SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Bill Monning

Senator Mark DeSaulnier
Senator Bill Emmerson

May 20, 2013

1:00 P.M. or Upon Adjournment of Session

Room 4203
(John L. Burton Hearing Room)

Staff: Jennifer Troia

PLEASE NOTE: *Only* those items contained in this agenda will be discussed at this hearing. Please see the Senate Daily File for dates and times of subsequent hearings. Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair.

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ISSUES RECOMMENDED FOR VOTE-ONLY

A. 0530 Office of Systems Integration (OSI) & 5180 Department of Social Services (DSS)

1. Case Management, Information, and Payrolling System (CMIPS) II

(Issues 302, 308)

As discussed in greater detail in the agenda for the Subcommittee's hearing on April 25, 2013, CMIPS and the replacement system currently being rolled out, CMIPS II, are the automated, statewide systems that handle payroll functions for In-Home Supportive Services providers. The Administration requests a variety of changes to the OSI CMIPS II budget, with a net effect of a $1.6 million decrease (a decrease of $2.2 million, partially offset by an increase of $584,000 to support the 4.5 positions). The changes include:

- Shifts of funds between budget years to reflect delays that have occurred;
- Authority for 4.5 additional positions, including:
  - Three new, permanent positions;
  - Authority to convert one existing position to a permanent position; and
  - The redirection of half the time (0.5 of a position) for an existing full-time position assigned to the Child Welfare Services (CWS)-New System;
- Increases in prime vendor contract costs for software and licensing purchases, as well as the costs of systems changes associated with the Coordinated Care Initiative and Community First Choice Option;
- A decrease in the costs associated with interfaces;
- Decreases in costs for county staff and travel; and
- Increases in data center costs.

Additionally, the Administration requests a decrease of $23.9 million ($12.1 million GF and $11.8 million reimbursements) in the budget for DSS, to reflect the revised project schedule.

Recommendation: Approve the requested changes, with a technical adjustment to also reflect the corresponding decrease in funding associated with the repurposing of the half-time position from CWS-NS to CMIPS II.

2. Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System (LRS)

(Issue 343)

The Administration requests a net increase to DSS's budget of $10.7 million (a decrease of $20.1 GF and $23.1 million Federal Trust Fund, offset by an increase of $53.8 million reimbursements) to reflect a full year of design, development, and implementation activities for the LRS project and enhanced federal financial participation and cost allocation relief that was available related to health care reform. The system being replaced, LEADER, is one of three existing consortia systems that comprise the Statewide Automated Welfare System (SAWS). SAWS automates the eligibility, benefit, case management, and reporting processes for a variety of health and human services programs operated by the counties, including the

CalWORKs welfare-to-work program, Food Stamps, Foster Care, Medi-Cal, Refugee Assistance, and County Medical Services.

Recommendation: Approve the requested adjustments.

B. 4170 Department of Aging (CDA)

1. Health Insurance Counseling Program

(Issue 500)

The Administration requests that Item 4170-101-0890 be increased by $660,000 and that Item 4170-101-0001 be amended to reflect this change. The federal Centers for Medicare and Medicaid Services will award a one-time, $1 million grant to CDA to provide training for Health Insurance Counseling Program staff and one-on-one dual-eligibility health insurance counseling connected with the Cal MediConnect initiative. There is no requirement for the state to match the grant funds. The adjustments reflect the estimated 2013-14 grant expenditures. The remaining funding will be expended in 2014-15, and the Administration also proposes budget bill language to allow for this carryover.

Recommendation: Approve the requested expenditure authority and budget bill language.

C. 4300 Department of Developmental Services (DDS)

1. May Revision Caseload and Estimates Updates

The Administration requests the following technical adjustments in the May Revision:

- Workload Adjustments (Issues 507, 509, and 510): The Administration requests to increase Item 4300-003-0001 by $903,000 and reimbursements by $486,000, as well as to increase Item 4300-004-0001 by $43,000 and reimbursements by $20,000, to reflect adjustments in Level-of-Care and Non-Level-of-Care Staffing. These adjustments are due to refinements in caseload estimates based on more recent data.

- Workload Adjustments (Issues 512, 513, 514, and 518): The Administration requests to increase Item 4300-101-0001 by $7.7 million and reimbursements by $26.0 million to reflect adjustments in caseload, Intermediate Care Facility/Developmentally Disabled (ICF/DD) operational costs, and the delayed inclusion of developmental services in the 1915 (k) State Plan Amendment.

- Provider Payment Restoration Adjustment (Issues 516 and 517): The Administration requests to increase Item 4300-101-0001 by $294,000 and reimbursements by $183,000 to reflect adjustments for the operations and provider payments restoration previously included in January (and adopted by this Subcommittee on April 11, 2013).

- Annual Family Program Fee Adjustment (Issue 501): The Administration requests to increase Item 4300-101-0001 by $3.3 million and to decrease Item 4300-101-0172 by $3.3 million. This adjustment reflects a revised, lower estimate of fees to be collected. The underlying request was held open by this Subcommittee on April 11, 2013.

- Quality Assurance Fees (Issues 515): The Administration requests to increase Item 4300-101-0001 by $414,000 reimbursements to reflect updated day treatment and transportation costs for ICF/DD residents.

The caseload estimates included in the May Revision anticipate that the number of consumers with developmental disabilities in the community, who are served by regional centers, will increase from 256,224 in the 2012-13 fiscal year to 265,097 in 2013-14, while the number of consumers residing in state-operated facilities will be 1,209 by the end of 2013-14 (June 30, 2014).

Recommendation: Approve the requested technical adjustments, subject to additional conforming changes made by other Legislative actions.

2. Proposal to Reappropriate Previously Authorized Funds for Developmental Center Repairs

(Issue 505)

The Administration requests to add Item 4300-492 to provide for a one-year extension of the liquidation period for approximately $322,600 that was initially appropriated in Item 4300-003-0001 by the Budget Act of 2010. DDS is in the process of completing two special repair contracts at the Sonoma Developmental Center (one to replace a main sewer line and one to replace flooring); however, the projects will not be completed prior to June 30, 2013 (when the funds are otherwise scheduled to revert). Both projects are estimated to instead be completed in August 2013.

Recommendation: Adopt May Revision request to reappropriate this funding.

D. 5175 Department of Child Support Services

1. Enrollment Caseload Population Estimate

The Governor's May Revision includes a request to decrease the amount of the department's General Fund support by $276,000 and to offset the reduction with a $276,000 increase in Federal Trust Funds.

Background: As noted in the April 25, 2013 Subcommittee hearing, there are federal incentives tied to a list of performance measures that apply to the process of establishing parentage, the collection of child support, and the overall cost of collecting child support. Additional gains have been made by the state in nearly every category. Most notably, there have been significant increases on collections in current support and collections on arrears.

The additional gains made by the state have led to an increase in Federal Performance Basic Incentive funds. The table below represents the state's ranking as it compares to other states and territories.

Measure	2012 Rank	2011 Rank	2010 Rank
Paternity Establishment	7	2	2
Cases with Support Orders	14	20	25
Current Support Paid	28	37	41
Cases Payment on Arrears	22	25	31
Cost Effectiveness	49	49	50

Staff Comment: This request is budget neutral and will not impact the department's overall budget. The decrease in General Fund support stems from an increase an additional Federal Trust funds being made available.

Recommendation: Adopt May Revision request.

E. 5180 Department of Social Services

1. May Revision Caseload and Estimates Updates

The May Revision proposes a net decrease of $324.8 million (decreases of $123.6 million GF, $497,000 Child Support Collections Recovery Fund, and $212.6 million reimbursements, offset by an increase of $11.8 million Federal Trust Fund), due to the impact of caseload and workload changes since the Governor's Budget, as displayed in the following table:

Program	**Item**	**Change from Governor's Budget**
California Work Opportunity and Responsibility to Kids (CalWORKs)	5180-101-0001 5180-101-0890 5180-601-0995	-$96,069,000 $60,074,000 -$83,000
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	5180-111-0001	-$30,404,000
In-Home Supportive Services (IHSS)	5180-111-0001 5180-611-0995	$24,374,000 -$237,259,000
Other Assistance Payments	5180-101-0001 5180-101-0890 5180-601-0995	-$8,065,000 $171,000 $14,000
County Administration and Automation Projects	5180-141-0001 5180-141-0890 5180-641-0995	-$13,270,000 -$26,495,000 $27,312,000
Community Care Licensing	5180-151-0001 5180-151-0890	-$1,102,000 -$45,000

Program	Item	Change from Governor's Budget
Realigned Programs		
Adoption Assistance Program	5180-101-0890	-$1,534,000
Foster Care	5180-101-0890 5180-101-8004 5180-141-0890	-$15,876,000 -$497,000 $437,000
Child Welfare Services (CWS)	5180-151-0001 5180-151-0890 5180-651-0995	$904,000 -$4,920,000 $76,000
Title IV-E Waiver	5180-153-0001 5180-153-0890	$15,000 $16,000
Adult Protective Services	5180-651-0995	-$2,615,000

The updated caseload estimates for the largest programs are summarized below:

Program	January estimate for 2012-13	January estimate for 2013-14	May estimate for 2012-13	May estimate for 2013-14
CalWORKs	563,505	572,133	561,912	558,750
SSI/SSP	1,291,022	1,308,026	1,287,136	1,298,697
IHSS	422,945	418,890	442,769	448,225

Additionally, the Administration requests the following technical adjustments (Issues 309, 403):

- An increase of $13.7 million GF to reflect fewer cases transferring from the state-only Kinship Guardianship Assistance Payment (Kin-GAP) program to the Federal Kinship Guardianship Assistance Payment program. The Governor's Budget included an estimated 45.5 percent (of total Kin-GAP caseload) would remain in state-only Kin-GAP. However, the May Revision estimates that 60.5 percent will instead remain in state-only Kin-GAP.

- An increase of $224.3 million ($95.6 million GF and $128.7 million reimbursements) to reflect decreased savings from the IHSS health care certification requirement. Updated caseload data indicates more applicants are securing certification than previously assumed.

- A net decrease of $15.7 million (a decrease of $43.2 million GF offset by an increase of $27.5 million reimbursements) is requested to reflect increased General Fund savings from the Community First Choice Option program. The increased savings is primarily attributable to a revised methodology based on updated information regarding the average monthly hours of recipients with higher needs.

Recommendation: Approve May Revision caseload estimate changes and the changes related to Kin-GAP, IHSS health care certification, and implementation of the Community First Choice Option, subject to additional conforming changes made by other Legislative actions.

2. In-Home Supportive Services (IHSS): Across-the-Board Reductions

(Issues 311, 313)

The Administration requests a decrease of $444.3 million ($176.4 million GF and $268.0 million reimbursements) to reflect the net savings associated with implementation of an eight-percent across-the-board reduction to IHSS recipient hours, pursuant to a recent settlement agreement in the *Oster* and *Dominguez* lawsuits (described further in the analysis of SB 67, a current-year budget trailer bill that recently passed out of the Senate). The eight-percent reduction would begin July 1, 2013, followed by a one-percent restoration after 12 months. The Administration also proposes $9.8 million ($3.5 million GF) for administration costs associated with the eight percent reduction. The savings described above already take these offsetting costs into account. SB 67 is awaiting action in the Assembly.

The Administration also proposes a corresponding increase of $461.6 million ($180.3 million GF and $281.3 million reimbursements) to remove savings associated with a previously enacted 20-percent across-the-board reduction that was triggered by lower than anticipated revenues. Under the settlement agreement that led to the recent passage of SB 67 by the Senate, that 20-percent reduction would be repealed.

Recommendation: Approve the requested technical adjustments to local assistance funding to conform to the policies recently passed by the Senate in SB 67. Hold open the requested funding for state operations costs associated with the changes.

3. Resource Family Approval Project

(Issue 401)

The Administration requests a decrease of $207,000 ($101,000 GF, $36,000 Federal Trust Fund, and $70,000 reimbursements) and two positions to withdraw the Governor's January Budget request for Resource Family Approval Project resources. The prior proposal assumed that $70,000 of the costs would be funded with 2011 Local Revenue Fund. However, the Administration subsequently determined that those funds would not be made available by the counties. As described in additional detail in the Subcommittee agenda for April 11, 2013, the project would consolidate three separate approval processes for foster parents, adoptive parents, and relative caregivers into a single comprehensive approval process**.** The May Revision proposes corresponding trailer bill language to suspend the project. The Legislative Analyst's Office (LAO) recommends rejecting the May Revision proposal to suspend the project, and instead directing the department to consider opportunities to replace the $70,000 budgeted in January from county reimbursements, either by redirecting existing resources or proposing alternative funding sources.

Recommendation: Reject May Revision request and instead approve the necessary funding (anticipated to be approximately $171,000 GF and $36,000 Federal Trust Fund), along with two positions, for the project to move forward. Correspondingly, require the department to update the Subcommittee on its progress in implementing the project during 2014-15 budget hearings.

4. Budget Bill Language: Community Care Licensing Title XX Funding

(Issue 402)

The Administration requests to add provisional language to Item 5180-001-0279 that authorizes up to $2.1 million Child Health and Safety Fund (CHSF) for the Community Care Licensing (CCL) program to backfill a reduction in the Social Services Block Grant (Title XX) related to federal sequestration. Sufficient reserves are available in the CHSF to backfill the reduction in 2013-14.

Recommendation: Approve the request provisional language.

5. Temporary Assistance for Needy Families (TANF) Transfer to California Student Aid Commission

(Issue 314)

The Administration requests a decrease of $18.7 million GF in the proposed amount of TANF block grant expenditures swapped with General Fund expenditures between the Cal Grant and CalWORKs programs. A corresponding increase of $18.7 million GF is proposed in the California Student Aid Commission budget (see Item 7980-101-0001, Issue 018). The remaining amount of the total transfer of TANF funding to CSAC (and corresponding General Fund resources to support CalWORKs) would be $924 million.

Recommendation: Hold this item open. It is worth noting that the Administration's May Revision proposal is inconsistent with the prior action of the Subcommittee, on April 25, 2013, to approve the portion of the proposed TANF transfer that is necessary to meet (but not exceed) the state's required MOE level of spending. At the time, the Administration indicated that the Subcommittee's action would be reflected in the May Revision. However, the Administration has subsequently indicated that maintaining the larger amount of the transfer is tied to its proposal to realign certain human services programs in connection with the financing of health care reform implementation.

6. Budget Bill Language: General Fund Loan Authority

(Issues 304, 345)

The Administration requests that Provision 1 of Item 5180-141-0001 be amended to increase existing General Fund loan authority by $13 million to manage cash flow issues related to increased reimbursement payments from counties in the event of timing delays in the receipt of reimbursements.

Additionally, the Administration requests that Provision 2 of Item 5180-151-0001 be amended to include reimbursement payments as an allowable use of existing General Fund loan authority within that provision. Provision 2 currently authorizes a loan of up to $50 million GF to cover the federal share of costs for programs when federal funds have not been received. This amendment would address cash flow problems for payments to private vendors and other departments by allowing the existing loan authority to cover delays in reimbursements from other state entities and counties as well.

Recommendation: Approve the requested budget bill language.

DISCUSSION ITEMS

A. 4300 Department of Developmental Services (DDS)

1. Sonoma Developmental Center

Summary: The May Revision reflects a $7.4 million GF increase in 2012-13, and a $15.7 million GF increase in 2013-14, to backfill federal funding lost due to the loss of federal certification for four residential units within the Sonoma Developmental Center (SDC) (Issue 511). The 2012-13 funding was also included in SB 68, a current-year budget bill that was passed by the Senate earlier this month. SB 68 is currently awaiting action in the Assembly.

The May Revision additionally requests $300,000 ($200,000 GF) in 2012-13, and $2.5 million ($1.7 million GF) in 2013-14, to fund a contract with an Independent Consultative Review Expert (ICRE), as required by the Program Improvement Plan the state entered into with the federal certification agency.

Finally, the May Revision includes proposed budget bill language intended to address costs that may be necessary to implement the action plan identified by the ICRE as a part of the state's Program Improvement Plan. The proposed language allows the Department of Finance to authorize expenditure of up to $10 million GF, and to notify the Legislature within 10 working days of such authorization. The department indicates that the, as yet unidentified, costs might include costs associated with implementing recommendations related to additional staffing or training.

Background: With approximately 500 total residents, SDC is authorized for around 1,500 state staff positions and has a 17 percent staff vacancy rate. The Governor's January budget proposed a $2.4 million increase ($1.3 million GF) to allow the facility to hire approximately 36 additional direct care staff. The addition of those staff members would correspondingly allow staff who serve as shift leads to focus on supervision, without being counted toward required ratios of direct care staff-to-clients. This Subcommittee previously approved that requested funding, but with authorization for the positions for a limited-term of two years.

As discussed in greater detail in the Subcommittee agenda for April 11, 2013, four out of 10 of SDC's Intermediate Care Facility (ICF) units, with approximately 111 consumers who reside in them, were recently withdrawn from federal certification by DDS, in response to notice that the federal government was otherwise moving to decertify all of the ICF units at SDC. The federal government's concerns, and DDS's resulting withdrawal of these units from certification, came on the heels of findings last year regarding multiple instances of abuse, neglect, and lapses in caregiving at SDC. The Program Improvement Plan, referenced above, covers changes required for the remaining six ICF units to retain certification, as well.

LAO Recommendation: The LAO recommends that the Legislature approve funding for the ICRE contract, indicating that it is "critical to continue progress towards recertification" of the four units. The LAO also recommends that the Legislature deny the administration's provisional budget bill language because "…it is premature to assume any level of costs associated with implementation of the action plan to be developed by the ICRE. There is uncertainty regarding the level of additional staffing, training, overtime or patient safety costs that may result from the action plan. Furthermore, the costs to implement the action plan may be minor and absorbable. If DDS requires additional funding to implement the action plan, it can utilize the deficiency funding process or seek additional expenditure authority through a supplemental appropriations bill."

Staff Comment & Recommendation: Hold this item open.

Questions:

1. What are the major steps and the timelines associated with the Program Improvement Plan?

2. When does the department anticipate that all residential units within the facility will again be certified to receive federal financial participation?

3. What costs does the department anticipate might be included in the up to $10 million additional expenditure authority proposed in the May Revision? How was that figure arrived at?

2. Additional Trailer Bill Language Proposals

Summary: The 2012-13 budget included trailer bill language (in AB 1472, Chapter 25, Statutes of 2012) associated with a $200 million GF reduction that made a variety of policy changes. These changes included, among several other provisions, a series of policies intended to redesign services for individuals with challenging needs by significantly restricting the statutory criteria for admissions to developmental centers (DCs), limiting the use of locked mental health facilities and out-of-state placements, and strengthening the capacity of the community to serve individuals with challenging needs (including expanded availability of Adult Residential Facilities for Individuals with Special Health Care Needs and the creation of a statewide Specialized Resource Service). They also included a requirement for regional centers to conduct comprehensive assessments of the service needs of all individuals residing in DCs. Disability Rights California proposes the following clean-up to these provisions:

1. Clarification that existing restrictions on use of Institutions for Mental Disease (IMDs) should apply irrespective of the age of the individual with a developmental disability. This is recommended because a reference in last year's trailer bill to the lack of federal funding for the placements that were restricted may have unintentionally created distinctions between when children under the age of 18 or adults over the age of 65 can be placed in these institutions (because federal funding may actually be available in some instances when individuals of those ages are placed in these institutions) versus the more restrictive circumstances under which individuals between the ages of 18 and 65 can now be placed there;

2. Clarification that comprehensive assessments of the needs of DC residents that regional centers are required, under existing law, to conduct within a specified timeframe should specifically identify the community-based services and supports that would enable the individual to move to a community-based setting (including specification that those services and supports should be considered for development in Community Placement Plans, if they are not already available), along with a requirement for regional centers to submit those assessments to the court and other parties to specified hearings in response to the request of an adult who is seeking release from a DC;

3. Notification of clients' rights advocates when placements in IMDs are made, when the required assessments of DC residents' needs are being shared at Individual Program Plan team meetings in which the team will be identifying the least restrictive placement setting that can meet a consumer's needs, and when courts are holding specified hearings in response to the request of an adult who is seeking release from a DC, along with clarification that the clients' rights advocate may attend those hearings; and

4. A statement that these requirements shall be construed in a manner that "affords an adult requesting release all rights under Welfare and Institutions Code section 4502, including the right to treatment and habilitation services and supports in the least restrictive environment and the Americans with Disabilities Act of 1990 (P.L. 101-336), as amended in 2008 (P.L. 110-325), including the right to receive services in the most integrated setting appropriate."

Staff Comments & Recommendation: Staff recommends holding this issue open.

Questions:

1. Please summarize the proposed changes to existing law.

3. Federal Sequestration

Summary: The May Revision requests a reduction of $3.4 million in the federal grant for Early Start services due to federal sequestration (Issue 506). The Administration proposes, however, to backfill $600,000 of this amount with General Fund resources in order to maintain the expenditures for direct services. The remaining $2.8 million decrease would be absorbed by reductions in administrative costs.

The May Revision also requests to increase Item 4300-101-0001 by $11.9 million, and decrease reimbursements by $11.9 million, to backfill the estimated loss of federal funding resulting from the Title XX Block Grant for Social Services and Elder Care, associated with sequestration (Issue 499).

Staff Comment & Recommendation: Staff recommends approving the requested resources to backfill the loss of federal funding associated with sequestration.

Questions:

1. Please briefly summarize the reductions associated with sequestration, their potential consequences, and the rationale for the proposed backfill of those resources with General Fund.

B. 5160 Department of Rehabilitation (DOR)

1. Client Assistance Program

(Issue 500)

The Administration requests that Item 5160-001-0890 be decreased by $909,000, and that Item 5160-001-0001 be amended, to reflect this change. This adjustment reflects the transfer of responsibilities for administering the federally-funded Client Assistance Program from DOR to Disability Rights California (DRC). The Administration indicates that designating DRC as the grant recipient will reduce program administrative costs by an estimated $198,000 annually, allowing additional funding to become available for direct services. The amount of the requested decrease represents nine months of the federal grant period beginning October 1, 2013. The total federal fiscal year 2013 grant award is $1.2 million.

Staff Comment & Recommendation: Approve the requested transfer of responsibilities, with a technical adjustment to make the changes to Program 10 - Vocational Rehabilitation Services (not Program 30 – Independent Living).

C. 5180 Department of Social Services (DSS)

California Work Opportunities and Responsibility to Kids (CalWORKs)

1. Early Engagement Redesign Proposal

(Issue 340)

Summary: The Administration requests an increase of $48.3 million GF to improve early engagement and barrier removal processes and supports within the CalWORKs program, and to expand subsidized employment opportunities for CalWORKs Welfare-to-Work participants. The increased funding is intended to allow counties to perform more robust appraisals in order to identify the services that can best benefit program participants, including family stabilization services, barrier removal, and employment services. Correspondingly, with respect to the subsidized employment component of the proposal, the Administration proposes trailer bill language to significantly expand the number of slots available to participants. Finally, the Administration proposes a one-time increase of $600,000 GF to support necessary automation changes associated with the proposal.

Context for the Proposal: As discussed in greater detail in the Subcommittee agenda for March 21, 2013, CalWORKs is the state's version of the federal Temporary Assistance for Needy Families program, which provides cash assistance and welfare-to-work services to eligible low-income families with children. In the last several years, CalWORKs has sustained very significant reductions, as well as programmatic restructuring. One of the largest policy changes was the implementation, beginning January 2013, of a new, prospective 24-month limit on adult eligibility for assistance under state work participation rules. Adults may continue to receive cash assistance and services for up to a total of 48 months, but only if they comply with federal work participation rules after the 24-month clock is exhausted (unless granted an extension). Federal rules are more restrictive than state rules and place a heavier emphasis on employment, as opposed to education, training, or barrier-removal activities (e.g., limited English proficiency, limited educational attainment, substance abuse, mental health, or domestic violence). At the same time, the state work participation rules that apply before the 24-month clock has expired were changed to be more flexible with respect to allowable welfare-to-work activities. That flexibility was intended to help CalWORKs families overcome barriers to employment and self-sufficiency.

The 2012-13 trailer bill that made these programmatic changes, SB 1041 (Chapter 47, Statutes of 2012), also included a requirement for DSS, in consultation with a workgroup including specified stakeholders, to identify best practices and other strategies to improve efforts to engage clients in welfare-to-work as early and effectively as possible, and to assist them in removing barriers to success so that the initial months during which adults are subject to welfare-to-work requirements are as meaningful an opportunity as possible. The statute also indicates that this may require evaluating and restructuring the basic program flow for clients. Given the urgency of needing these reforms to be in place as soon as, or only shortly after, the new 24-month time limit took effect on January 1, 2013, DSS was required to report to the Legislature by January 10, 2013, regarding the recommendations developed, including those that would be implemented through administrative changes and those that would require statutory changes. The May Revision proposals described above are the Administration's response to this unfinished conceptual component of the 2012-13 budget agreement related to changes in CalWORKs.

<u>Additional Details Regarding the Proposal</u>: The Administration's proposal includes the following three main issues:

1. **Robust Appraisal** ($9.4 million GF in 2013-14): The Governor proposes to make the up-front appraisal of clients' needs more comprehensive by introducing a new appraisal tool intended to more effectively identify barriers to employment. The goal is to allow caseworkers to connect participants with services and welfare-to-work activities that best align with their needs. The Administration plans to acquire an Online Work Readiness Assessment (OWRA) tool, which was developed by the federal government and is available to states free-of-charge. Under the Governor's proposal, customization of the tool and training regarding its use would be completed by January 1, 2014, at which point the tool would be rolled out in all 58 counties. The May Revision includes one-time automation costs of $600,000 GF, and one-time training costs of $2.2 million GF. Once the tool is rolled out, the May Revision assumes that county workers will spend one hour with new participants using the tool, at a cost of $6.6 million in 2013-14. The Administration does not, however, propose any statutory changes to incorporate a requirement to use this new tool into the state law underlying the existing flow of welfare-to-work processes.

2. **Family Stabilization** ($10.8 million in 2013-14): The May Revision proposes a new approach for assisting families that are experiencing acute crisis situations (e.g., homelessness or severe and immediate substance abuse, mental health challenges, or domestic violence). This approach would involve creating family "stabilization plans" and providing more intensive case management. The May Revision assumes that initially the number of participants requiring a stabilization plan will roughly equal the number of clients estimated to be accessing substance abuse, mental health, and domestic violence services currently, but also that this number will increase somewhat over time, as the new appraisal tool becomes more fully and effectively utilized. The May Revision would provide counties with an additional $10.8 million in the employment services component of the single allocation in 2013-14 to allow for additional caseworker contact and follow-up with these participants. Again, however, the Administration does not propose any statutory changes to incorporate these elements into the law governing the administration of CalWORKs.

3. **Enhanced Subsidized Employment** ($28.1 million in 2013-14): The Governor proposes to substantially increase the role of subsidized employment by building on the state's experience with recent federal American Recovery and Reinvestment Act (ARRA) funding. The proposal would establish a fixed number of subsidized employment positions that would be fully funded by the state, representing greater state support than is currently available under the state's subsidized employment program [originally established by Chapter 589, Statutes of 2007 (AB 98, Niello)]. The May Revision assumes that initially 250 enhanced subsidized employment positions would be available beginning in November 2013, eventually increasing to 8,250 positions in June 2014. The Administration does propose statutory changes to implement this component of its proposal.

<u>LAO Recommendations</u>: The LAO indicates that, "The Governor's proposal has merit and warrants serious consideration. The proposal constructively builds on the work of the early engagement workgroup and we believe that it could result in improved services for CalWORKs recipients. However, the proposal also raises some concerns. In general, the proposal lacks needed detail on county implementation. Several important decisions about how the proposal would be implemented would be left either to the administration or to individual counties, and we think these decisions warrant legislative input. The proposal, in its current form, also does not adequately provide for data collection and reporting that would be valuable to the Legislature for oversight and policy making purposes. Finally, while the expansion of subsidized employment does have its policy merits, we believe it would be appropriate to approach the creation of fully state-funded subsidized positions more cautiously by limiting the expansion proposed by the Governor until there is more conclusive evidence on the long-term effectiveness of this welfare-to-work activity."

Staff Comment & Recommendation: Staff recommends holding this issue open and notes that while the Administration's proposal includes several very helpful concepts and ideas, additional details and associated statutory changes may be critical to ensuring that the intended reforms that were included as part of last year's budget agreement are fully realized.

Questions:

1. Please summarize the proposal and its main components.

2. How does the Administration intend to ensure meaningful, statewide changes to the program in the absence of changes to the statutorily governed welfare-to-work flow and other laws governing the CalWORKs program?

2. Semi-Annual Reporting in CalWORKs and CalFresh

Summary: The Administration proposes trailer bill language that it indicates would align CalWORKs and CalFresh reporting rules, as required in Chapter 501, Statutes of 2011 (AB 6), and allow Semi-Annual Reporting (SAR) to be implemented in a manner that is consistent with federal reporting rules.

Background: Counties are required to annually re-determine eligibility for CalWORKs and CalFresh benefits. Existing law additionally requires the county to re-determine recipient eligibility and grant amounts on a quarterly basis, and to determine the grant amount that a recipient is entitled to receive for each month of the quarterly reporting period. Recipients are also required to report to the county specified changes that could affect the amount of aid to which they are entitled. The statutes enacted in AB 6 require counties to change the regular reporting period to a semi-annual, rather than quarterly, period no later than October 1, 2013. AB 6 also required DSS, in conjunction with the Department of Community Services and Development, to implement, by January 1, 2013, a utility assistance initiative to give CalFresh beneficiaries a nominal Low-Income Home Energy Assistance Program (LIHEAP) service benefit out of the federal LIHEAP block grant.

AB 6 mandates a maximum amount of compatibility between CalWORKs and CalFresh so as to reduce administrative inefficiencies and to create ease-of-use for clients. The department indicates that CalFresh requested waivers from Federal Nutrition Services (FNS) to implement SAR as prescribed in AB 6, but several of these waivers were denied. Therefore, in order to more closely align with federal requirements for periodic recipient reporting, annual re-certifications, and prospective budgeting, the department proposes statutory changes to address the following concerns:

1. Policies contained in AB 6, with respect to the averaging of income and prospective budgeting in order to determine the appropriate grant amounts, are inconsistent with FNS policies.

2. It was assumed, upon implementation of SAR, that the number of eligibility reports required in a 12-month period would decrease from four to two. However, FNS regulations only allow for <u>one</u> periodic report in a 12-month period, in addition to the annual recertification. The requirement that a second periodic report be submitted, in addition to the annual recertification, is not consistent with FNS' rules and would also result in duplicative reporting.

3. AB 6 requires households that receive the LIHEAP benefit to have a Standard Utility Allowance (SUA) used in the computation of their CalFresh benefit. However, FNS rules prohibit recipients from being eligible for both the SUA deduction and a deduction tied to homelessness. As a result of applying the SUA, instead of the homeless shelter deduction, a number of homeless recipients would receive less CalFresh benefits.

4. Further, for many CalFresh cases, a ten cent LIHEAP benefit will be the only cash benefit issued on their EBT card. Current EBT regulations require that when a cash account becomes inactive (no debit transaction for 135 days), a notice must be sent to the recipient that their cash benefits will be inaccessible after 180 days of inactivity. Due to the small amount of the benefit, the department anticipates that a large portion of LIHEAP recipients will not access the benefit, and the counties will be required to mail them notices. Because of the small amount of money involved, versus the high cost of processing and mailing the notices ($745,000 GF), DSS is proposing to modify the notice requirement for LIHEAP to instead be triggered when the EBT cash account is in an inactive status and the balance is one dollar ($1.00) or more.

<u>Staff Comment & Recommendation</u>: Staff recommends holding this issue open.

<u>Questions:</u>

1. Please briefly summarize the rationale for the proposal and its ties to the department's budget.

Affordable Care Act Implementation

3. Realignment of Human Services Programs Associated with Health Reform

Summary: As will be discussed in greater detail in future agendas related to health issues, the May Revision proposes a state-based approach to the optional expansion of Medicaid to medically indigent adults, authorized under the Affordable Care Act (ACA). Counties currently receive about $1.5 billion annually in 1991 realignment funds for health care, primarily for services for indigent adults-some of the same individuals who will receive Medi-Cal (California's Medicaid program) services under the ACA. The Administration is proposing that over time, as the state assumes more responsibility for health care, counties will take on more financial responsibility for certain human services programs. The Administration estimates that $300 million in 2013-14, $900 million in 2014-15, and $1.3 billion in 2015-16 in 1991 realignment funding will shift from local health programs to local human services programs, including primarily CalWORKs and CalWORKs-related child care programs (Stages One, Two, and Three), and, if necessary, CalFresh administration costs. The Administration indicates that the actual amount shifted would, however, be based on each county's experience with implementing the optional expansion. The Administration has not yet provided detailed trailer bill language outlining the fiscal and/or programmatic changes being proposed.

The state currently spends approximately $2.3 billion on CalWORKs and CalWORKs-related child care programs. In addition to assuming higher costs through the Medi-Cal expansion, the Administration also proposes for the state to take on an expanded financial role in In-Home Supportive Services (IHSS) and California Children's Services (CCS), for which counties currently spend approximately $1 billion in 1991 realignment funds. The timing of these proposed changes is not yet clear.

Additional Details Regarding the Human Services Realignment Proposals: The Administration proposes for counties to assume greater financial responsibility for CalWORKs and CalWORKs-related child care programs. In the budget year, counties would assume a portion of CalWORKs and related child care costs in the form of a required maintenance of effort. Over time, counties would have flexibility to reinvest savings and any revenue growth in "self-sufficiency services". Eligibility, grant levels, and rates would continue to be set by the state. In the budget year, the counties would also reimburse the Department of Education (CDE) for costs associated with the CalWORKs child care programs administered by that department. In 2014-15, the state would begin to transition Stage Two and Three contracts with Alternative Payment Programs, which administer CalWORKs child care programs, from the CDE to the counties.

Technically, the Administration proposes to establish an account within 1991 realignment for CalWORKs, and a separate subaccount for CalWORKs child care. The Administration also recommends giving consideration to developing a statewide approach for allocating a portion of growth funds to support increases in the Earned Income Disregard and increases in the income eligibility exit point for cash aid, and a portion for reinvestment in such services as family stabilization, subsidized employment, and expanded child care. Counties could be provided flexibility to redirect savings resulting from caseload decline, as well as revenue growth, to the single allocation for program support, or, on an annual one-time basis, to the CalWORKs Child Care subaccount. However, counties would not be allowed to spend less on child care than in the base year or to reduce the number of slots from the base year. Child care funds would have to be spent on child care services for current or former CalWORKs recipients who meet the income, age, and other eligibility requirements established by the state. Further, counties would be protected from "significant changes in caseload or revenues which have been caused by economic factors beyond county control." In the event that state policy changes, outside of county control, increase the cost of operating a program component, the state would provide funding to meet those costs. Again, however, the Administration has not yet provided specific trailer bill language proposals to effectuate these concepts.

LAO Recommendations: The LAO analysis identifies two primary concerns with this realignment proposal: 1) the new realignment proposal adds significant complexity to the already complicated issue of implementing the optional expansion of Medi-Cal, and 2) there are potentially increased county costs and state mandates, particularly given that forecasting future costs for caseload-driven programs is very difficult, and that ensuring that redirected funds would be sufficient to cover costs would also be difficult. The LAO recommends that the Legislature instead consider building upon an existing arrangement created under the 2011 realignment plan that uses county funding to offset state General Fund costs for CalWORKs grants. This approach would not fundamentally increase county financial responsibility for supporting CalWORKs or change the state's authority over, or programmatic responsibility for, CalWORKs. As a result, it would be a much simpler to implement, particularly in the near term.

Staff Comment & Recommendation: Staff recommends holding this issue open, and notes, consistent with the LAO's comments, that the underlying proposals are complex and that the Administration has not yet provided significant amounts of detail necessary in order to evaluate the proposals at this late date.

Questions:

1. Please summarize the proposal, including both the potential benefits and the risks to the state, counties, and the human services programs at issue.

2. Please characterize the feedback the Administration has received from stakeholders thus far with respect to these proposals.

3. When does the Administration intend to submit detailed trailer bill language related to these proposals?

4. Other Requests Related to Implementation of the Affordable Care Act

(Issues 341, 342, 380)

<u>Summary</u>: The Administration requests an increase of $76.8 million ($5.9 million GF and $71.0 million reimbursements) for enhanced call center functionality to support the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS)/ACA implementation and interface development, as well as implementation of interactions between the Statewide Automated Welfare System (SAWS) consortia and CalHEERS. The call center expansion would allow the current county infrastructure to interface with CalHEERS centralized customer service centers. Increased funding would also allow for modifications to the SAWS consortia system to allow for interfaces between CalHEERS and SAWS, as required by ACA guidelines. Additionally, the Administration requests an increase of $379,000 in reimbursements to support two new, limited-term positions (expiring June 30, 2015), and one existing position, to analyze social services program impacts associated with federal health care reform.

<u>Staff Comment & Recommendation</u>: Staff recommends approving the requested resources and positions.

<u>Questions</u>:

1. Please briefly summarize the requests.

In-Home Supportive Services (IHSS)

5. Coordinated Care Initiative – Statewide Authority

(Issue 385)

<u>Summary</u>: The Administration requests an increase of $518,000 ($259,000 GF and $259,000 reimbursements) to support the creation and implementation of the Statewide Authority, the entity required to assume IHSS provider collective bargaining responsibilities from counties that transition IHSS benefits to managed care plans under the Coordinated Care Initiative (CCI) demonstration project. This request includes four positions to implement and support the CCI's California IHSS Authority (Statewide Authority) and Statewide Advisory Committee.

<u>Background</u>: As discussed in greater detail during the Subcommittee hearings on April 4 and April 25, 2013, the Governor's budget (and May Revision) include continuation of the Coordinated Care Initiative (now called Cal MediConnect), which is intended to integrate medical, behavioral, long-term supports and services, and home- and community-based services through a single health plan for persons eligible for both Medicare and Medi-Cal (dual eligibles) in eight demonstration counties.

Related to CCI, a 2012-13 budget trailer bill (SB 1036, Chapter 45, Statutes of 2012) shifted collective bargaining responsibilities from local county public authorities or non-profit consortia in the demonstration counties to the new Statewide Authority, with specified members and an advisory committee. The Governor's January budget included a related budget change proposal requesting $563,000 GF, and authority for permanent positions for the Department of Human Resources (CalHR), to implement the state's new collective bargaining responsibilities.

Finally, the Governor's January budget included a request for $884,000 ($442,000 GF), and seven limited-term positions at DSS (through 2014-15), to address workload associated with CCI. DSS stated that these positions would allow the department to certify agency providers, create an appeal process, establish a fee structure, review and approve contracts, oversee the counties' activities associated with CCI, and engage with stakeholders. This Subcommittee approved those requested resources and positions on April 25, 2013.

Staff Comment & Recommendation: Staff recommends holding this issue open.

Questions:

1. Please briefly describe the requested positions and their responsibilities.

2. Could the previously authorized positions related to CCI also be relied upon to address the proposed workload associated with the Statewide Authority?

Child Welfare Services

6. Moratorium on Applications for Group Homes with Rate Classification Levels of One Through Nine

Summary: The Administration requests trailer bill language to extend through 2013-14 an existing moratorium, without exceptions, on applications and requests for rate changes for group homes with rate classification levels (RCL) of one through nine. The Administration indicates that the moratorium has been helpful in ensuring that the use of group homes is increasingly focused on meeting the higher-level needs of foster youth. While the underlying moratorium, which also applies to higher RCL facilities, is ongoing, the current disallowance of exceptions to the moratorium for RCL one through nine facilities would otherwise sunset on June 30, 2013.

Background: Beginning in 2010-11, the budget has included around $195.8 million ($51.7 million GF) to fund a court-ordered increase of 32 percent in the monthly payment rates for group homes. The court order also requires the state to annually adjust these rates based on the California Necessities Index. In 2013-14, the average group home grant per child, per month is $7,934. In response to this increased cost, as well as other significant policy concerns about the use of group home placements in California, and the need for DSS to redirect staff toward developing alternative placement options, the 2010-11 budget included a moratorium, with some allowable exceptions, on the licensing of new group homes or approvals of rate or capacity increases for existing providers. The 2012-13 budget made this moratorium permanent, and additionally limited exceptions to higher-level group homes [licensed at a Rate Classification Level (RCL) of 10 or over, on a scale of one to 14] for an initial period of one year.

<u>Staff Comment & Recommendation</u>: Staff recommends approving the requested extension of the disallowance of exceptions to the moratorium for facilities with an RCL of one to nine. This action would also be consistent with the Subcommittee's actions on May 9, 2013 related to the Continuum of Care reform efforts (e.g., the adoption of limitations on the use of group homes and/or requirement for additional levels of review prior to group home placements, particularly for children as young as ages six to twelve).

<u>Questions</u>:

1. Please briefly summarize the proposal and identify how it is consistent with the Continuum of Care reform efforts previously discussed by the Subcommittee.