AGENDA
SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER PATTY BERG, CHAIR

PART 2

FRIDAY, MAY 30, 2008
STATE CAPITOL, ROOM 4202
10:00 A.M.

ITEMS TO BE HEARD

VOTE-ONLY ITEMS

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: MAY REVISION CASELOAD ADJUSTMENTS AND DSS CONCURRENCE WITH LAO RECOMMENDATIONS

The May Revision proposes adjustments in funding to reflect caseload updates for CalWORKs, Foster Care, Adoptions Assistance, IHSS, SSI/SSP, Food Stamps Administration, and Child Welfare Services. The May Revision includes a net increase of $597,351,000 (increases of $18,399,000 General Fund, $447,921,000 Federal Trust Fund, $130,487,000 Reimbursements, and $544,000 Child Support Recovery Fund), due to the impact of caseload changes since the Governor's Budget. The May Revision reflects the following average monthly caseload in 2008-09, compared to 2007-08 caseload:

- **CalWORKs:** 461,000 cases (0.1 percent increase)
- **Non-Assistance Food Stamps:** 669,000 cases (8.8 percent increase)
- **SSI/SSP:** 1,274,000 cases (2.1 percent increase)
- **In-Home Supportive Services (IHSS):** 416,000 cases (4.8 percent increase)
- **Foster Care:** 71,000 cases (0.8 percent increase)
- **KinGAP:** 14,000 cases (1.6 percent decrease)
- **Adoptions Assistance Program (AAP):** 81,000 cases (5.7 percent increase)
- **Child Welfare Services:** 159,000 cases (0.1 percent decrease)

Program	Item	Change Since Governor's Budget
CalWORKs / Kin-GAP	5180-101-0001 5180-101-0890 5180-601-0995	-$7,847,000 $347,685,000 $273,000
Foster Care	5180-101-0001 5180-101-0890 5180-101-8004 5180-141-0001 5180-141-0890	$527,000 -$17,811,000 $544,000 $247,000 -$844,000
Adoption Assistance Program	5180-101-0001 5180-101-0890	-$1,473,000 $1,166,000
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	5180-111-0001	$6,633,000
In-Home Supportive Services (IHSS)	5180-111-0001 5180-611-0995	$46,321,000 $125,497,000

Program	Item	Change Since Governor's Budget
Child Welfare Services (CWS)	5180-151-0001 5180-151-0890 5180-651-0995	$1,686,000 $27,688,000 $4,404,000
Other Assistance Payments	5180-101-0001 5180-101-0890	-$42,809,000 $52,353,000
County Administration and Automation Projects	5180-141-0001 5180-141-0890 5180-641-0995	$16,709,000 $37,482,000 $313,000
Title IV-E Waiver	5180-153-0001	-$1,814,000
Remaining DSS Programs	5180-151-0001 5180-151-0890	$219,000 $202,000

In addition and in response, the Legislative Analyst's Office (LAO) has updated caseload information for 2008-09 for the following programs:

- California Work Opportunity and Responsibility to Kids (CalWORKs) – Increased cost of $80 million due to caseload growth of 2 percent (versus the Administration's May Revise estimate of flat growth). This is the Administration's preliminary estimate of additional cost associated with the higher caseload.
- Stage 1 Child Care – Decreased cost of $20 million due to caseload declines between January and March that the Administration was not able to include in its May Revise caseload assumptions.
- In-Home Supportive Services (IHSS) – Increased cost of $20 million due to caseload growth of 6.1 percent (versus the Administration's May Revise estimate of 4.8 percent growth)
- Cash Assistance Program for Immigrants (CAPI) – Decreased cost of $2.6 million based on most recent caseload data that the Administration was not able to include in its May Revise caseload assumptions.

The differences in the LAO caseload estimates and the Administration's May Revision caseload estimates reflect the point in time in which the estimates are prepared. The LAO has more recent data. The Department of Social Services (DSS) concurs with the caseload and cost updates contained in this issue.

Staff Recommendation: Approve the May Revision adjustments in funding due to caseload updates, adjusted to accept the LAO's revised caseload and costs adjustments for the CalWORKs, Stage 1 Child Care, IHSS, and CAPI programs. These should be adjusted as appropriate for actions taken elsewhere in the agenda and conforming as appropriate to actions taken in other human services Subcommittee hearings. These actions are intended to conform fully to the Senate.

ISSUE 2: COMMUNITY CARE LICENSING TRIGGER LANGUAGE

The May Revision requests trailer bill language that would extend the moratorium on the Community Care Licensing trigger language and require that DSS submit trailer bill language to revise the trigger by February 1, 2010.

The 2007-08 budget trailer bill (Chapter 177, Statutes of 2007) required the DSS to propose, by February 1, 2008, a new statutory methodology for triggering additional annual random visits to facilities. The DSS submitted a report on March 27, 2008, to the Legislature requesting an additional two-year delay in submitting this language. In their report to the Legislature, DSS cites the delay in automation improvements (which were due to the Governor's veto of funds the Administration requested and received for licensing automation), the need to put systems in place to measure and develop alternate triggers, the need to develop and stabilize the CCL Division's staff skills, and the preference of stakeholders as the reasons for extending the suspension of the trigger for two years and to explain their need for more time to develop a new trigger mechanism.

Staff Recommendation: Approve the requested trailer bill language.

ISSUE 3: FEE EXEMPT LIVE SCAN TRAILER BILL LANGUAGE

The May Revision requests trailer bill language to extend the suspension on the fee exempt live scan for an additional two years. The fee exemption provides a subsidy to applicants/workers in homes serving children with a capacity of six or fewer to have the State pay for the live scan and FBI background check fees. The intent of the fee exemption is to build capacity. Currently, the live scan fee is approximately $16 and the FBI fee is $19. This suspension was first enacted in 2003-04 for a savings of $2.8 million General Fund.

Staff Recommendation: Approve the trailer bill language.

ISSUE 4: OUTSTANDING BBRS AND BCPS

These are items that have been considered by the Subcommittee in past hearings.

- **BBR - Community Care Licensing.** The Governor's budget proposes to reduce the Community Care Licensing (CCL) random visits from 30 percent to 14 percent of facilities, resulting in estimated General Fund savings of $2.3 million in 2008–09. Under this proposal, the majority of facilities would receive an inspection approximately once every seven years.
  Recommendation is to reject the BBR.

- **BCP - Community Care Licensing.** The Administration is requesting an 18-month extension of 29 limited term positions ($1 million GF, $54,000 federal funds) so that facilities that have not been visited in over five years can be inspected. The Community Care Licensing (CCL) Division at the Department states that in the last several years the frequency of evaluation visits has been severely compromised due to budget constraints and statutory pressures. The Department further contends that while it has made significant progress, it will not be able to complete its backlog of required visits by December 31, 2008, the time frame provided for in the FY 2006-07 BCP that provided the current LT positions for this task.
  Recommendation is to approve the BCP.

- **BCP – Self-Sufficiency for Disabled Emancipating Foster Youth (AB 1331).**
  Recommendation is to conform to action in the Senate in rejecting the state operations piece and approving the local assistance.

Staff Recommendation:

1. Reject the BBR for Community Care Licensing and approve the BCPs for Community Care Licensing and Self-Sufficiency for Disabled Emancipating Foster Youth (AB 1331).

2. In regard to BBRs generally, accept all BBR savings erosions and changes as presented in the May Revision, including those associated with rejection of items such as the CalWORKs proposals intending to be fully consistent with the Senate on these technical, savings adjustments.

ISSUE 5: Increase Realignment Support for IHSS

Subcommittee No. 5 increased funds for Realignment by $120 million by shifting in additional vehicle license fee revenue.

The additional Realignment revenues enable $120 million of IHSS costs to be reduced from the General Fund and instead drawn from Realignment. This ultimately results in GF savings in the budget year of $120 million.

Staff Recommendation: Conform to the Sub. 5 action and shift $120 million of IHSS costs to Realignment, resulting in the same amount in General Fund savings. This will require technical changes to trailer bill and budget adjustments, with direction to Finance to effectuate this shift-out of funds.

ISSUE 6: FOOD STAMP PROGRAM ADMINISTRATIVE REDUCTION

The Governor's budget proposes to reduce funding provided to counties for administration of the federal Food Stamp Program by $34.9 million ($14.4 million General Fund), which is a four percent cut to administrative funding for the program.

Staff Recommendation: Accept the Food Stamp Program Administrative BBR and adopt placeholder TBL to suspend the county share of penalties when program funding is inadequate to meet program requirements.

ISSUE 7: SSI/SSP STATE-PORTION COLA – TRAILER BILL LANGUAGE

The May Revision continues the Administration's proposals to eliminate the 2008 and 2009 SSP COLAs for a General Fund savings of $235.4 million. Of this total, $198.3 million is associated with eliminating the October 2008 SSP COLA, and $37.1 million is associated with eliminating the June 2009 SSP COLA. Trailer bill language is provided to implement the proposed reductions.

During the Special Session, the Legislature and the Governor took action to delay implementation of the 2008 COLA from June to October 2008.

The LAO estimates that the savings associated with the proposal to suspend the June 2009 COLA is overstated by about $14 million. This is because the LAO's estimate of the CPI is greater than that of the Administration (4.25 percent versus 2.7 percent), which will result in greater federal participation than assuming in the May Revision. This difference is a result of the point in time at which the May Revision is prepared and the later data that the LAO has to build their estimate.

If the 2008 and 2009 SSP COLAs are provided, the maximum SSI/SSP grant level would increase by $37 per month for individuals and $75 per month for couples. Given the desire to enact restorations in other areas of the budget affecting these same and similar populations, taking this proposal is necessary.

Staff Recommendation: Approve the Administration's proposals to eliminate the 2008 and 2009 SSP COLAs and the associated trailer bill.

ISSUE 8: CalWORKs – Repeal the Temporary Assistance Program (TAP)

The Administration proposes trailer bill language to repeal the TAP.

AB 1808 (Chapter 75, Statutes of 2006) established TAP as a non-MOE state-funded program that would provide CalWORKs-level grants and supportive services to CalWORKs clients who are exempt under state law from work participation requirements. AB 1808 established April 1, 2007, as the implementation date for TAP, but allowed DSS to request an extension of the implementation date with a letter to the Joint Legislative Budget Committee (JLBC). On January 19, 2007, DSS notified the JLBC that TAP implementation will be indefinitely delayed due to federal child support distribution rules and their effect on CalWORKs benefits.

In response to the delayed implementation, DSS proposed trailer bill language that would have delayed implementation indefinitely. The Legislature responded instead by delaying implementation until April 1, 2009.

The intent of TAP is to move California's exempt clients out of the federal work participation rate calculation while still ensuring that these families receive benefits and have access to services to assist them in obtaining work in the future. Although the implementation of TAP alone will not result in California meeting its federal work participation rate (WPR), it is a critical step toward improving the state's caseload reduction credit and WPR, and avoiding federal penalties. Implementation of TAP is expected to increase California's caseload reduction credit (CRC) by five percent.

Although the problems with implementation of TAP are beyond the control of DSS and probably cannot be resolved until the State's single child support automated system is fully up and running, it is unclear why TAP should be eliminated. The child support automated system should be fully functional by November 2008, at which time DSS and the Department of Child Support Services can begin to address TAP implementation issues.

Staff Recommendation: Reject the elimination of the TAP program and revise the current statutory language to delay implementation from April 1, 2009 to April 1, 2010.

ISSUE 9: CalWORKs – Request for DSS Resources

The Administration requests the following funding and positions for DSS related to the CalWORKs Program:

- $2.3 million in federal funds and 20 positions to support data collection for federal work participation in each county, including verification of data and reporting procedures, and to perform oversight and field monitoring of county procedures and case documentation for verification of recipient participation hours at the county level. These positions are intended to improve monitoring and measurement of the performance of counties to meet new federal data quality assurance mandates.

These positions were requested, but rejected last year. The LAO has worked with DSS to streamline the workload and request and believes that reduced resources of $1.6 million in federal funds and 14 positions would be sufficient. Given the fiscal risks involved with not performing these activities, the LAO recommends approval of the lower amount.

Staff Recommendation: Approve $1.15 million in federal funds and 10 positions for 2008-09 and beyond. DSS should submit another BCP for 2009-10 if additional resources are needed for these activities.

ISSUE 10: CalWORKs – Mailing Costs

The May Revision requests $174,000 ($21,000 General Fund) for one-time mailing costs associated with informing all CalWORKs recipients of the proposed Graduated Full-Family Sanctions, Modified Safety Net, and Making Consistent Other Child-Only Benefits. DSS indicates that they will develop an interagency agreement with the Employment Development Department to complete this mailing.

It is not clear whether the costs of this mailing would increase to inform CalWORKs recipients of the additional proposals made by the Administration as part of the May Revision, although presumably, notification of all changes could be accomplished with one letter. In addition, the estimated postage costs do not reflect the last two postage increases.

Informing clients of program changes are a normal cost of doing business and should be absorbed within current resources.

Staff Recommendation: Reject the requested funding.

ISSUE 11: CALWORKS – Work Incentive Nutritional Supplement (WINS)

The May Revision continues to propose providing additional support in the form of a supplemental food stamp benefit to eligible working families, for a cost of $8.4 million in 2008-09, rising to $18.6 million in 2009-10, and $24 million in 2010-11 and annually thereafter. Trailer bill language is provided to implement the proposed change.

Working families who are receiving Food Stamps, but not receiving CalWORKs assistance would be eligible for WINS if they work sufficient hours to meet federal work participation requirements. The benefit would be a flat $40 per month per household.

The 2008-09 costs of the WINS proposal would be for necessary automation changes to enable the benefit to be applied to recipients' electronic benefit cards. The benefits would be provided beginning July 2009.

The Administration estimates that California's WPR would increase by 11.94 percent in federal fiscal year (FFY) 2010 and 9.54 percent in 2011. This is because the proposal would add additional working families to the CalWORKs caseload who could be counted toward the WPR (versus putting existing CalWORKs recipients to work). However, in order to maximize the work participation benefit of this proposal, there would need to be a corresponding proposal that includes eligibility changes that would offset the caseload increase resulting from WINS. The Administration's graduated full-family sanction proposal is an example of such an eligibility change, as is its pre-assistance proposal (discussed on page 14 of this agenda).

The LAO believes that the WINS proposal is a cost-effective way of raising work participation and includes the program in their alternative package of CalWORKs changes.

Staff Recommendation: Adopt the Administration's WINS proposal.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 1: REMAINING ISSUES

Here are the DCSS items on which the Assembly has not yet taken action and which the Senate has:

- DCSS BBR
  1. Public Inquiry Response Team – Reduce 2.5 positions and $193,000($66,000 GF)
  2. Quality Assurance and Performance Improvement – Reduce 6.5 positions and $530,000 ($180,000 GF)
  3. Contract Performance Support – Reduce $133,000 ($45,000 GF)

  The Senate took action on these on 3/24.

- DCSS Governor's Budget Local Assistance
  Increase the $50 disregard to $100.

  The Senate took action on this on 3/24.

- Governor's Budget BCP
  Administrative Resources Branch BCP – 2.0 positions funded with redirected OE&E funding.

  This was approved by the Senate on 3/24.

Staff Recommendation: Adopt actions for these items to conform to the Senate, including the approval of the increase in the Child Support Income Disregard and the associated trailer bill that was proposed by the Administration.

4170 DEPARTMENT OF AGING

ISSUE 1: CLARIFICATION ON PRIOR ACTION

The Subcommittee acted on May 21 to deny the BBR reduction for Adult Day Health Care. The Senate also rejected the BBR and additionally reduced the department's OE&E budget by an additional $19,000 (General Fund). Staff recommends conforming to the Senate on this $19,000 GF reduction, which will avoid conference committee on this item.

Staff Recommendation: Fully conform to the Senate on the rejection of the ADHC BBR with the accompanying reduction of $19,000 GF for the Department's OE&E budget.

5160 DEPARTMENT OF REHABILITATION

ISSUE 1: BBR - PROVIDER RATE CUT

The Subcommittee has not yet acted on the administration's proposed provider rate reductions to Community Service and Individual Service Providers (ISPs), not including the SEP provider rate reduction. Staff recommends approval of these BBR components for the DOR.

Staff Recommendation: Adopt the BBR components on the provider rate reductions in DOR as specified in the agenda.

4440 DEPARTMENT OF MENTAL HEALTH

ISSUE 1: INCREASED BUDGET AUTHORITY FOR MENTAL HEALTH SERVICES ACT FUNDING – HOLDOVER ITEM

This item was previously heard by the Subcommittee on May 28, 2008, where the motion failed. The item is not being reconsidered at the request of the chair.

The Subcommittee is in receipt of information from various stakeholders requesting an adjustment to the Department of Mental Health's (DMH) budget for the statewide initiatives adopted in the Subcommittee on May 12th as contained in a Finance Letter.

Based on discussions, there appears to be a consensus that the appropriation authority of the DMH needs to be increase by a total of $25 million (Mental Health Services Act Funds) in order to meet the needs identified for the statewide projects, as well as timelines that have been identified.

All of these funds would flow from local assistance (i.e., counties) to the DMH for expenditure since these are statewide initiatives. Under current legal interpretation of the MHSA Act, counties must first receive the MHSA Funds and can then reassign them to the state, such as in this case for the identified statewide initiatives. Therefore, DMH expenditure authority is needed to fully utilize the funds.

The statewide projects and the requested increases in Mental Health Services Act Funds are each described below.

- <u>Student Mental Health Initiative.</u> An increase of $7 million (Mental Health Services Act Funds) is needed to fully fund this initiative. Of this increase, $6.5 million would be for K-12, and $500,000 would be for higher education.

  The Mental Health Services Oversight and Accountability Commission (OAC) approved $15 million annually for four years for this initiative. Of this amount, it dedicated $8.5 million to higher education and $6.5 million to K-12 education. However, the Finance Letter only provided authority for $8 million. In order for the OAC to direct DMH to fully implement this initiative the additional $7 million (Mental Health Services Act) is needed.

  This initiative incorporates strategies to identify students with potential mental health problems in K-12 settings and to support those with diagnosed mental illnesses as part of a comprehensive student mental health strategy. Practical experience and academic literature demonstrate that mental health problems that can lead to school violence begin early, in primary, middle and high schools.

- <u>Statewide Initiative on Stigma and Discrimination Reduction.</u> An increase of $15 million (Mental Health Services Act Funds) is needed to fully fund this initiative.

  The Mental Health Services Oversight and Accountability Commission (OAC) have approved a total of $30 million annually for four years for this initiative. However, only $15 million has been appropriated for this purpose. Therefore, an additional $15 million is needed.

- Statewide Initiative on Suicide Prevention. An increase of $3 million (Mental Health Services Act Funds) is needed to fully fund this initiative.

  The Mental Health Services Oversight and Accountability Commission (OAC) approved $14 million annually for four years for this initiative. The OAC dedicated $4 million of this amount to the Student Mental Health Initiative, leaving $10 million for the Statewide Initiative on Suicide Prevention. The Finance Letter included only $7 million to implement this. Therefore, the DMH needs an increase of $3 million (Mental Health Services Act Funds).

In addition to the proposed increase of $25 million (Mental Health Services Act Funds), the following uncodified trailer bill language is proposed to ensure that the Mental Health Services Oversight and Accountability Commission (OAC) has timely access to data from these statewide initiatives. The proposed trailer bill language is as follows:

> "The Department of Mental Health shall provide the Mental Health Services Oversight and Accountability Commission (OAC) with data, as specified and requested by the OAC, for the purpose of the OAC to utilize in its oversight, review and evaluation capacity regarding projects and programs funded with Mental Health Services Act funds."

Staff Recommendation: Increase by $25 million (Proposition 63) for the Statewide Initiatives and adopt trailer bill language as displayed in the agenda to ensure access to data regarding the Initiatives. This action conforms to the Senate.

ITEMS TO BE HEARD

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: CALWORKS – MAY REVISION PROPOSALS

The Subcommittee has previously taken action to reject the Governor's CalWORKs proposals and associated trailer bill on full family sanctions and elimination of child-only benefits both in the safety net and otherwise provided. In the May Revision, the Governor and Administration include additional proposals for CalWORKs, each of which is outlined and discussed below, with staff recommendations on actions following.

1. Pre-Assistance Employment Readiness System (PAERS)

The May Revision includes a proposal to establish a Pre-Assistance Employment Readiness Program as a mandated precursor to receiving CalWORKs assistance. This proposal would be essentially cost neutral, as the estimated grant savings would be offset by increases in child care and other support services. Trailer bill language is provided to implement the proposed change.

Current federal TANF law allows states to offer up to four months of non-recurrent, short-term benefits that are designed to deal with a specific crisis situation or episode of need and are not intended to meet recurrent or ongoing needs. The Administration's PAERS would be required for CalWORKs applicants who would benefit from four months of services and would either obtain employment and not need public assistance, or be more able to meet work participation requirements once in CalWORKs. Payments under PAERS would be conditioned on satisfactory participation in job preparedness and supportive services. In order to move to CalWORKs and continue receiving aid, families would be required to work enough to meet federal work participation requirements or sign the welfare-to-work plan (unless they can establish that they are exempt or have good cause under current law for nonparticipation).

This proposal would take effect October 1, 2008. The Administration estimates California's WPR will increase by 0.73 percent in FFY 2009, and 0.30 percent in FFY 2010 and annually thereafter. The intent of PAERS is to improve the work participation rate by more directly focusing clients on quickly obtaining employment or establishing a self-sufficiency plan that will lead to employment. Another advantage is that it delays entry into the federal WPR calculation for those unable to find employment. Experts continue to review the federal program guidance to discern program options. A new federal administration could take a different perspective on this program option.

As proposed by the Administration, at the end of the four month pre-assistance period, families who either are not working enough hours to meet the federal WPR or do not sign a welfare-to-work plan would be totally ineligible for assistance under CalWORKs. Also, families who do not comply with participation requirements during PAERS are also removed from PAERS and cannot be eligible for CalWORKs. These full-family sanctions are stricter than current CalWORKs law for noncompliant families. In addition, the proposed trailer bill language breaks the benefits under PAERS into four monthly payments conditioned on satisfactory participation in required activities. There is no additional administrative funding included in the budget for counties to do this monthly participation tracking in PAERS activities.

The LAO included a similar PAERS proposal in their alternative package of CalWORKs changes. Their proposal would not impose full-family sanctions on PAERS recipients who are noncompliant during the PAERS period, but would condition eligibility for CalWORKs on obtaining sufficient employment or signing a welfare-to-work plan. On May 19, 2008, the federal Administration for Children and Families released a program instruction that may render the proposed PAERS program and other alternatives under consideration as ineligible for approval as a pre-assistance program.

2. CalWORKs – Self-Sufficiency Reviews

The May Revision proposes to require CalWORKs recipients who are not meeting work participation requirements to attend an in-person meeting with a county worker every six months as a condition of ongoing CalWORK eligibility. This proposal would result in net savings of $59.7 million. Trailer bill language is provided to implement the proposed change.

Under current law, all CalWORKs recipients are required to undergo an annual redetermination of eligibility for benefits. This annual redetermination does not have to be done in person. Under the Administration's proposal, the semi-annual self-sufficiency review would apply to any case not meeting work participation requirements, including child-only cases not subject to federal participation requirements. Failure to show up for the in-person meeting would result in termination of benefits for the family.

This proposal would take effect October 1, 2008. The Administration estimates California's WPR will increase by 1.07 percent in FFY 2009, and 1.18 percent in FFY 2010 and annually thereafter. According to the Administration, the goal of the in-person self-sufficiency review is to assess what services or resources may be necessary to address barriers that are preventing participation and help remove a family's dependence on public assistance. However, the Administration only assumes that each meeting will last an average of 15 minutes, which is not likely to be enough time to identify and figure out how to address barriers to participation. The Administration argues that the 15 minutes is on top of the time already being spent on the annual redeterminations. However, in many counties, the annual redeterminations are performed by eligibility workers, who are generally not qualified to assess barriers to employment and appropriate supportive services. Those activities are usually performed by welfare-to-work workers.

The Administration assumes that five percent of cases, an estimated 14,800 families, will be discontinued from aid for failing to comply. This leads to the grant savings and is what increases the WPR. Of note is that the Administration's estimates do not include additional costs associated with child care or other supportive services resulting from the self-sufficiency reviews, suggesting that reviews will not lead to increased participation through work.

The LAO recommends in their alternative CalWORKs package that self-sufficiency reviews be limited to cases with adults who need to increase their work participation rates and child-only cases where there is a work-eligible adult, such as sanctioned cases. They also recommend increasing the time of the reviews to allow for more intensive reviews.

3. CalWORKs – Reduce Grant Levels by Five Percent

The May Revision proposes to cut CalWORKs grants by five percent for a savings of $108.2 million. Trailer bill language is provided to implement the proposed change. This proposal would take effect October 1, 2008. The Administration estimates that California's WPR will drop by 3.94 percent annually beginning in FFY 2009 as a result of this proposal. The rate drops because an estimated 13,400 families would lose aid (because their income would be too high).

Under this proposal, the grant for a family of three would drop by $36 per month, from $723 to $687 (although, as noted by the LAO, the increase in Food Stamps partially offsets the proposed reduction). This proposal is directly counter to other proposals by the Administration, such as WINS, designed to increase California's WPR. In fact, the loss to the WPR of this proposal is greater than the estimated gain to the WPR resulting from the Graduated Full-Family Sanction, the Self-Sufficiency Review, and the PAERS proposals combined in FFY 2009. This proposal is intended solely to reduce CalWORKs costs to offset increasing costs due to increasing CalWORKs caseload and eroded savings from the Governor's CalWORKs proposals in January, while still maintaining the savings achieved through the Administration's other CalWORKs proposals.

4. CalWORKs – Suspend the 2008 COLA

The May Revision proposes to suspend the 2008 CalWORKs COLA as of October 1, 2008, for savings of $121.5 million. During the Special Session, the Legislature and the Governor already took action to delay implementation of the 2008 COLA from July to October 2008. Trailer bill language is provided to implement the proposed change.

The 2008 COLA is based on the California Necessities Index of 3.7 percent. Implementation of the 2008 COLA would have increased the grant level for a family of three by $38 per month, from $723 to $761.

5. CalWORKs – Single Allocation Reduction

The May Revision proposes to reduce the counties' single allocation funding by $20.6 million in 2008-09 and allow counties to backfill the reduction with unspent county performance and fraud recovery incentive funds previously earned and allocated but not spent.

As of the development of the May Revision, the remaining unspent balance of prior year performance and fraud incentive funding is $41.2 million. DSS estimates that 50 percent of this will go unspent by the end of the current year and be available to backfill the proposed cut to the single allocation.

The CalWORKs single allocation was reduced by $16 million in 2007-08 and backfilled with unspent performance and fraud recovery incentive funds. The proposal to further cut the single allocation will likely ensure that at least half of the existing balance of unspent funds will go unspent in the current year. Counties are generally hesitant to spend all these funds as they provide a small reserve for the already under funded single allocation.

6. CalWORKs – Eliminate the TANF Reserve

The May Revision proposes to remove $87.0 million in TANF funding that is set aside for the TANF reserve. The TANF reserve is available for unanticipated needs in any program for which TANF Block Grant funds are appropriated, including CalWORKs benefits, employment services, county administration, and child care costs.

The Administration contends that elimination of the reserve is necessary to offset a shortfall in the TANF block grant resulting from increasing CalWORKs caseload and eroded savings from the Governor's CalWORKs proposals in January. However, the shortfall ultimately results from the Administration's CalWORKs proposals, which reduce CalWORKs funding by $700 million.

7. CalWORKs – California Alliance of Boys and Girls Club

The May Revision proposes to transfer $5 million in TANF funding to the California Alliance of Boys and Girls Club to fund youth programs emphasizing education, health, safety, leadership, skill development, job readiness, pregnancy prevention, and drug avoidance to youth of all ages. As a result of the transfer, the Boys and Girls Club will report to DSS MOE-eligible program expenditures for FFY 2008 that will be considered as excess MOE funding that can be counted toward the state's caseload reduction credit (CRC) for FFY 2009.

Under TANF rules, states that are investing funds in programs serving eligible families, in excess of required MOE levels, may receive a pro rata CRC, which offsets federal work participation requirements. DSS will enter into a contract with the Boys and Girls Club that specifies the amount of TANF to be transferred and the amount of expenditures that may be counted as MOE. DSS currently estimates that $88 million will be able to be counted.

DSS indicates that the Boys and Girls Club will not provide the full $88 million in MOE for less than $5 million, but it is not clear whether the contract will make receipt of the $5 million in TANF funding contingent on approval by the federal government of at least $88 million in countable excess MOE. At least one other state is providing TANF funding to the Boys and Girls Club in exchange for counting MOE, and DSS has received verbal indication that the method for counting MOE that the Boys and Girls Club would use is acceptable. However, this has not been formally confirmed.

Staff Recommendation:

1. Pre-Assistance Employment Readiness System (PAERS). Adopt placeholder trailer bill language to establish a PAERS program consistent with the LAO's approach.

2. Self-Sufficiency Reviews. Reject the administration's proposal and associated trailer bill language on Self-Sufficiency Reviews.

3. Reduce Grant Levels by Five Percent. Reject the administration's proposal and associated trailer bill language on reduction of the grant levels.

4. Suspend the 2008 COLA. Accept the administration's proposal and associated trailer bill language to suspend the 2008 COLA.

5. Single Allocation Reduction. Accept the administration's proposal and associated trailer bill language on the single allocation reduction.

6. Eliminate the TANF Reserve. Adopt the administration's proposal on the TANF Reserve.

7. California Alliance of Boys and Girls Club. Reject the administration's proposal and allocate the TANF funds associated for the CalWORKs program.

ISSUE 2: CHILD CARE HOLDBACK

The Administration proposes to decrease the holdback from $46.5 million to $29.7 million to reflect the removal of Stage 2 child care, which the May Revision proposes to fund through Proposition 98 rather than TANF. The holdback equals 5 percent of TANF child care funding, and is available for unanticipated child care needs for which TANF block grant funds are appropriated.

Staff Recommendation: Accept the Administration's proposal for the child care holdback as described.

ISSUE 3: TANF/GENERAL FUND SWAPS

The May Revision proposes to exchange $447.4 million in federal TANF funds for General Fund that is currently expended in the following TANF-qualifying programs:

- CalGrants – $223 million
- Juvenile Probation – $151.8 million
- Emergency Assistance Foster Care – $50.4 million
- Increased Title XX Transfer to the Department of Developmental Services – $22.2 million

Due to a combination of the February 2008 Final TANF Regulations and the understanding the certain California Department of Education child care expenditures are already being used to match federal No Child Left Behind Act funds, the amount of California's MOE is reduced by about $438 million. The Administration states that these swaps are necessary to allow California to continue to meet federal Maintenance of Effort (MOE) requirements without increasing overall state General Fund expenditures.

In the 2005 and 2006 Budget Acts, the Legislature rejected proposals to use TANF funds to supplant General Fund in Juvenile Probation, Foster Care, and Child Welfare Services, as is now being proposed. This was done to maintain TANF/MOE funding for the CalWORKs program. Between 1998-99 and 2007-08, the CalWORKs program has contributed to over $11 billion in General Fund savings.

Notwithstanding California's recently reduced MOE, these transfers are only needed if the Legislature determines it wants to approve the Administration's proposals to remove a cumulative total of about $700 million from CalWORKs. Rejection of some of the Administration's proposals will render these transfers unnecessary.

Staff Recommendation: Reject the TANF Transfer proposals as included in the May Revision and discussed in the agenda.

ISSUE 4: WAIVER OF THE FACE-TO-FACE INTERVIEW REQUIREMENT FOR FOOD STAMP PROGRAM

The May Revision requests $1.8 million ($992,000 General Fund) for implementation of a waiver of the face-to-face interview requirement for Food Stamp Program applicants who meet specified criteria. This funding would cover additional grant costs in the California Food Assistance Program and additional administration costs resulting from the increased number of participants. Under current state requirements, individuals applying for Food Stamps are required to complete a face-to-face interview to document individual hardship prior to receiving benefits. The United States Department of Agriculture (USDA) permits states to exempt up to 50 percent of their caseload from the face-to-face interview requirement. The Department of Social Services (DSS) plans to submit a waiver request to the USDA to exempt from the face-to-face interview at application those households where a single head of household is working at least 30 hours per week and where couples are working at least 20 hours each per week.

DSS assumes that this proposal will mitigate the impact of the proposal to reduce county administration funding for the Food Stamp Program by four percent. Administrative efficiencies would presumably result from less time being needed to conduct the face-to-face interviews, less time needed to screen applicants to determine if they are eligible for exemption from the face-to-face interviews (since under the current requirement, some applicants may already be exempted), and less time needed to document the reasons for the exemption. DSS is not able to quantify the specific administrative savings associated with these efficiencies.

In addition, elimination of the face-to-face interview requirement for working families is expected to increase participation in the Food Stamp Program. DSS estimates that an additional 13,000 households will participate, increasing the participation rate for households working 20 to 30 hours per week from 34 percent to 42 percent. DSS notes that using the Legislative Analyst's Office (LAO's) estimate that 2.25 cents per food stamp dollar is realized by the General Fund, it is estimated that the increased caseload will result in an economic benefit of approximately $500,000 in 2008-09.

The increased participation will also generate additional administrative costs associated with processing and completing ongoing workload for the new cases, and additional grant costs in the California Food Assistance Program (CFAP) for the new households that qualify for that program. Of the $1.8 million requested, $1.5 million ($762,000 General Fund) is for increased administration costs and $230,000 General Fund is for additional CFAP grant costs.

Although this is a positive step toward increasing California's Food Stamp Program participation rate, it does not go nearly as far as the USDA will allow states to go in exempting applicants from the face-to-face interview requirement. As discussed in the May 5 Subcommittee hearing, California's participation rate is low, ranging from 46 percent to 56 percent, depending on how it is measured, putting California somewhere between last and 44th among the 50 states in our participation rate. This low rate results in a significant amount of lost federal funds for the State's economy, as well as reduced nutrition and increased hunger for low-income families, which is of particular concern given the recent economic downturn and dramatic increases in food prices. It is not clear why California is not doing more to assist all families suffering economic hardship who may qualify for Food Stamps to receive these benefits.

Staff Recommendation: Approve the requested funding. This proposal will help to ensure that more people who are eligible for Food Stamp benefits receive those benefits and would increase California's Food Stamp participation rate.