Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Richard Pan, Chair
Senator William W. Monning
Senator Jeff Stone

May 4, 2017
Upon Adjournment of Budget and Fiscal Joint Hearings with Subcommittees No. 2, 3, and 4
Room 4203, State Capitol
Part B

Consultant: Theresa Pena

ISSUES RECOMMENDED FOR VOTE-ONLY

ISSUES FOR DISCUSSION

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ISSUES RECOMMENDED FOR VOTE ONLY

4185 California Senior Legislature

Issue 1: Budget Change Proposal: 2016 Budget Act General Fund Reappropriation

The California Senior Legislature (CSL) requests a reappropriation of any unexpended General Fund appropriated in the 2016 Budget Act to be available for expenditure until the end of fiscal year 2017-18 in order to support state operations while the CSL pursues an ongoing revenue source. The amount projected to roll over is $175,000. The CSL is funded through voluntary contributions received with state income tax returns, but in recent years has been removed from the tax check-off list for not meeting the minimum requirement to stay on the list. The Legislature included a one-time $500,000 General Fund appropriation in the Budget Act of 2016 to keep the CSL operative.

Staff Comment and Recommendation. Approve. This subcommittee heard and discussed this item during its March 2, 2017, hearing. No concerns have been raised. However, given the instability of the tax check-off VCF as a funding source over the last several years and the many competing demands for General Fund resources, staff recommends that the CSL remain proactive in finding other funding sources.

0530 Health and Human Services Agency, Office of Systems Integration
5180 Department of Social Services

Issue 1: Budget Change Proposal: Horizontal Integration Office: Transfer to Office of Systems Integration (OSI)

The Administration requests to move the Horizontal Integration (HI) Office and its three existing staff and associated funding with the Department of Social Services (DSS) to OSI. This is a cost-neutral proposal. The HI Office has interactions with various departments and programs under the purview of the Health and Human Services Agency (Agency). The Office of the Agency Information Officer (AIO), which is currently housed in OSI under Agency, already has the responsibility of looking across issues under the entirety of Agency, which aligns closely to HI's mission.

Staff Comment and Recommendation. Approve. This subcommittee heard and discussed this item during its April 20, 2017 hearing. No concerns have been raised.

5160 DEPARTMENT OF REHABILITATION

Issue 1: Budget Change Proposal: California Innovations Program: Federal Work-Based Learning Grant for Students with Disabilities

The Administration is requesting one permanent full-time position to provide program oversight and perform contracting and data management activities required to administer the California Innovations Program - Federal Work-Based Learning Grant. The $8.5 million federal grant has a five-year grant period and there is no state match requirement. The Department of Rehabilitation (DOR) will use existing federal fund authority for the expenditures. The California Innovations Program is meant to increase self-sufficiency for students with disabilities through planned education and work-based learning.

Staff Comment and Recommendation. Approve. This subcommittee heard and discussed this item during its March 16, 2017 hearing. No concerns have been raised.

Issue 2: Budget Change Proposal: Information Security Compliance

The Administration is requesting two permanent full-time positions and $281,000 in General Fund to ensure adequate staffing in DOR's Information Security Office (ISO), compliance with the information security regulations prescribed in the State Administrative Manual (SAM) 5300, and to maintain the overall safety and security of DOR data. DOR's case management system contains confidential and sensitive information, including social security numbers, on over 100,000 active consumers, as well as information in over 500,000 records that include both open and closed cases. The two requested positions would maintain the safety and security of this personal and private information and save the state from costly data breaches.

Staff Comment and Recommendation. Approve. This subcommittee heard and discussed this item during its March 16, 2017 hearing. No concerns have been raised.

Issue 3: Budget Change Proposal: Supported Employment Program: Increase Job Coaching Rates

The Administration requests $500,000 General Fund in 2017-18 and ongoing to match the increased supported employment (SE) provider hourly rate identified in the Department of Developmental Services' (DDS) June 2016 New Provider Rate memo, as required by AB1 X2 (Thurmond) Chapter 3, Statutes of 2016. The additional funding will help DOR sustain the job coaching rate at $36.57 per hour, consistent with the DDS rate, without reducing other services to individuals with disabilities. DDS SE job coaching hourly rates, intake, placement, and retention services are statutorily defined. DOR has historically set a rate structure consistent with DDS to avoid disparity among the job coaching service providers.

Staff Comment and Recommendation. Approve. This subcommittee heard and discussed this item during its March 16, 2017 hearing. No concerns have been raised.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

Issue 1: Trailer Bill Language: Extend Suspension of Improved Performance Incentives

The Administration proposes to extend the suspension of Improved Performance Incentives for the Department of Child Support Services (DCSS) through 2017-18. The department notes that they are currently evaluating how this program should be restructured to better direct incentives towards specific reforms or innovations that could improve collections, the reliability of child support payments owed by non-custodial parties, and increase the pool of eligible Local Child Support Agencies (LCSAs).

Staff Comment and Recommendation. Approve proposed trailer bill language as placeholder. This subcommittee heard and discussed this item during its March 30, 2017 hearing. No concerns have been raised.

Issue 2: Trailer Bill Language: Repeal Health Insurance Incentives Program

The Administration proposes to repeal the Health Insurance Incentives Program. The Health Insurance Incentives Program requires that DCSS provide payments to the LCSA of $50 per case for obtaining third-party health coverage or insurance of Medi-Cal beneficiaries, to the extent that funds are appropriated in the budget act. However, this program was only operative for one year and these payments have been suspended since 2003-04. This incentive was originally suspended due to a decline in General Fund revenues and subsequently suspended due to ongoing budget constraints. The department notes that this suspension was extended from 2015-16 through 2016-17, in order for DCSS to reevaluate the incentive program and determine its relevance. DCSS states that federal and state laws already require the enforcement of medical support.

Staff Comment and Recommendation. Approve proposed trailer bill language as placeholder. This subcommittee heard and discussed this item during its March 30, 2017 hearing. No concerns have been raised.

5180 DEPARTMENT OF SOCIAL SERVICES

Issue 1: Budget Change Proposal: Full Year Costs for Child Welfare Services Near Fatality Case Reviews

The Administration requests $483,000 ($242,000 General Fund) in the budget year and $449,000 ($225,000 General Fund) ongoing for four positions to address workload associated with new federal Child Abuse Prevention Treatment Act (CAPTA) requirements to review and disclose information relating to child near fatalities, and AB 1625 (Committee on Budget), Chapter 320, Statutes of 2016. The department notes that this legislation doubles the annual number of near fatality cases reported to DSS, and requires additional staff time to review each incident. Currently, DSS has six staff performing this work for fatalities.

Staff Comment and Recommendation. Approve. This subcommittee heard and discussed this item during its March 30, 2017 hearing. No concerns have been raised.

ISSUES FOR DISCUSSION

4700 COMMUNITY SERVICES AND DEVELOPMENT

Issue 1: Overview

The Department of Community Services and Development (CSD) partners with a statewide network of private, non-profit and public community-based organizations commonly referred to as community Action Agencies or Local Service Providers dedicated to helping low-income families and individuals achieve and maintain self-sufficiency, manage their home energy needs, and reside in housing free from the dangers of lead hazards. The Governor's budget proposes total spending of $252.7 million (no General Fund) for CSD for 2017-18. Below is a summary of the Governor's proposed funding for 2016-17 and 2017-18:

Funding for Dept. of Community Services and Development - 4700	
Funding Source	**FFY 2016**
Low Income Home Energy Assistance Program	$176.8
Community Services Block Grant	$63.0
Dept. of Energy Weatherization Assistance Program	$5.8
Greenhouse Gas Reduction Fund 1/	$20.0
Funding for Dept. of Community Services and Development - 4700	
Funding Source	**FFY 2017** 2/
Low Income Home Energy Assistance Program	$151.8
Community Services Block Grant	$35.8
Dept. of Energy Weatherization Assistance Program	$5.8
Greenhouse Gas Reduction Fund 3/	-

Dollars in Millions

Footnote 1: $20M in LIWP Funding for the 2016/17 State Fiscal Year

Footnote 2: 2017 Funding is on Continuing Resolution. Funding received to date.
Footnote 3: GGRF reflects funding for the 2017/18 State Fiscal Year

CSD's programs include:

- Community Services Block Grant (HHS- CSBG). CSBG is an annual federal grant that provides or supports a variety of local services to alleviate the causes and conditions of poverty with the goal of helping people achieve self-sufficiency. Examples of CSBG supported services and activities include local programs to address employment, education, asset building, housing and shelter, nutrition and emergency services.

- Low-Income Home Energy Assistance Program (HHS -LIHEAP). LIHEAP is an annual federal grant that provides financial assistance to offset the costs of heating/cooling residential dwellings, for energy-related emergencies, and weatherization services to improve the energy-efficiency of homes.

- U.S. Department of Energy Weatherization Assistance Program (DOE-WAP). WAP is an annual federal grant that provides weatherization services to eligible low-income individuals to improve the energy-efficiency of low-income homes and safeguard the health and safety of occupants.

- Lead-Based Paint Hazard Control Program (HUD-Lead). LEAD is a competitive federal grant that provides for the remediation of lead-based paint in low-income homes with young children.

- Low-Income Weatherization Program (LIWP). LIWP is funded by state cap-and-trade auction proceeds to provide energy efficiency and renewable energy services such as solar photovoltaic systems. These services are provided to low-income single-family and multi-family dwellings within disadvantaged communities to help reduce greenhouse gas emissions and save energy.

- Drought Emergency Assistance Program (DEAP). DEAP is funded by state general funds and provides supportive services and emergency assistance for low-income workers in agriculture and ancillary industries who have suffered job losses related to the state's drought. DEAP supports a broad range of supportive services in over 24 highly drought impacted counties, including housing assistance, food, transportation, and employment services.

Federal Budget Update. The proposed federal budget calls for eliminating two U.S. Department of Health and Human Services' grant programs, the LIHEAP and the CSBG, and also calls for eliminating the DOE-WAP. There is still much uncertainty about whether Congress will adopt this budget.

Staff Comment and Recommendation. This item is informational only and no action is required.

Questions.

1. Please provide an overview of the department, programs, and current funding levels.

2. Please briefly discuss the proposed elimination of several federal grants.

Issue 2: Oversight: Low-Income Weatherization Program (LIWP) Procurement

Background. Phase I of LIWP procurement was developed in 2014, when CSD received what was anticipated to be a one-time appropriation of $75 million cap-and-trade funds. After receiving an additional cap-and-trade appropriation in 2015-16, CSD recognized the need to open up LIWP's single-family energy efficiency component to new potential service providers through a competitive procurement (Phase II). In addition, based on input from some stakeholders and potential providers, and experience gained from the initial implementation of LIWP, CSD pursued a stand-alone program model, designed to improve program administration, promote the leveraging of existing resources, and provide more cost-effective greenhouse gas reductions.

CSD retained an independent consulting firm that specializes in state procurements to help design and administer the LIWP Regional Administrator Request for Proposals (RFP). CSD actively sought public input in developing program design, guidelines and subsequent RFP for Phase II of LIWP. Beginning in Spring of 2016, CSD convened a series of stakeholder meetings and workshops to solicit public contributions to the program design and procurement process and criteria for LIWP. In November 2016, CSD issued the LIWP RFP to award approximately $57 million of 2015-16 cap-and-trade funds towards LIWP's single-family program component. The RFP sought to identify up to five regional administrators to cover disadvantaged communities across California. These regional administrators will oversee and implement all aspects of the single-family component of LIWP in their respective regions. CSD received proposals from nine prospective non-profit and local governmental regional administrators in response to the RFP. Of these nine, four proposals were submitted by existing LIWP service providers, and five were submitted by new entities. Four non-profit regional administrators received notices of intent to award; of the four, two are existing CSD local service providers and two are non-profits with no prior experience as LIWP providers. The providers selected under the LIWP RFP are specified in the table below:

Region	Proposed Awardee	Existing LIWP Provider?
Region 1 (Northern California)	Community Resource Project, Inc.	Yes
Region 2 (Bay Area)	Build It Green	No
Region 3 (Central Valley)	Community Action Partnership of Orange County	Yes
Region 4 (Los Angeles)	Build It Green	No
Region 5 (Southern California)	La Cooperativa Campesina de California	No

Stakeholder concerns. The California Weatherization Providers Network (Network), made up of energy service providers who have previously delivered services through LIWP, has significant concerns with the Phase II procurement process:

- Geographic Negligence. The Network is concerned that as a result of removing geographic preference, an award was made to a Southern California organization to serve the Central Valley. The Network cites the long-standing service reputation of the other competitors and the innate trust and familiarity with the local community that is necessary to facilitate effective service-delivery, which it states would be more difficult for a provider external to the region:

- Process. The Network states that the process was overly competitive, with the selection of one regional administrator per region (five total). The Network also cites that the process toward the procurement and ultimate award selection was not transparent, did not adequately involve stakeholders and incorporate input when offered, and did not include notice to and collaboration with the Legislature. They state that a justification for a deviation from Phase I to the new method for procurement under Phase II is lacking.

The Network asks for the subcommittee's consideration of the following requests to be made of CSD:

1. Extension of the current Phase I LIWP contracts for at least six months (or until there is no gap in service delivery due to a requested revised implementation of Phase II).

2. A rescoring of Phase II LIWP applications with, at minimum, preference for applicants geographically located in the region they propose to serve.

3. Delay of any future appropriation to CSD until agreement for a new bid process, if one is needed, that will result in strong industry protocols, a priority for local contracting, efficient and productive performance standards, and that will meet the energy savings needs of the greatest number of qualified consumers. The Network requests trailer bill language to ensure that any new funding to CSD is designed with appropriate parameters and that Supplemental Report Language is developed, instructing CSD to provide regular check-ins and reports to the Legislature on their program effectiveness.

Panel. The subcommittee has requested that a representative of the Network, in addition to CSD, the Department of Finance, and the Legislative Analyst's Office, provide comment on this issue.

Staff Comment and Recommendation. Hold open. In response to stakeholder concerns, staff recommends that the Legislature adopt trailer bill language to ensure that in any future procurement processes, CSD prioritizes existing ties to local communities for both regional administrators and providers, and other appropriate parameters to ensure a more transparent and inclusive process. Staff also recommends Supplemental Reporting Language be adopted that requires, at minimum, quarterly updates in the form of meetings or documentation to the Legislature and stakeholders on the status of the current, and any future, procurement processes, to begin July 2017.

Questions.

1. Please explain the procurement process shift from Phase I to Phase II. What prompted this change, and how were stakeholders involved in the process?

2. How does the department respond to stakeholder concerns about the process and geographic negligence?

3. What is the current status of Phase II contracts?

Issue 3: Budget Change Proposal: Low-Income Weatherization Program (LIWP)

Governor's Proposal. The Administration requests reappropriation of any unexpected balances of 2014-15 local assistance appropriations received from the Greenhouse Gas Reduction Fund (GGRF) to be available for encumbrance until the end of 2017-18, and available for liquidation until the end of 2018-19. The proposal includes budget bill language (BBL).

Background. Implementation of the California Global Warming Solutions Act of 2006 (Nuñez and Pavley), Chapter 488, Statutes of 2006, includes measures to achieve real and quantifiable cost-effective reductions of greenhouse gas (GHG) emissions. The Air Resources Board (ARB) has developed a market-based cap-and-trade program as a key element of its GHG reduction strategy, where there is a system of tradable permits to emit GHGs, and the market allows exchange of these allowances. A portion of the allowances are sold at auction, with the proceeds deposited in the GGRF which has been established for the purpose of funding measures that allow California to achieve its GHG reduction goals.

All of CSD's 2014-15 $70.3 million local assistance appropriation of GGRF monies has been awarded to vendors. However, there have been various issues such as the requirement that providers work exclusively in disadvantaged communities or the ability to identify appropriate housing stock in certain areas that make the liquidation of all of the funds by the end of 2016-17 difficult or impossible. If the reappropriation authority is not granted, CSD anticipates reverting a total of $11 million in GGRF.

Staff Comment and Recommendation. Hold open.

Questions.

1. Please provide an overview of the proposal.

5180 DEPARTMENT OF SOCIAL SERVICES – COMMUNITY CARE LICENSING (CCL)

Issue 1: Oversight – Key Indicator Tool (KIT) Report Findings

Background. CCL conducts pre- and post-licensing inspections for new facilities and unannounced visits to licensed facilities under a statutorily-required timeframe. Prior to 2003, these routine inspection visits were required annually for almost all facilities. In 2003, budget cuts resulted in significantly reduced funding for CCL, and reduced the frequency of these inspections. In 2015, the frequency of inspections was increased from at least once every five years, to at least once every three years or more frequently depending on facility type. These reforms go into effect incrementally through 2018-19, and as of January 2017, DSS has begun implementing the required increased visit protocol. However, these requirements are still less frequent than required in most states.

In 2010, after much of the budget cuts had taken place, CCL fell behind in meeting visitation frequency requirements. In an effort to increase the number of routine inspections CCL could perform each year, DSS proposed moving from the comprehensive inspections required by state law to the use of a key indicator tool (KIT). The KIT was proposed to be a standardized, shortened protocol for measuring compliance with a small number of rules, such as inspection review categories and facility administration and records review, which is then used to predict the likelihood of compliance with other rules. Some facilities, such as facilities on probation, those pending administration action, or those under a noncompliance plan, would have been ineligible for a key indicator inspection and would receive an unannounced comprehensive health and safety compliance inspection. Under the proposal, if the KIT inspection revealed concerns, a comprehensive visit would also have been triggered.

Several stakeholders supported the department's proposal on the basis that increased frequency of licensing visits would enhance the safety and quality of community care facilities. However, other stakeholders opposed the proposal because they did not believe there was sufficient evidence to support the validity of the indicators and feared that truncated visits would be less effective than comprehensive visits. The Legislature declined at the time to make any changes to state law to officially authorize the use of KITs (with the possibility of triggering a comprehensive inspection) as a replacement for state law that required comprehensive inspections.

Since that time, the department moved ahead with piloting the design and implementation of the KIT for inspections of its licensed programs. CCL also contracted with the California State University, Sacramento, Institute of Social Research (CSUS, ISR) to provide an analysis and recommendations regarding the development, refinement, and validation of the KIT. The department has provided Legislative staff with some of the related reports, in addition to a summary of findings. The department notes that it considers this work by CSUS, ISR to be complete.

The findings in the reports provided by the department are focused on various iterations and refinement of the KIT (i.e., KITs 1, 2 and 3). To some extent, the reports validated that the third iteration of the KIT, which CSUS, ISR was more involved in developing, was the most effective in identifying the need for further inspections for half of the facility types. However, these findings do not answer the critical question of whether the use of the KIT(s) is ultimately saving time and allowing for more inspections to take place without augmenting resources or sacrificing the effectiveness of licensing oversight, which was one of the primary reasons that the KIT was first proposed by the department.

In recent discussions, the department indicated that all three iterations of the KIT are now being used in place of many comprehensive inspections that are otherwise required by existing state law.

Staff Comment and Recommendation. Hold open. It is not clear whether there is sufficient research to indicate that the KIT saves time and money without sacrificing the quality of CCL's oversight of licensed facilities. Even if such research does exist and the resulting policy direction that the department has taken may be appropriate, the department is not proposing statutory or budgetary changes to align its current practice with state law. Staff recommends that the department provide further explanation regarding its continued use of the KIT. Staff also recommends the adoption of Supplementary Reporting Language that at a minimum would require the department to meet with legislative staff and stakeholders to discuss the research reports and current status of the use of the KIT no later than July 31, 2017, and that the department distribute a document or summary report to the Legislature that addresses what their long-term plan is regarding the KIT and comprehensive inspections, and justification for it, including how this may affect future budget requests, no later than September 30, 2017.

Questions.

1. Please discuss the genesis and purpose of the KIT.

2. Is the KIT more efficient than the prior use of comprehensive inspections? If so, how? Is this varied by facility type at all?

3. What are the pros and cons of continuing to use the KIT, as opposed to returning to comprehensive inspections?

4. Does the budget for CCL, including current requests before this subcommittee, account for the use of the KIT?

Issue 2: Trailer Bill Language: Delay Licensing Requirements for Private Alternative Boarding Schools and Outdoor Programs

Governor's Proposal. The Administration proposes to modify implementation of SB 524 (Lara), Chapter 864, Statutes of 2016, by making funding for its requirements contingent upon appropriation in the budget act. Additionally, it would specify the operative dates of the respective statutes to take effect 18 months after the appropriation of funds.

Background. In response to the absence of state oversight for facilities and outdoor programs that advertise services and care for troubled teens, SB 524 established "private alternative boarding schools" and "private alternative outdoor programs" as two new types of licensed community care facilities under the purview of DSS beginning January 1, 2018, and January 1, 2019, respectively. Without an appropriation of funds, however, DSS is unable to implement the provisions of SB 524. The proposed trailer bill language would delay the requirements of SB 524 until sufficient resources are provided for DSS to implement.

Staff Comment and Recommendation. Hold open. DSS has stated that they are proposing to delay this statute not because of any administrative issues in ramping up to the original implementation dates, but rather due to costs associated with SB 524. Yet, the Department of Finance (DOF) has been asked about the cost of the activities to enact SB 524, and they have not provided an answer as to what the assumed savings to delaying this proposal are. Staff recommends that DOF share with the subcommittee members what this would cost.

Questions.

1. Please provide an overview of the proposal.

2. What changed between the signing of the bill last year to the decision to not provide funding for the provisions of this bill?

3. What are the savings associated with this TBL? If the cost/savings are unknown, why would the Administration proposed to delay funding?

Issue 3: Trailer Bill Language: Continue Fingerprinting Licensing Fee Exemption

Governor's Proposal. The Administration proposes to continue for an additional two years the suspension of existing law that prohibits DSS and the Department of Justice (DOJ) from charging a fee to process a criminal history check of individuals who are licensed to operate child and adult facilities, provide care in a facility, or reside at that facility. Enactment of this TBL will continue the practice of allowing DSS to charge fees for this service.

Background. Individuals who are licensed to operate child and adult facilities, provide care to facility clients, or reside at a facility, undergo a comprehensive background check. DSS requires a fingerprint-based background check from both the DOJ and the Federal Bureau of Investigations (FBI) for these individuals. DOJ bills DSS $17 for the FBI and $18 for the Live Scan service per person ($35 total). The background check for an individual associated with children's facilities that serve six or fewer children also includes an additional check for $15.

Since 2003-04, TBL has been enacted on an annual basis to suspend existing statute that prohibits DSS from charging the fingerprint licensing fee. To the extent that the prohibition to charge a fee is not suspended, the fee collection for this service ends and the state would be required to fund this activity with General Fund dollars.

Staff Comment and Recommendation. Hold open. These statutory provisions have been routinely delayed due to the costs associated with their enactment. No issues have been raised to subcommittee staff at this time.

Questions.

1. Please provide an overview of the proposal.

Issue 4: Spring Finance Letter: Home Care Services Program

Governor's Proposal. The Administration requests to convert 9.5 limited-term positions to permanent, an additional 4.5 positions, and increased expenditure authority of $2 million General Fund ($1.8 million General Fund ongoing) to continue implementation and administration of the Home Care Services Program pursuant to AB 1217 (Lowenthal), Chapter 790, Statutes of 2013. DSS states that these additional resources are needed to address ongoing workload and are supported by a biennial fee increase for Home Care Organizations and Home Care Aides. The requested positions are as follows:

- 0.5 Staff Services Manager I
- 7.0 Staff Services Analyst (General)
- 5.5 Associate Governmental Program Analyst
- 1.0 Attorney

The Administration is also seeking one-time increased expenditure authority of $100,000 for an interactive voice response telephone system to address current and ongoing workload.

Background. The Home Care Services Program regulates home care organizations and manages a registry of home care aides. The department states that current resources are insufficient to meet the demand of the program to register home care aides, conduct biennial inspections of home care organizations, and provide due process and technical assistance. Original assumptions for the Home Care Services Program estimated applications for approximately 1,000 organizations and 35,000 aides annually. After just one year, DSS had received over 90,000 aide applications and over 1,400 organization applications. The department also notes that as the state's population continues to age, the demand for this program will only increase.

Additionally, in the first year of the program, the Home Care Services Bureau received over 97,000 phone calls averaging 400 calls per day. This workload was also unanticipated and resulted in staff having less time to process applications and background clearances, which resulted in delays. DSS is requesting one-time expenditure authority of $100,000 to support an interactive voice response platform that will allow callers to access self-help information before speaking to a department representative.

The Home Care Services Consumer Protection Act requires that the program be entirely fee supported. The department states that the additional and ongoing resource needs will be supported by a fee increase for organizations and aides. Biennial fees for home care organizations will need to be increased by $638 for home care services companies and $25 for individuals beginning January 1, 2018.

Staff Comment and Recommendation. Hold open.

Questions.

1. Please provide an overview of the proposal.

2. Please elaborate on how this proposal would work, since fee increases are necessary to pay for the positions. Does the General Fund provide a loan that these fee increases would pay back?

3. Would trailer bill language be needed to increase the fees?

4. How were the fee increases calculated, and are stakeholders aware that this fee increase is coming? What are the potential effects of the fee increase on stakeholders?

Issue 5: CalWORKs Participation Update

Background. CalWORKs child care seeks to help a family transition smoothly from the immediate, short-term child care needed as the parent starts work or work-related activities, to stable, long-term child care. CalWORKs Stage 1 is administered by the county welfare departments; Stages 2 and 3 are administered by Alternative Payment Program (APP) agencies under contract with CDE. The three stages of CalWORKs child care are defined as follows:

- Stage 1 begins with a family's entry into the CalWORKs program. Clients leave Stage 1 after six months or when their situation is "stable," and when there is a slot available in Stage 2 or 3.

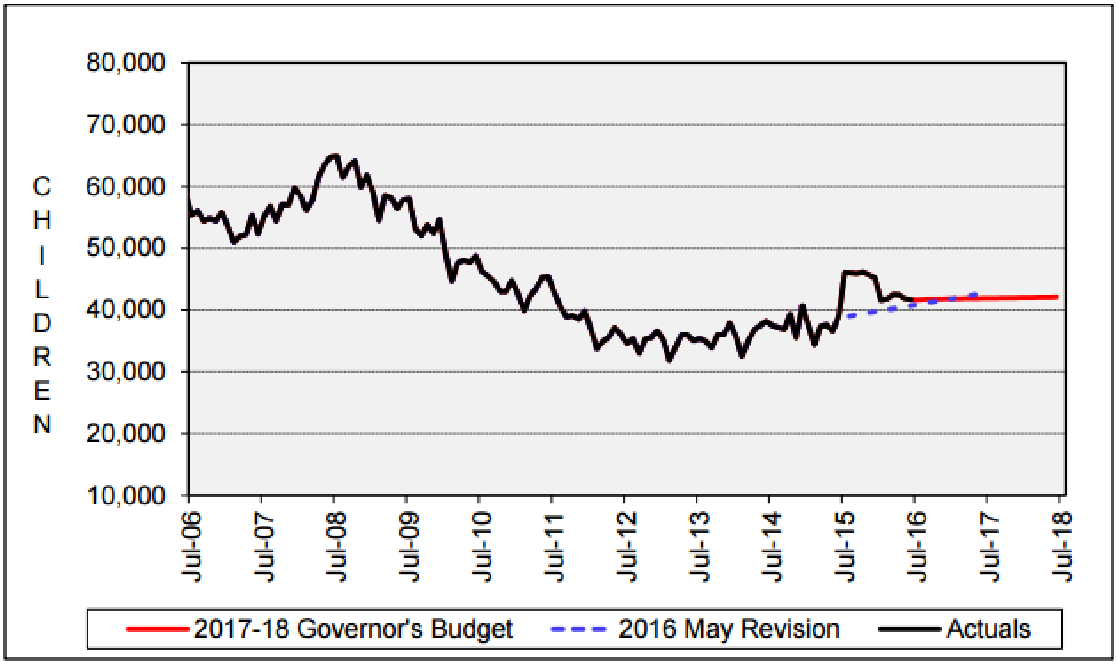
- Stage 2 begins after six months or after a recipient's work or work activity has stabilized, or when the family is transitioning off of aid. Clients may continue to receive child care in Stage 2 up to two years after they are no longer eligible for aid.

- Stage 3 begins when a funded space is available and when the client has acquired the 24 months of child care after transitioning off of aid (for former CalWORKs recipients).

Historically, caseload projections have generally been funded for Stages 1, 2, and 3 in their entirety – although Stage 3 is not technically an entitlement or caseload-driven program.

CalWORKs Stage 1 Participation. In past years, the Legislature has expressed concern about low utilization rates for CalWORKs child care, particularly Stage 1. Child care in Stage 1 is provided both to families working and those who are participating in Welfare-to-Work (WTW) activities. Participation in these programs decreased significantly during the recession as program policies shifted, and since this time enrollment has slowly increased, but is not back to pre-recession levels. In the first half of 2015-16, the utilization rate for Stage 1 and 2 child care of families with children participating in Welfare-to-Work activities is approximately 34 percent, compared to 30 percent in 2014-15 (this is not adjusted for families in which one parent is in WTW activities and the other parent is available to provide care for children.) For context, the County Welfare Director Association completed a survey, published in June 2016, that looked at the number of families eligible for Stage 1 and 2 child care. Based on responses, they estimate the utilization rate in CalWORKs Stage 1 and 2 and all other CDE-subsidized child care is approximately 45 percent. This survey also indicates that about 29 percent of children are in some other informal care arrangement. The most common reason families choose not to utilize Stage 1 and 2 child care, according to the survey, are a preference to do things on their own, followed by concerns over burdensome paperwork and low reimbursement rates.

CalWORKs Stage 1 Trend*



Source: Department of Social Services
*Note: The spike in 2015 reflects a shift in data collection rather than an actual increase in caseload.

In response to ongoing concerns, DSS has been working to increase understanding of CalWORKS Stage 1 caseload and the processes of counties as they qualify families for Stage 1 child care and transition eligible families to Stage 2 child care. DSS has updated their data system as of July 1, 2015, to collect information on the actual number of children receiving care, whereas the prior system collected payment information quarterly, with limited ability of the department to track care provided accurately across the year.

DSS is also analyzing data in greater depth and has learned that in CalWORKs Stage 1, 84 percent of children are older than age two, meaning they are eligible for a variety of other state and federal child care and education programs. DSS staff also embarked on series of site visits to 14 counties to observe processes and practices in providing CalWORKs child care. Over the past year, DSS has participated in a working group with CDE and child care stakeholders to examine some of the potential issues with families accessing child care. This work informed a DSS All County Notice that will be released in the coming days addressing best practices around access, enrollment, funding, and transferring of care.

Staff Comment and Recommendation. Informational only.

Questions.

1. What information did DSS gather from site visits with counties?

2. What data is DSS collecting that will allow for a more complete assessment of participation in Stage 1 CalWORKs?

Issue 6: Miscellaneous Proposals for Investment

The subcommittee has received the following miscellaneous advocate requests:

- Funding to prevent unintended pregnancies among foster youth

Budget Issue. The John Burton Advocates for Youth and others request $2.88 million General Fund in 2017-18, and $2.58 million General Fund ongoing, to prevent unintended pregnancies among foster youth by ensuring foster youth participate in state-mandated comprehensive sexual health education in California public schools, requiring social workers to document that they have informed foster youth of their reproductive rights, and requiring that training for social workers, caregivers, and judges include how to address reproductive health with foster youth.

Background. More than half of California foster youth have been pregnant at least once by age 19, which is approximately 2.5 times higher than that of youth not in foster care. In early 2016, DSS convened a group of experts to develop a statewide plan to address unplanned pregnancy in foster care. In October of 2016, DSS issued a document entitled "California's Plan for the Prevention of Unintended Pregnancy for Youth and Non-Minor Dependents."

Staff Comment and Recommendation. Hold open.

- Assist Welfare-to-Work participants with the cost of diapers by making them an ancillary expense or supportive service

Budget Issue. Assemblywoman Gonzalez Fletcher requests that diapers be an ancillary expense or supportive service in the CalWORKs program.

Background. As a result of Supplementary Reporting Language included in the 2016-17 budget, DSS convened a workgroup in the fall of 2016 on diaper assistance, and released a report in February 2017 entitled "Options for the Provision of Diaper Assistance to Low-Income Families. The report includes preliminary implementation details and a rough cost estimate.

Staff Comment and Recommendation. Hold open.

- Additional funding for CalWORKs Indian Health Clinics

Budget Issue. The California Rural Indian Health Board requests $1.1-$1.5 million General Fund for Indian Health Clinics. 36 clinics across California, split the current $1.9 million General Fund, which pays for less than one full-time drug and alcohol counselor in most regions. The requested augmentation would fund at least one full-time employee per clinic.

Background. The CalWORKs Indian Health Clinic (IHC) program was created to help Native American CalWORKs recipients remove barriers to sustainable employment such as mental health and substance abuse issues. The IHC program is still funded at the same level as it was in 2002.

Staff Comment and Recommendation. Hold open.