal regulations for counting work participation will require California to count sanctioned families in the State's work participation rate, the ability to engage these families in work activities will be critical.

ISSUE #6: UPDATE ON THE CWS/CMS GO FORWARD PLAN

The Subcommittee will receive an update on the CWS/CMS system and discuss a Spring Fiscal Letter.

BACKGROUND:

In 1993, the federal government offered funding to any state that agreed to develop a Statewide Automated Child Welfare Information System (SACWIS). A SACWIS system performs certain functions such as processing child abuse investigations and preparing foster care case plans. If a state chose to develop such a system, then the federal government provided "incentive funding" at 75 percent of total costs for the first three years of the project's development and then 50 percent for the subsequent years. In 1994, California received federal approval to develop CWS/CMS as SACWIS-compliant. In 1997, the state announced the completion of the CWS/CMS system when it became operational in all counties.

The federal government, however, did not consider CWS/CMS complete because the system did not meet all the SACWIS requirements. Starting in 1999, the federal government raised concerns about the inability of the CWS/CMS system to meet SACWIS requirements. In June 2003, the federal government notified the State that it did not consider CWS/CMS to meet SACWIS requirements. As a result of that decision, the federal government reduced its share of funding for CWS/CMS from roughly 50 percent to 30 percent. In addition, the federal government notified the State that it would not provide any federal funding for the current contract after August 2005.

Starting in March 2004, the administration began developing a strategy to address the federal government's concerns about achieving SACWIS compliance. In August 2004, the administration provided its SACWIS compliance strategy—the Go Forward Plan—to the federal government. The total costs for the Go Forward Plan are currently estimated to be $82 million (all funds) over four years. The plan consists of three components:

- Conducting a Technical Architecture Alternatives Analysis (TAAA) to determine the costs and benefits of achieving SACWIS compliance versus non-SACWIS compliance.
- Developing a Request for Proposal (RFP) for a contractor to maintain the CWS/CMS software.
- Transferring the CWS/CMS hardware from the current contractor's site to DTS.

In October 2004, the federal government approved the CWS/CMS Go Forward Plan and restored SACWIS funding to the project. In addition, the federal government retroactively provided SACWIS funding for July 2003 to September 2004.

TAAA FINDINGS:

The TAAA concluded that SACWIS functions are necessary to meet county program needs. In addition, the analysis concluded that the current CWS/CMS system does not meet either the state or county program needs. In addition, the analysis indicates that the current CWS/CMS system's technology is costly to maintain, difficult to modify, and requires significant technical enhancements to meet program needs. To solve these issues, the analysis examined three alternatives: (1) modify the existing system to include SACWIS functionality, (2) migrate the CWS/CMS technology over time to newer technology, and (3) develop a new system.

The analysis concluded that the most cost effective solution was to develop a new system. One time costs for the new system were estimated to be $129 million and annual maintenance and operation costs were estimated to be about $103.9 million. Total ten year costs were estimated at $233.3 million. The TAAA also estimates that it will take three years to develop the new system. (This estimate does not take into account (1) preparing the feasibility study report (FSR) and (2) preparing the RFP and conducting the procurement. According to a schedule included in the TAAA, the state will spend the budget year developing the FSR and preparing the RFP.

The administration is proposing to develop a new system to replace the CWS/CMS system. Planning for the new system will take place in 2006-07 and 2007-08 and the new system should be completed by 2011.

SPRING FISCAL LETTER:

The Department of Finance has issued a Spring Fiscal Letter to develop a new Child Welfare System/Case Management System. The letter requests $655,000 ($328,000 General Fund) and 3.8 positions to begin implementing the Go Forward Plan.

UPDATE ON FEDERAL GOVERNMENT REVIEW:

The federal government is requesting an Advance Planning document for planning activities for the new system. The new document, a Planning Advance Planning Document, is currently being prepared. The ACF letter also discusses SACWIS funding assumptions. CDSS will continue to negotiate with the federal government on the funding request surrounding the development of the new system.

LOS ANGELES MYCSW INTERFACE:

Los Angeles County has created a front-end interface for the CWS/CMS system called the MyCSW system. The interface is designed to improve the functionality of the program for social workers.

The federal government has submitted a letter to the State to protest the fact that Los Angeles had made automation changes that affect the CWS/CMS system without federal authorization.

PANELIST:

Department of Social Services

STAFF COMMENT:

The federal government continues to value bureaucratic automation approval processes and system design consideration more than the system's functionality and benefit to the program.

ISSUE #7: COMPUTER REPLACEMENT AND SOFTWARE UPGRADE COSTS

The Subcommittee will review a proposed change to the way the State budgets for County computer replacement and software upgrades.

BACKGROUND:

Currently, funding to replace obsolete computers and install newer versions of software on the State's automation systems is considered part of the project funding and is provided on a one-time basis. These projects are commonly known as a "refresh" of the system.

In the budget year, such "refresh" projects for the CWS/CMS and CalWIN system have not been included in the budget. The Department of Finance has decided that these projects should not be budgeted as a unique project and should instead be claimed by counties as part of their normal administrative costs.

CWDA REQUEST:

CWDA has requested that the two refresh projects be included in the budget. The total cost of including these projects would be $15.3 million ($6.0 million General Fund) with $9.9 million ($3.3 million General Fund) for CalWIN and $5.4 million ($2.7 million General Fund) for CWS/CMS.

CWDS thinks that making these expenses a program cost would be impractical. Currently there is no means to request budget augmentation for each impacted program in order to refresh hardware or software. In addition, the significant costs of a refresh cannot be readily absorbed into allocations that are based on caseload and staffing costs. The result is likely to be an increasing number of obsolete and failing PCs and printers impacting services to clients.

PANELISTS:

Nick Buchen
Department of Finance

Frank Mecca
County Welfare Director's Association

SENATE ACTION:

The Senate increased funding for CalWIN above the Governor's Budget by $7.0 million ($2.6 million General Fund).

Governor's Budget $21,796,000
LAO Print Savings -$2,000,000
Workstation Replacement +$9,000,000
Total Recommended $28,796,000

STAFF COMMENT:

Finance has cited the proposal to freeze county administrative costs as the justification for no funding the two refresh projects. Both the Senate and Assembly have rejected this proposal.

ISSUE #8: UPDATE ON SAWS PROJECTS AND HELP DESK STAFFING RATIOS

The Subcommittee will hear an update on SAWS projects.

BACKGROUND:

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

Statewide Automated Welfare System
(dollars in millions)

		2005-06		2006-07	
Program	**Region**	**Total Funds**	**General Fund**	**Total Funds**	**General Fund**
CalWIN	18 counties (36% caseload)	$153.8	$56.4	$117.5	$44.0
LEADER	Los Angeles County (39% of caseload)	$11.2	$3.0	$11.4	$3.0
C-IV	4 counties (12% of caseload)	$45.5	$15.9	$48.8	$17.1
ISAWS	35 counties (13% of caseload)	$37.3	$14.6	$40.6	$16.0
WDTIP	Statewide time on aid tracking	$3.9	--	$3.9	--
Statewide Project Mgmt	Statewide project management and oversight	$6.2	$2.7	$6.4	$2.8
Total		**$257.9**	**$92.6**	**$228.6**	**$82.9**

CalWIN: The Governor's Budget requests $117.5 million ($44 million General Fund) to continue implementation and operations of the CalWIN system. Implementation of this system began in Sacramento County in March 2005, and completion of the project is expected by July 2006. Funding for 2006-07 includes one-time implementation costs of $60 million, and ongoing maintenance costs of $57 million. These costs are $21.8 million higher than previously budgeted, due to the following:

• County Support Staff:	$	827,000
• Help Desk Staff:	$	4,376,000
• Local Telecommunication	$	4,630,000
• Print Charges	$	10,388,000
• Quality Assurance	$	1,575,000
Total	**$21,796,000**	

Note that the 2005 May Revision also added $25.1 million in additional funding for CalWIN implementation above the $128 million previously anticipated for 2005-06.

LEADER: The Governor's Budget requests $11.4 million ($3 million General Fund) for the LEADER system, used by Los Angeles County. LEADER system implementation was completed on April 30, 2001. Due to the need for a more manageable, accountable, and comprehensive automation system, Los Angeles County plans to port the LEADER system to a SAWS-based system. Due to the unique needs of the county, and the difficulty of integrating Los Angeles County's business processes with other counties, the county would not join another county automation system consortium, but would adapt one of the systems used by other counties for Los Angeles County. This is anticipated to occur by April 2010. The Governor's Budget includes $2.8 million ($1.1 million General Fund) in 2006-for transition planning activities. Note that ongoing maintenance and operations costs for LEADER may increase in April 2007, as the current contract with the existing vendor expires at that time, and a new contract will be negotiated for April 2007 to April 2010.

C-IV: The Governor's Budget includes $48.8 million ($17.1 million General Fund) for ongoing maintenance and operations of the C-IV system. C-IV began system development in 2001, and completed implementation in 2004. The budget requests $632,000 in additional maintenance and operations costs in 2006-07 for a vendor inflation adjustment and additional county support resources.

ISAWS: The Governor's Budget requests $37.5 million ($14.7 million General Fund) for ongoing maintenance and operations of the ISAWS system. The budget also includes $890,000 ($392,000 General Fund) in 2005-06 and $3.1 million ($1.4 million General Fund) in 2006-07 for planning costs to migrate the 35 ISAWS counties to C-IV. The ISAWS system was completed in the early 1990's. Due to technology and functionality problems, including manual workarounds and a proprietary mainframe architecture, the ISAWS counties have evaluated options to migrate to another SAWS system. They have chosen to migrate to C-IV. Planning activities for ISAWS migration will begin in March 2006, and will continue through December 2007. One-time transition costs to migrate the ISAWS counties to C-IV are roughly estimated at $136 million. Once the transition to C-IV is complete, ongoing maintenance and operations costs for the 35 ISAWS counties are expected to decline by $10.8 million.

LAO CONCERNS AND RECOMMENDATION FOR CALWIN PROJECT:

The LAO recommends that the Legislature deny a $4.4 million proposal increase to county Help Desk staff from 127 to 195. The LAO cannot determine whether the proposed ratio of 143 end users per one help desk staff is the appropriate staffing level given the information provided by the Department.

CWDA COMMENTS ABOUT HELP DESK STAFFING:

The Counties believe that the additional help desk staffing included in the budget is not sufficient. The counties point out that the CalWIN level of funding is 25 percent less than the funding level provided for the old CDS system, which CalWIN replaced. CWDA has requested an additional $3.6 million (1.2 million General Fund) for additional help desk staff to keep the level of services provided with the previous system.

PANELISTS:

Department of Social Services

Kathy Curtis
Legislative Analyst's Office

Frank Mecca
CWDA

STAFF COMMENT:

Help Desk staffing has played a critical role in enabling case workers to use the county systems effectively.