THE 2004-2005 STATE BUDGET

SOCIAL SERVICES

Department of Social Services

The mission of the California Department of Social Services (DSS) is to serve, aid, and protect needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence. The Governor's budget proposes $15.8 billion (8.2 billion General Fund) in funding for the Department of Social Services in Fiscal Year 2004-05 a decrease of $974 million or 5.8 percent from the proposed Fiscal Year 2003-04 level.

CalWORKS

MAJOR PROVISIONS

The major provisions of the proposed CalWORKSBudget include:

The CalWORKs program is California's version of the federal Temporary Assistance for Needy Families (TANF) program, and replaced the Aid to Families with Dependent Children (AFDC) program on January 1, 1998. The CalWORKs program is California's largest cash-aid program for children and families, and is designed to provide temporary assistance to meet basic needs in times of crisis. While providing time-limited assistance, the program also promotes self-sufficiency by establishing work requirements and encouraging personal accountability. The program recognizes the difference among counties and affords them maximum program design and funding flexibility to better ensure successful implementation at the local level.

- **CalWORKs caseload trends.** From 1994-95 through 2002-03, the CalWORKs caseload declined by 48 percent. This decline in caseload is attributable to a number of factors including the strong economy of the late 1990s, annual reductions in the teen birth rate, and CalWORKs program changes which emphasized welfare-to-work services. However, since October 2002, the caseload has remained essentially flat at about 480,000 cases.

- The Governor's budget estimates that CalWORKs caseload will continue to drop for the remainder of the fiscal year from 481,779 to 479,231 a decrease of 0.7 percent. In the budget year, the caseload is estimated to increase from 479,231 to 480,919 an increase of 0.4 percent.

- **The Maintenance Of Effort (MOE).** Since Federal Welfare Reform took effect in 1998, California has been required to spend $2.7 billion in State or County funding as its maintenance-of-effort (MOE) to draw down the federal TANF block grant of $3.7 billion per year. The State cannot fund below the MOE level without losing significant amounts of federal funding in subsequent fiscal years, thus the MOE has essentially served as the minimum funding floor for the CalWORKs program.

  However, since CalWORKs began, the State has also treated the MOE as the ceiling of State participation in the CalWORKs program. Since 1998, the amount of General Fund budgeted for CalWORKs has been set exactly at the MOE level. Thus, any increase in expenses for CalWORKs programs would have to come out of reductions and savings in other areas of the program.

  The steep caseload decline over the last six years has provided sufficient savings to allow some increases in CalWORKs expenditures and still budget the program within the MOE level. Now that the caseload projections have flattened, any increases in costs to the program must be funded through programmatic reductions in other areas, if the State is to continue to treat the MOE level as the maximum funding level for CalWORKs.

  In addition, over the last four years, the State has expanded its definition of expenses that could use federal TANF funding or could be counted as part of the State's MOE. The core components of the CalWORKs program have been reduced or frozen so that the State could save General Fund by incorporating other programs in TANF. A shortage in CalWORKs funds has necessitated the suspension of the CalWORKs COLA for the 2003, and 2004 fiscal years. Counties have not received a cost-of-doing business increase in their administrative and employment services allocations since 1999 and had their administration allocations reduced by $76 million in 2002.

  In his mid-year reduction proposal, the Governor transfers TANF funds to pay for existing In Home Supportive Services costs. The proposal then reduces CalWORKs grants by 5 percent to free up the necessary TANF funds. The coupling of these two proposals illustrates the limited options for funding programs within CalWORKs. The Governor's budget has made certain reductions (i.e. elimination of TANF for County Juvenile Probation and COLA suspensions) to keep the funding for CalWORKs at the MOE level. As long as the MOE serves as the ceiling of funding for the CalWORKs program, the Assembly must make reductions to CalWORKs if it wants to restore these reductions.

Containing all CalWORKs program costs with the MOE level of expenditures constrains the flexibility of the CalWORKs program. If the Assembly chooses to continue to fund the program at this level in the long run, it will have to face a difficult trade-off regarding the adequacy of the program and its ability to successfully get recipients engaged in work activities.

- **CalWORKs "reform".** The Governor's budget includes a proposal to make substantial policy changes to the CalWORKs program. The CalWORKs proposal has three elements: 1) a 25 percent sanction for families that are non-compliant, 2) a 25 percent sanction for child-only safety net cases, and 3) increased work participation requirements. The net savings from this proposal are $30.5 million in the budget year. The table below details the savings and costs associated with this proposal:

CalWORKs reform changes proposed in Budget	Savings in FY 04-05 ($ millions, includes County Share)
SAVINGS	
Reduction to Aid Payments of Safety Net Cases	-28.7
Reduction to Sanctioned Cases	-17.8
Increased Work Participation	-120.5
Total Savings	-167
COSTS	
Reprogramming	2.5
Child Care	134
Total Costs	136.5
NET SAVINGS	**-30.5**

Currently, the federal TANF program is being reauthorized in Congress. The Governor's proposed reform mirrors some of the various proposals that have been discussed over the last two years in Congress. One of the central elements of the TANF discussion is a requirement for higher levels of work participation by participants in the program. The *Governor's Budget Summary Fiscal Year 2004-05* makes some references to these requirements in its description of the proposed reforms. However, it is unlikely that the Governor's proposal will replace the need to make substantial changes to CalWORKs program when TANF is reauthorized. One of the key decisions before the Assembly this year will be whether California should enact a reform prior to an anticipated change in federal

requirements or should wait until the federal government has agreed upon the new requirements that impact California.
The Governor's enhanced work participation requirements would require CalWORKs families to participate in at least 20 hours per week in "core work activities" within 60 days of receiving aid. Core work activities would primarily consist of unsubsidized work, community service, and on-the-job training. This additional requirement represents a fundamental shift in the direction of the CalWORKs program. Currently CalWORKs participants must perform up to 35 hours (32 hours in most counties) of employment-related activities to receive their grant. The range of activities that a participant can perform is currently much broader than those proposed by the administration and include education, training, domestic violence services, and alcohol/drug and mental health treatment. Under the Governor's proposal, these participants would still be required to meet the 32/35-hour requirement, but 20 of those hours would have to be core-work activities. Such a requirement would limit participant's access to education and training opportunities and undermine any serious effort to treat underlining mental health and substance abuse issues that impede work readiness.

One of the central hallmarks of CalWORKs is the high degree of county flexibility. Over the last six years, various counties have implemented vastly different version of CalWORKs that reflect their local community values, economic condition, major industries, and outside resources. Thus, this proposal would impact California in 58 different ways, as each counties system is distinct enough to render different repercussions. As the Assembly considers this proposal, it will be important to consider whether any reform of CalWORKs should continue the county flexibility that was encouraged in the original CalWORKs program.

The proposed 25 percent grant sanction for noncompliance would occur after one month of noncompliance. Noncompliant families receive the child-only grant level. The proposed reduction to safety net child-only cases is on top of the elimination of the adult's portion of the grant level. This reduction is made to families that have reached their 60-month time limit for federal eligibility.

The proposed increase in sanctions are predicated upon creating an incentive for families to participate in the program requirements. In forthcoming hearings, the Assembly Budget Committee will ask DSS to provide the analytical findings and research that shows such sanctions to be effective at increasing participation.

- **CalWORKs Grant Reductions and COLA suspensions.** The Governor's budget and the mid-year reduction propose to reduce CalWORKs grants by 5 percent and suspend the COLAs for the 2003-2004 and 2004-2005 fiscal years. The net effects on the grant level would be a reduction of $35 from $704 per month to $669 per month for a family of three. The *Governor's Budget Summary Fiscal Year 2004-05* notes that California's grant level is higher than several other large states. However is important to note that the proposed CalWORKs grant level of $669 per month is lower than the amount given to AFDC recipients in 1989. Since 1990, net results of frozen COLA and reductions to the grant levels have reduced the purchasing power of the grant by 33.8 percent. Under the Governor's proposed reduction, the purchasing power of CalWORKs grant in Fiscal Year 2004-05 would be 61.3 percent of its 1989 level. The table below (courtesy of Assembly Human Services Committee) illustrates the grant level over the last 15 year.

AFDC/CalWORKs Benefits, 1988 - 2004

Effective Dates	Maximum Aid (MAP) family of 3	Final Action	CNI (inflation)	MAP if full COLA adopted
July 88	$663	4.7%	4.7%	$663
July 89	$694	4.7%	4.7%	$694
July 90	$694	0.0%	4.6%	$726
July 91	$663	-4.4%	5.5%	$766
July 92	$624	-5.8%	1.8%	$780
July 93	$607	-2.7%	2.4%	$798
July 94	$594	-2.3%¶	1.7%	$812
July 95	$594	-4.9%¶	1.3%	$822
July 96	$594	0.0%	0.5%	$827
Jan 97	$565	0.0%	2.6%	$848
Nov 98	$611	8.1%§	2.8%	$872
July 99	$626	2.4%	2.4%	$893
Oct 00	$645	2.9%	2.9%	$919
Oct 01	$679	5.3%	5.3%	$968
Oct 02	$679	0.0%	3.7%	$1,004
June 03	$704	3.7%	---	$1,027
Oct 03	$704*	0.0%	3.5%	$1063
July 04	$669**	---	2.8%	$1092

NOTE: MAP is for family of 3 in Region 1 (higher cost counties)
§ – included scheduled COLA plus expiration of 1995 4.9% reduction.
¶ – passed but enjoined by court in *Welch v. Anderson* until Jan. 1, 1997.
* - suspended due to increase of VLF [W.I.C. §11453 (c)(3)]; not restored despite reduction in VLF in October 2003. Subject of litigation [*Guillen v. Schwarzenegger*].
** - as proposed by Governor (5% reduction from June 2003 level)

- **TANF County Juvenile Probation Funding.** The Governor's budget allows TANF funding for County Juvenile Probation to expire on October 2004. The program provides $201.4 million to counties for prevention, intervention, supervision, treatment, and incarceration program for at-risk and juvenile offenders. Counties use these funds to support programs like youth camps that offer alternatives to the youth authority. Juvenile probation has been a component of CalWORKs since the block grant was established in the 1998 fiscal year, it was considered a part of the basic program that existed prior to welfare-reform.

- **Elimination and reduction of various TANF-funded programs.** The Budget proposes to eliminate the Youth Development Services program that provides funding for Boys and Girls Clubs to serve at-risk youth, the Low Income Women Outpatient Substance Abuse Treatment and Supportive Housing Program that provides substance abuse services, and the Native American Mental Health and Substance Abuse program. The budget also reduces Tribal TANF funding to reflect declining tribal caseload.

In Home Supportive Services

The In-Home Supportive Services (IHSS) program provides services to eligible low-income aged, blind, and disabled persons to enable them to remain independent and continue to live safely in their homes. Services include meal preparation, laundry, and other personal care assistance. The program has two major subcomponents. The Personal Care Services Program (PCSP) is funded as a Medi-Cal benefit and receives federal Medicaid matching funds. The Residual Program provides IHSS services that do not qualify for Medi-Cal funding, such as IHSS services provided by a spouse. Generally, the state and the counties share the nonfederal costs of PCSP services, and the entire cost of Residual services, 65 percent and 35 percent, respectively.

The budget proposes 889.4 million General Fund for the IHSS program in Fiscal Year 2004-05, a 29.4 decrease from the 2003 Budget Act. This reduction reflects several programmatic changes proposed for IHSS. If these changes were not adopted, the estimated cost for IHSS would increase by 9.4 percent in the budget year.

The substantial reductions to the IHSS program may have programmatic impact that will be felt in other areas of the budget. Recent UCSF research found that the of IHSS receptions leaving the program, 28 percent die, 14 percent enter a nursing home, and 17 percent enter residential care. If the Governor's cuts are enacted, those who cannot shift to the PCSP IHSS or who cannot find workers will be at a greater risk of death and/or institutionalization in a nursing home which will cost the Medi-Cal program $43,000 per person each year. If 10,000 more of these individuals entered a nursing home, there would be no savings to the cut, not to mention the negative change in the quality of life for these individuals. Nursing home use and bed supply per population is low – California ranks 45th in the nation in bed supply – in part because of the success of the IHSS program. California nursing home occupancy rates are only 78 percent and have been declining steadily over the years. The low rates may be partially related to the success of the IHSS program for personal care services.

MAJOR PROVISIONS

The major provisions of the proposed In Home Supportive Services Budget include:

- **IHSS cost and caseload trends.** General Fund spending for IHSS is expected to be $1.3 billion in 2003-04, an increase of 13 percent over the prior year. Assuming no reductions or changes were made to the IHSS program, substantial increases in costs are anticipated. In the November 2003 *Fiscal Outlook*, LAO projected for 2004-05, that costs will increase again by 12 percent to a total of $1.4 billion. Over the next four years, the LAO expects costs to increase an average of 13 percent each year, resulting in total expenditures of $2.3 billion in 2008-09. The growth in costs is due to caseload growth and increases in the hours of service provided to recipients. The other significant cost driver for IHSS is provider wages. The LAO projection assumes that counties will increase provider wages gradually throughout the forecast period, though by less than the maximum level authorized by current law. We project that by 2008-09, provider wage increases will result in additional annual General Fund costs of $295 million.

- **Elimination of the IHSS Residual Program.** The mid-year reduction proposes to eliminate the IHSS Residual Program for current year savings of $88.8 million and budget year savings of $365.8 million. The IHSS Residual program provides services to IHSS clients that are not eligible for federal Mediaid benefits under the Personal Care Services Program (PCSP). The elimination of this program would terminate services to 75,000 low-income aged, blind, and disabled Californians. The following table explains the different types of services that are part of the IHSS Residual Program.

TYPES OF SERVICES	DESCRIPTION
Advanced Pay	Allows IHSS recipients to pay providers in cash at the time when the service is rendered. Most Advanced Pay recipients are assessed a large number of service hours.
Domestic Services Only	Domestic Services are not eligible for PCSP unless the recipient also receives a skilled medical service.
Relative Caregiver	IHSS providers serve their spouses or dependent children are not eligible for PCSP.
Protective Supervision	IHSS providers monitor people with severe mental impairments so they do not harm themselves or others while living at home. A person receiving protective supervision exhibit a severe mental impairment such as: poor judgment (making bad decisions about health or safety), confusion/ disorientation (wandering off, getting lost, mixing up people, days or times) or bad memory (forgetting to start or finish something). Such impairments may occur with mental retardation, Alzheimer's and dementia.
Misc./Unknown	Some of these clients are in very small residual programs. There are also a significant number of clients that are in the Residual program for unknown reasons.

The table below reflects September 2001 DSS data that illustrates the utilization of the different types of services in the IHSS Residual Program:

TYPES OF SERVICES	NUMBER OF CASES	%	EXPENDITURE	%
Advanced Pay	745	1.1%	1,327,126	3.8%
Domestic Services Only	25,963	38.9%	7,175,011	20.4%
Relative Caregiver	16,056	24.1%	8,989,900	25.5%
Protective Supervision	11,056	16.6%	9,514,142	27.0%
Misc./Unknown	12,918	19.4%	8,241,302	23.4%
Total	**66,738**		**35,247,481**	

As the Assembly explores the proposal to eliminate the residual program, it will be important to carefully examine the data regarding the characteristics of the Residual Program. The Governor's Budget assumes the 24 percent of IHSS Residual Caseload will shift back to PCSP program as recipients some recipients can change the way the receive IHSS services so that they are PCSP eligible. The savings estimate could be substantially overstated if the utilization of these programs has changed significantly in the last three years.

In addition, the Subcommittee will attempt to get better data for the 19 percent of IHSS provided that are categorized as "Misc/Unknown".

- **Reduction of State Participation in Wages.** The Governor's Budget proposes to reduce the State's participation in the In Home Supportive Services Wages for savings of $98 million in the budget year. Under the current law, the State participates in IHSS wages up to $9.50 per hour plus $.60 per hour for benefits for providers in both the Independent Provider and Contract mode. Each county sets its wages through its Public Authority or IHSS contract.

  Only 11 counties currently offer wages and benefits at or above the maximum reimbursement rate of $10.10 per hour for wages and benefits. However, 34 counties currently offer wages and benefits above the minimum wage level of $6.75 per hour and would be affected by this proposal. If the Governor's proposal is adopted, counties will be either have to backfill the lost State participation in the IHSS programs or reduce wages and benefits for homecare workers.

  Workers in the IHSS program already live in poverty and many are eligible for food stamps, and few have access now to health insurance. A reduction in the IHSS wages will result in a loss of workers available, a higher rate of worker turnover, a loss of services, and very likely a reduction in the quality of care.

- **Public Authority Funding and Employer-of-Record Requirements.** The Governor's Budget proposes to eliminate the requirement that all counties establish an IHSS Employer-of-Record. Prior to the Employer of Record requirement, many homecare workers could not organize for the purposes of collective bargaining because they were independent contractors without an employer-employee relationship. The Governor's proposal would allow counties to return to the previous modes of IHSS delivery, which may not be structured to allow collective bargaining.

  The Governor's Budget proposes to eliminate reimbursement for county Public Authority administration for budget savings of $987,000. In 1996, SB 1780 (Senate Budget and Fiscal Review) defined the make-up and functions of a Public Authority. Counties were permitted to establish Public Authorities to deliver IHSS services. Public Authorities serve as an employer of record as separate entities in the counties in which they operate. Under current law, the State reimburses Public Authorities for administrative costs.

  The elimination of state funding for the Public Authorities undercuts current efforts to facilitate the development of provider registries, improve training of providers, and it again shifts the burden for financial reporting and Social Security withholding to consumers. The long experience of these problems and burdens had been the basis for the initiation of the Public Authority program, which has been an innovative model for the countries.

- **Necessary Domestic Services.** The Governor's Budget proposes to eliminate domestic and related services for recipients who live with their family members, when the need for these services is provided in common with other household members for budget year savings of $26.1 million. These services include house cleaning, meal preparation, meal clean-up, laundry, food, shopping, and errands.

- **Quality Assurance and Program Integrity.** *The Governor's Budget Summary Fiscal Year 2004-05* cited recent State case reviews showing that counties may be assessing up to 25 percent more hours than the State standard as the inspiration for a Quality Assurance program that will be submitted "in the spring".

- **Advisory Committees.** The Administration proposes to eliminate State reimbursement for IHSS Advisory Committee for General Fund Savings of 1.2 million in the budget year. Counties would no longer be required to operate an IHSS Advisory Committee.

Child Care and Development

MAJOR PROVISIONS

The major provisions of the proposed Child Care and Development include:

California spends nearly $3.0 billion for various child care and development programs administered by the California Department of Education, Department of Social Services and the California Community Colleges. Child care is provided through center-based contracts and child care vouchers. Child care is provided to low income families and for families that are currently or formerly participating in the CalWORKs program. The program is funded with a mix of federal TANF funding, federal Child Care and Development funding and State General Fund under Proposition 98.

- **Caseload declines for CalWORKs Child Care programs.** The Governor's budget estimates declines in all three CalWORKs Child Care Stages. CalWORKs is the only child care program that not based upon the level of budget appropriation and fluctuates with CalWORKS caseload. Until last year, most estimates projected large increases in the number of children receiving CalWORKs child care. In the current year, the Governor's budget estimates lower than budgeted enrollment in all three CalWORKs Stages.

The decline in enrollment continues in the budget year. The table below illustrates the decline in caseload projected in the budget.

PROGRAM	PROJECTED 03-04	PROJECTED 04-05	% CHANGE
CalWORKs Stage 1	69,542	65,299	-6.1%
CalWORKs Stage 2	97,018	93,887	-3.2%
CalWORKs Stage 3	59,900	56,980	-4.9%

The decline in CalWORKs child care caseload should eliminate concerns that child care would pose a major future cost pressure on the State's Proposition 98 funding. Even if no further reform proposals are adopted in the budget year, overall Proposition 98 funding for child care should be at its lowest point in four years.

- **Child Care "Reform".** The Governor's budget proposes to further "reform" child care in Fiscal Year 2004-05 by making additional reductions to child care programs beyond those adopted in the Fiscal Year 2003-04 budget.

The chart below details the Governor's proposed reform:

ISSUE	DESCRIPTION	ESTIMATE SAVINGS FROM REFORM IN FY 04-05 (OCT. 1 START DATE)
Income Eligibility	Creates a three-tiered eligibility limit, based upon county. ♦ Highest-cost counties would stay at the existing income eligibility level (currently 75 percent of State Median Income). ♦ Medium-cost county counties would have their maximum income eligibility level reduced by 4.55 percent from the current level. ♦ Low-cost counties would have their level reduced by 9.11 percent from the current level. As of FY 04-05, the maximum income eligibility level would become a set dollar amount. In FY 05-06 and subsequent years, this amount would be adjusted by the California Necessities Index (CNI) and would not be based upon the State Median Income.	$9.3 million
Child care for 11 and 12 year olds	State would provide child care to 11-12 year old children only when "afterschool programs are not available".	$75.5 million
Family Fees	Family fees start at 38 percent of the current eligibility limit. For CalWORKs, family fees at the point when the family when a family leaves cash aid. The total fee would not exceed 10 percent of income. Fees would be collected by providers.	$22.3 million
Reimbursement	Creates a tiered maximum reimbursement rate for vouchered	$57.7 million

rates	child care programs that ranges from 85-40 percent of the Regional Market Rate. The level of child development principles (quality) would determine the level of reimbursement. ♦ 85 percent for accredited licensed providers that serve private-pay children ♦ 75 percent for all other licensed providers that serve private-pay children ♦ 75 percent for accredited licensed providers that do not serve private-pay children ♦ 50 percent for all other licensed providers that do not serve private-pay children ♦ 50 percent for licensed exempt providers with that meet certain health, safety and training requirements. ♦ 40 percent for all other licensed exempt providers	
Time limit for CalWORKs Stage 3 and education and training	♦ Creates a one-year time limit of eligibility for CalWORKs Stage 3 Child Care. ♦ Limits families attending education and training activities receiving child care in Alternative Payment and General Child Care to two years of care.	**$ 0 (ALL SAVINGS WOULD BE IN FY 05-06)**
CPS families	CPS referrals would pay family fees after three months unless the referral was made by the county child welfare agency. CWS-referred families would have to pay fee after one year of care.	**INCLUDED IN FEE SAVINGS.**
CalWORKs Waiting List	Allows CalWORKs families to enter the waiting list for child care as soon as they report earned income. CalWORKs families would transition to AP/General Child Care as soon as a slot opened.	**N/A**
TOTAL		$164.8 MILLION

- **Fraud reduction.** The Governor's Budget provides $2.0 million in one-time federal funds for a "comprehensive anti-fraud proposal" that will be included in the May Revise.

- **Growth and COLA.** The Governor's Budget provides a 1.84 percent COLA adjustment for the General Child Care, Alternative Payment Program, Migrant Day Care, Resource and Referral, Extended Day Care (Latchkey), Allowance for Handicapped, and Local Planning Council. General Child Care, Alternative Payment Program, Migrant Day Care, Extended Day Care (Latchkey), and Allowance for Handicapped could get 1.35 percent growth adjustment. Growth funds will be allocated by Department of Education and Finance (usually the in Fall after the budget is passed).

- **CalWORKs Reform.** The Governor's Budget assumes $136.5 million additional CalWORKs child care as a result of the increased sanctions and work participation requirements in Fiscal Year 2004-05. This amount grows to $242.5 million in Fiscal Year 2005-06.

Immigrant Programs

MAJOR PROVISIONS

The major provisions of the proposed Child Care and Development include:

The Governor proposes to combine funding for four state-only immigrant programs into a block grant to counties. The proposal would be implemented in two steps: 1) In the current year, the programs would be capped at the April 2004 level. This would result in $71,000 General Fund savings in the current year and $6.8 million in the budget year. 2) In the budget year, the funding for the program would be rolled into a block grant of funds that would be allocated to counties. The amount of the block grant would be equal to 95 percent of a full year's cost of the program at the capped April 2004 caseload level. The budget reduces the funding of the block grant by 5 percent for "anticipated efficiencies" resulting in $6.6 million in General Fund savings in the budget year. The table below details the programs that are effected by this change:

PROGRAM	CAPPED ENROLLMENT LEVEL	2003-04 CASELOAD AFFECTED (NO SERVICES)	2003-04 GENERAL FUND REDUCTION	2004-05 CASELOAD AFFECTED (NO SERVICES)	2004-05 GENERAL FUND REDUCTION
Healthy Families for Documented Immigrants. Legal immigrant children above the cap would need to seek assistance at the county level, or hope their parents can obtain employer-based coverage for them.	20,300 total children	700 total children	$0	2,000 total children	$2.4 million
CA Food Assistance Program (CFAP). This program provides food assistance to recent immigrants, battered immigrants and persons paroled to the US for	10,230 individuals	0	$0	1,316	$100,000

humanitarian, health and political reasons. Persons above the cap will need to seek services from food banks or county services.					
Cash Assistance Program for Immigrants (CAPI). CAPI provides cash benefits to aged, blind and disabled legal immigrants who became ineligible for SSI as a result of federal welfare reform. Persons above the cap will need to seek assistance at the county level.	8,645 individuals	60	$71,000	927	$4.3 million
CalWORKS for Legal Immigrants. This program provides cash assistance and employment services to immigrants who have been in the US for less than 5 years.	5,200 individuals	0	$0	0	$0

Although the budget summary provides details of the block granting proposal it also states that it will not be reflected in the budget bill until the May Revise. The Department of Finance anticipates implementing the block grant in October 2004.

Child Welfare and Foster Care

■ MAJOR PROVISIONS

The major provisions of the proposed Child Welfare and Foster Care include:

The Child Welfare Services (CWS) program provides various services to abused and neglected children, children in foster care, and their families. These services include:

1) Immediate social worker response to allegations of child abuse and neglect;

2) Ongoing services to children and their families who have been identified as victims, or potential victims of abuse and neglect; and

3) Services to children in foster care who have been temporarily or permanently removed from their family because of abuse or neglect.

The Foster Care (FC) Program provides out-of-home care on behalf of children meeting the following criteria: removal from the physical custody of a parent or guardian as a result of a judicial determination that remaining in the home would be contrary to the child's welfare and adjudication as a dependent or ward of the court; residing with a non-related legal guardian; voluntarily placed by a parent or guardian; relinquished for the purposes of adoption; or placed pursuant to the Indian Child Welfare Act.

Table 3 describes the different types of foster care placements.

Table 3

FOSTER CARE PLACEMENTS	
Placement Type	**DESCRIPTION**
Foster Family Homes	♦ A residential facility that serves no more than six foster children ♦ Provides 24-hour care and supervision in a licensee's home ♦ Foster care grant may be supplemented for care of children with special needs
Foster Family Agency Homes	♦ Homes operating under nonprofit foster family agencies which provide professional support ♦ These placements are required by law to serve as an alternative to group home placement
Group Homes	♦ A facility of any capacity that provides 24-hour non-medical care, supervision, and services to children ♦ Generally serve children with more severe emotional or behavioral problems who require a more restrictive environment

- **State fares poorly in Federal Review.** In the mid-1990's, a package of new federal legislation made sweeping changes to state child welfare services (CWS) and foster care programs. The principles of these reforms were to achieve child safety, permanency, and well-being. One significant requirement was that the federal Department of Health and Human Services develop a set of outcome measures and overhaul the state performance review processes in the CWS and foster care programs. Toward that end, the federal government developed the Child and Family Service Reviews (CFSR), which has been conducted for the last two years. The reviews include seven measures for safety, well-being, and permanency. They also cover seven systemic measures that examine training for foster parents and caseworkers, the status of the statewide data system, the quality assurance process, and the state's case review system.

Of the 28 states reviewed in 2001 and 2002, none have "passed" all components evaluated during the reviews. California, along with nine other states, failed all seven safety, well-being, and permanency outcomes. Of the seven systemic measures, California is the only state that has failed more than four.

The State's poor performance results in higher costs for the State. For example, the review cited the State's longer length of time to achieve reunification or an adoption than the federal standard. Not only do these longer time-frames hinder the success of California's Foster Children, the State must also pay for additional months of Foster Care that would not be necessary if the State could place children within the federal standard timeframe.

- **Foster Care "Reform" Proposed.** The Governor's Budget proposes to enact Foster Care reform for budget year savings of $41.5 million ($20 million General Fund). The proposal includes enacting performance-based contracts, restructuring foster care rates, and pursuing a waiver to allow flexible funding of foster care. The details of this proposal will be included in the May Revise. The Subcommittee will research the extent to which these proposal address the criticism raised in the federal review

ADDITIONAL HIGHLIGHTS

Additional highlights of the proposed DSS budget include:

- **SSI/SSP Cost of Living Adjustment Suspension**. The Governor's budget proposes to suspend the both the federal and State 2004 SSI/SSP Cost of Living Adjustments for a budget year savings of $134.6 million.

- **Elimination of the California Veterans Cash Benefit Program.** The Governor proposes to eliminate the California Cash Benefit Program for current year savings of $1.4 million General Fund and budget year savings of $5.5 million General Funds. This program provides a cash grant at the same level as the state SSP grant (about $414 per month) to approximately 1,700 veterans of World War II that returned to the Republic of the Philippines. This program was established by AB 1978 (Cedillo) in 2000.

- **Increases in Licensing Fees.** The Governor's mid year reduction package proposes to increase Community Care Licensing Fees to fully cover the program's costs. This would increase the fees over three years. By 2005-2006 the fees are intended to fully support the costs of the Community Care

Licensing Division at DSS. The 2003 Budget Act included a fee increase the ranged from 50-100 percent on different types of facilities. This proposal would further increase fees by approximately 38% a year for the next three years.

- **FBI/Livescan Fingerprinting Fee** The Governor's budget proposes that the State charge small licensed child care facilities for FBI/Livescan fingerprinting fee, resulting in budget year savings of $2.7 million. Current the State pays the $40 fee charged for the FBI and Livescan to perform criminal background checks for small child care providers as required by State law.

- **Maternity Care Program**. The Governor's budget proposes to eliminate the Maternity Care Program for budget year savings of $200,000. The Maternity Care program provides funding for residential care, counseling, and maternity-related services for pregnant, unwed mothers that are under the age of 18 at the time of admission. Due to funding cuts in the 2003 budget, the program only provides funding to Los Angeles County.

- **Elimination of Transitional Food Stamps.** The mid-year reduction proposal would eliminate the Transitional Food Stamp Benefits for current year savings of $1.9 million ($1.4 million General Fund) and budget year savings of $3.9 million ($2.1 million General Fund). This proposal would result in the loss of $165.5 million in federal Food Stamps benefits for 66,000 low-income households in the budget year.

- **Eliminate Food Stamps Eligibility for Families that Own Moderately Priced Cars.** The mid-year reduction proposal would eliminate eligibility for Food Stamps benefits for individuals that own a motor vehicle worth more than $4,650 for current year savings of $404,000 ($186,000 General Fund) and budget year savings of $682,000 (444,000 General Fund). This proposal would result in the loss of $37 million in federal Food Stamps benefits for 15,000 low-income households in the budget year. This expansion was authorized in AB 231 (Steinberg).

- **Eliminate the Supportive Transitional Emancipation Program (STEP).** The mid-year reduction proposal would eliminate the STEP program for current year savings of $38,000 General Fund and budget year savings of $338,000 General Fund. Part of the Assembly's 2001 "Foster Care package," this program provides support to emancipated foster youth up to age 21 that are participating in education and training.

- **Child Abuse Services Treatment Authorization and Case Management Mandate.** The mid-year reduction proposal would suspend Child Abuse Services Treatment Authorization and Case Management Mandate for one additional year. This mandate was recently established and the State has not yet paid any claims.

- **Repeal of recent legislation.** The Governor's budget proposes to repeal some recent legislation as part of the budget trailer bill. This proposed repeal includes: AB 408 (Steinberg) which facilitates relationships for emancipating foster youth to ease transition; AB 1151 (Dymally) which defines social worker liability; AB 529 (Mullin) which enables family day care home providers to serve more children in a very narrow circumstance; and SB 577 (Kuehl) which conforms significant provisions of state disability law to federal law. The repeal of this legislation nets $4 million in General Fund savings in Fiscal Year 2004-05.

Department of Child Support Services

The Department of Child Support Services (DCSS) is designated as the single State agency to administer the statewide program to secure child, spousal, and medical support, an determine paternity. The primary purpose is the collection of child support payments for custodial parents and their children. DCSS promotes the well-being of children and the self-sufficiency of families by delivering child support establishment and collection services that assist parents in meeting the financial, medical, and emotional needs of their children. The Governor's Budget proposes approximately $1.3 billion ($499 million General Fund) in the budget year.

MAJOR PROVISIONS

The major provisions of the proposed Child Welfare and Foster Care budget include:

- **Collections Trends.** Child Support collections for Fiscal Year 2004-05 are projected to be $2.4 billion ($364.5 million General Fund), an increase of $205 million ($52.5 million General Fund) above the Fiscal Year 2002-03 collections of $2.2 billion ($312 million General Fund). The increase in collections is attributed to the recent Collection Enhancement initiative.

- **Elimination of the County Share of Collections.** The Governor's budget proposes that the county share of collections be eliminated and the funds be remitted to the State General Fund for a savings of $39.4 million in the budget year.

- **Continuation of the County Share of the Alternative Federal Penalty.** As a result of California's delay in implementing a single, statewide-automated system, the federal government has levied significant federal penalties against the State. In the Fiscal Year 2003-04 budget, counties were assessed a one-time 25 percent share of the $195 million penalty. The

Governor's Budget proposes to permanently continue the county share of the penalty in the budget year, for savings of $55 million General Fund.

- **November proposals** The Mid-Year Reduction proposes to eliminate the Medical Support Order Enhancement Initiative for a current year savings of $1.9 million ($700,000 General Fund) and capture $3.7 million (1.2 million General Fund) current year savings due to implementation delays of the Child Support Collections Initiative.

Department of Aging

The Department of Aging is responsible for developing systems of home and community-based services that maintain individuals in home-like environments; developing, coordinating, and using resources to meet the long-term care needs of older individuals; and working with the Area Agencies on Aging to manage federally and State-funded services at the community level. The Governor's Budget proposes $185.3 million ($33.4 million General Fund) for the Department of Aging in the budget year.

MAJOR PROVISIONS

The major provision of the proposed Aging budget include:

- **Block Granting of Aging Programs.** The Administration proposes to convert State support for aging programs into a block grant and reduce General Fund support by 5 percent for savings of $1.7 million General Fund. The block grant would contain all General Fund available to the Department for Local Assistance ($31,452,000, made up of $16,431,000 for Older Americans Act (OAA) programs and $15,021,000 for currently established Community-Based Services Programs (CBSP)). The local Area Agency on Aging may transfer funds from CBSPs ($15,021,000) to any Older Americans Act, Title IIIB or C service category program. All of the former General Fund CBSPs can be consolidated with existing Title IIIB service categories if local needs dictate.

  The Assembly will need to consider whether the State should abandon its current practices of earmarking funding for Community-Based Services like Linkages, and the Senior Companion program. If the Governor's proposal is accepted, these programs would be eliminated at the State level and would only continue at the discretion of the local Area Agencies on Aging

Department of Community Services and Development

The Department of Community Services and Development (DCSD) administers the Low-Income Energy Assistance Program (LIHEAP) and the Community Services Block Grant (CSBG). In addition, the DCSD plans, coordinates, and evaluates programs that provide services to the poor and advises the Governor on the needs of the poor.

The LIHEAP provides cash grants and weatherization services, which assist low-income persons in meeting their energy needs. The CSBG provides funds to community action agencies for programs intended to assist low-income households. The Governor's proposed budget includes total expenditures of $166.3 million for the DCSD in 2002-03.

MAJOR PROVISIONS

The major provision of the proposed Aging budget include:

- **No General Fund Support for DCSD.** Due to budget constraints, no State General Fund is budgeted for DCSD. Cuts in Fiscal Year 02-03 and 03-04 eliminated all discretionary programs. In 2002-2003, the State spent $5.8 million General Fund on the Naturalizations Services Programs, Mentorship program, and CalLIHEAP.

- **CalLIHEAP Liquidation**. The mid-year reduction proposes to liquidate the remaining California Low-Income Home Energy Assistance Program (LIHEAP) contracts for current year savings of $571,000. Cal LIHEAP helps low-income Californians reduce energy consumption and pay their energy bills by providing weatherization services and financial assistance to eligible households. Current law authorizes the state to spend the Cal LIHEAP funds until January 2005.

Department of Alcohol and Drug Programs

The Department administers State and federal statutes pertaining to alcohol and drug treatment programs, and promotes access to appropriate statewide information, prevention, and treatment services. As the State's alcohol and drug authority, the Department is responsible for inviting the collaboration of other departments, local public and private agencies, providers, advocacy groups, and individuals in establishing standards for the statewide service delivery system.

The Department is also the lead agency in the implementation of the Substance Abuse and Crime Prevention Act of 2000 (Proposition 36—SACPA).

The DADP funds prevention, treatment and recovery programs for approximately 500,000 Californians with some form of alcohol and /or other drug abuse problem. The Governor's Budget proposes to provide $591.3 million ($237.8 million General Fund) for substance abuse treatment programs, a decrease of $6.5 million total funds, but an increase of $4.6 million General Fund relative to the 2003 Budget Act. This represents a one-percent reduction in the Department's budget and a two-percent augmentation in the Department's General Fund.

DADP BUDGET SUMMARY				
Fund Sources (Dollars in Thousands)	**2003-04**	**2004-05**	**$ Change**	**% Change**
General Fund	$233,200	$237,793	$4,593	1.9%
Driving Under the Influence Program Licensing	1,634	1,634	0	0
Narcotic Treatment Program Licensing	1,135	1,135	0	0
Indian Gaming Special Distribution	3,000	0	-3,000	-100.0
Audit Repayment	67	67	0	0
Federal Trust Fund	286,356	281,810	-4,546	-1.6
Residential-Run Housing Revolving Fund	39	39	0	0
Reimbursements	73,861	70,601	-3,260	-4.4
Substance Abuse Treatment Trust Fund	120,487	120,232	-255	-0.2
Total	**597,779**	**591,311**	**-6,468**	**-1.1**

MAJOR PROVISIONS

The major provisions of the proposed DADP budget include:

- **Screening, Brief Intervention, Referral and Treatment (SBIRT) Grant.** California was awarded the Screening, Brief Intervention, Referral, and Treatment (SBIRT) Grant from the federal Substance Abuse and Mental Health Services Administration (SAMHSA). This is a five-year, $3.486 million per year grant, including $43,000 for state support and $3.443 million in local assistance. This nationally competitive grant will provide alcohol and other drug (AOD) screening, brief intervention, referral and treatment that will expand the State's continuum of care for AOD clients.

  The annual National Household Survey of Drug Abuse reports on "past 30-day use." The last report estimated that nationally about 13 million nondependent drug users (persons 12 and older) used illicit drugs in the past month. The estimate for California is 1.9 million, which is about six percent of the State's population. Adjusted to look at figures for persons over age 17, there were 1.6 million Californians who reported using an illicit drug in the previous month. It is this large crucial population that the SBIRT program will triage for appropriate services at "teachable moment," and it is this population that is most in need of the screening, brief intervention, and brief treatment services. Performing these services in medical settings offer privacy, trust, and professional credibility. Thus providing greater probability of introducing behavioral change.

  San Diego County pioneered the screening, brief intervention, and referral (SBIR) services. Under this grant, the existing SBIR services will be expanded to now include brief treatment. The Healthcare Association of San Diego and Imperial Counties will be the lead agency with the responsibility for replicating the service in three additional counties to test the efficacy of this modality and SBIRT policies.

  In California, the award comes at a time of greater cooperation with ADP and SAMHSA as evidenced not only by the SBIRT award, but also by ADP's involvement in national prevention program policy development initiatives. The California SBIRT program proposes to reduce substance use by screening and providing appropriate brief interventions, referrals and treatment to adult patients in medical settings across four counties over five years, which have not yet been determined. Services will be concentrated in hospital emergency and trauma settings where patient volume and substance use rates are higher.

California had over 564,000 residents age 12 or older in 2000 who needed treatment but did not receive it (Office of National Drug Control Policy, 2003). This is the largest “treatment gap” of any state.

Nondependent users suffer individual consequences and account for most of the social problems and costs associated with substance abuse. The key to identifying and engaging nondependent users in appropriate brief interventions is to routinely screen a very large number of patients and immediately deliver appropriate brief interventions and treatments during their medical visit. The SBIRT program may help persons not candidates for treatment, but who are in need of changing AOD behavior.

Expected outcomes of this five-year program include 25% reduction in drug use among nondependent users and reduction in alcohol consumption to a lower risk level by 50% of nondependent drinkers.

ADDITIONAL HIGHLIGHTS

Additional highlights of the proposed DADP budget include:

- **Drug Medi-Cal Program—Local Assistance Fall Estimates.** The Governor's Budget includes proposed estimates for the Drug Medi-Cal caseload changes within the DADP. In Fiscal Year 2004-05, the proposal requests an increase of $3,051,000 General Fund and an increase of $2,316,000 in reimbursements from the Department of Health Services (DHS) for matching federal funds. In Fiscal Year 2003-04, the Governor's Budget includes a recalculation to reflect a decrease in caseload of $1,076,000 General Fund and an increase of $2,270,000 in DHS reimbursements.

- **State Support for Performance Partnership Grant.** Pursuant to federal law, the Substance Abuse Prevention and Treatment (SAPT) Block Grant funds received by the DADP will be subject to new Performance Partnership Grant (PPG) requirements. The Federal Fiscal Year (FFY) 2003 award is $251.8 million. Prior to implementing the requirements for the federal PPGs, an extensive review and redesign of ADP systems and processes is necessary. Additionally, changes to statutory and regulatory authority, program and fiscal policies, and related data, research, and program operations will be required. The anticipated resource need for Fiscal Year 2004-05 is 2.0 limited term positions and 1.0 permanent position, including two AGPA and one RPS I positions. The fund source is anticipated FFY 2004 SAPT Block Grant increase.

- **Health Insurance Portability and Accountability Act (HIPAA) Staffing Reduction.** The DADP proposes a permanent staffing reduction of one Staff Services Manager I position, commencing in Fiscal Year 2004-05. This would result in State Operations cost reductions of $77,000 to the DADP HIPAA Program baseline budget. The position was established in Fiscal Year 2001-02 to conduct and review analytical studies, formulate policies, and develop program alternatives for DADP's HIPAA compliance project. The Department has determined that the roles and responsibilities of the position can be accommodated without this position.