SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Mark DeSaulnier

Senator Elaine K. Alquist
Senator Bill Emmerson

February 8, 2011

1:00 PM

Room 4203
(John L. Burton Hearing Room)

Staff: Agnes Lee (DCSD, DCSS)
Jennifer Troia (ADP, DSS)

Item	Department
4200	Department of Alcohol & Drug Programs (ADP)
4700	Department of Community Services & Development (DCSD)
5175	Department of Child Support Services (DCSS)
5180	Department of Social Services (DSS)

PLEASE NOTE:

Only those items contained in this agenda will be discussed at this hearing. *Please* see the Senate 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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Agenda
(Vote-Only Items indicated by *)

Item Department Page

Department Overviews

Department of Alcohol & Drug Programs (ADP): With a total budget of $606.1 million ($190.4 million GF) in 2010-11 and a proposed budget of $630.4 million ($222.1 million GF) in 2011-12, ADP directs and coordinates: 1) substance abuse prevention services, 2) substance abuse treatment and recovery services, 3) the licensing of treatment facilities and programs, and 4) problem gambling-related services.

Department of Community Services and Development (DCSD): With a total budget of $407 million in 2010-11 and a proposed budget of $259.8 million in 2011-12, DCSD provides a range of services to low-income Californians, including energy assistance (e.g. weatherizing homes) and community services programs. There is no General Fund budgeted for this department.

Department of Child Support Services (DCSS): With a total budget of $1.1 billion ($335.2 million GF) in 2010-11 and a proposed budget of $1.0 billion ($328.3 million GF) in 2011-12, DCSS provides child support order establishment, collections and distribution services.

Vote-Only Agenda

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

OSI Issue 1 & DSS Issue 1: Child Welfare Services (CWS)/Web Project

Budget Issue: OSI requests $2.1 million ($951,000 GF that is reflected in the DSS budget) for four additional staff and additional contract resources to support its project management role in the development of the new CWS/Web system. DSS requests, in a budget change proposal, $304,000 ($139,000 GF) for the extension, for an additional two years, of three limited-term staff who support the child welfare program-side of the project's development.

For additional background, please see the agenda for this Subcommittee from January 27, 2011.

Subcommittee Staff Comment & Recommendation: Staff recommends rejecting these positions without prejudice.

4200 Department of Alcohol & Drug Programs (ADP)

ADP ISSUE 1: Problem Gambling Treatment Services Program

Budget Issue: The Governor's budget proposes $5 million in special fund expenditure authority to continue implementation, data collection, and evaluation of a Problem Gambling Treatment Services Pilot Program that serves problem and pathological gamblers and their affected family members. Correspondingly, the Department requests, in a budget change proposal, $183,000 for the two-year extension of two existing, limited-term positions and $817,000 in funding to contract for a public awareness campaign, provider training, training materials, data analysis, and evaluation. The remaining $4 million in requested funds are for Local Assistance and would be allocated by a competitive award process to local governments, public universities, and/or community organizations for treatment programs gamblers and their families. No General Fund resources are requested.

Background: The Department's Office of Problem Gambling provides education and raises awareness about the warning signs of problem gambling. The Office's goals include the establishment of a statewide treatment program that includes a broad spectrum of treatment services and evaluations that lead to an understanding of best practices. The proposed funding would extend for an additional two years an existing, three-year pilot program that supports these goals. At the end of the five-year pilot program, ADP plans to produce evidence-based practices and outcome data regarding the efficacy of the program.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of the requested special fund authority.

ADP ISSUE 2: Driving Under the Influence (DUI) Programs

Budget Issue: The Department requests to continue $96,000 in contract dollars from the DUI Licensing Trust Fund for three years to develop a work plan, subsequent follow-up studies, and assessments based on the final recommendations provided at the completion of the existing DUI Descriptive Program Study. No General Fund resources are requested.

Background: In an effort to improve the delivery of services to offenders utilizing its DUI programs, ADP requested and received approval of a 2009-10 budget change proposal to use $96,000 from the DUI Trust Fund to conduct a two-year review of its current program structure. San Diego State University (SDSU) was awarded a two-year contract to gather data on currently licensed DUI programs across California and provide recommendations. The Department now seeks to continue the current funding in order to act on the findings of that first study. The Department states that future studies derived from continued funding will provide measurable client outcomes, enhance DUI program performance, and assist with the continued reduction of barriers to client treatment needs and referrals.

Subcommittee Staff Comment & Recommendation: Staff recommends approving the requested contract funds.

ADP Issue 3: Drug Medi-Cal (DMC) Complaint Investigations

Budget Issue: The Department requests $156,000 for the extension of 1.0 limited-term Staff Counsel III position through 2012-13. The requested position would be funded from the Residential and Outpatient Program Licensing Fund (ROPLF) and reimbursements of federal Medicaid funds from the Department of Health Care Services. The Governor's budget includes $4.5 million overall from the collection of fees in support of existing licensing and certification activities.

Background: The number of complaints related to services funded by the DMC program has grown from 28 in 2005-06 to projected figures of 55 in 2010-11 and 63 in 2011-12. ADP indicates that there is a sufficient fund balance in the ROPLF special fund to cover the ongoing cost of this request, and that there is a continuing need for this position to support the projected complaint workload in a timely manner and with appropriate confidentiality, consideration of program clients, due process protections for the regulated business, coordination with outside enforcement agencies, and fiscal integrity of the program.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of the requested position.

ADP Issue 4: Strategic Prevention Framework – State Incentive Grant

Budget Issue: The Department requests an increase of $1.9 million in annual federal expenditure authority for five years and position authority for 1.5 five-year limited-term positions. These resources would support the administration, coordination, and implementation of a federal grant award for the Strategic Prevention Framework - State Incentive Grant (SPF-SIG). ADP received notice of the award on October 4, 2010. There are no General Fund resources requested.

Background: The SPF-SIG program provides funding to increase the use of data from public health research to guide planning and lead to the selection of evidence-based programs to prevent substance-abuse related problems. ADP initially applied for the federal SPF-SIG funding in 2008, but that request was denied. Because the Department did not anticipate this more recent award, it did not continue work to prepare for the use of the grant funds. This budget change proposal is intended to facilitate the state's acceptance of the federal funding and to allow for project planning and implementation work to resume as quickly as possible. The state's deliverables under the grant include a completed statewide needs assessment, strategic plans, and outcome data.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of the requested federal fund authority and limited-term positions.

ADP ISSUE 5: California Access to Recovery Effort (CARE) Program

<u>Budget Issue</u>: The Department requests a four-year extension of four limited-term positions and expenditure authority to continue the federally-funded CARE program. Through this federal grant, the State will receive $3.3 million per year for four years. Approximately $772,000 of this funding will be for State Support (i.e., provider and client outreach, marketing, training and technical assistance, data collection and evaluation) and $2.5 million will provide treatment vouchers for youth and young service members and veterans (ages 18 to 25) returning from Iraq and Afghanistan and in need of treatment and recovery support services at the local level.

<u>Background</u>: This proposal would allow for continuation of the state's CARE program for a new four-year term (from September 2010 through October 2014). According to the Department, the CARE program is the state's implementation of a federal grant program run by the Substance Abuse and Mental Health Services Administration and called Access to Recovery (ATR). ATR is an initiative to "allow people in need of substance abuse treatment to make individual choices in their path to recovery that reflect their personal needs and values." To date, the CARE program has served youth in Butte, Los Angeles, Sacramento, Shasta, and Tehama counties. The Department indicates that 11,600 youth and young service members and veterans will be served in the next four years through this federal grant funding.

<u>Subcommittee Staff Comment & Recommendation</u>: Staff recommends approval of the requested resources.

4700 Department of Community Services and Development (DCSD)

DCSD Issue 1: Managing Expenditure of Federal Funds

<u>Budget Issue</u>: DCSD proposes budget bill language in Items 4700-001-0890 and 4700-101-0890 to allow the department to augment its budget with unexpended federal funds without being subject to the Section 28.00 process.

<u>Background</u>: Over the last several years, DCSD has annually requested a federal fund augmentation through the Section 28.00 process since many of the department's federal grants cross over different state fiscal years. DCSD indicates that this process has limited its flexibility in managing the federal grants. According to DCSD, the situation was exacerbated by major staffing changes and a significant influx of American Recovery and Reinvestment Act of 2009 (ARRA) funds. Thus, the department is proposing budget bill language to provide more flexibility to the department, bypassing the Section 28.00 process for augmentation of federal funds.

Subcommittee staff asked the LAO to draft an amended version of the budget bill language which would establish some formal review by the Legislature yet provide the department with more flexibility than the Section 28.00 process.

<u>Subcommittee Staff Comment & Recommendation</u>: In order to maintain legislative oversight, staff recommends approval of the following budget bill language which requires notification to the Legislature, to replace the proposed DCSD budget bill language:

> "4700-001-0890 (Provision 2)- Any unexpended federal funds from Item 4700-001-0890, Budget Act of 2010 (Ch. 712, Stats. 2010), shall be in augmentation of Item 4700-001-0890 of this act and not subject to the provisions of Section 28.00. *The Department of Finance shall provide written notification of the augmentation to the Joint Legislative Budget Committee within 10 days from the date of the Department of Finance approval of the augmentation. The notification shall include: (a) the amount of the augmentation, (b) an identification of the purposes for which the funds will be used, and (c) an explanation of the reason the funds were not spent in 2010-11."*
> "4700-101-0890 (Provision 3)-- Any unexpended federal funds from Item 4700-101-0890, Budget Act of 2010 (Ch. 712, Stats. 2010), shall be in augmentation of Item 4700-101-0890 of this act and not subject to the provisions of Section 28.00. *The Department of Finance shall provide written notification of the augmentation to the Joint Legislative Budget Committee within 10 days from the date of the Department of Finance approval of the augmentation. The notification shall include: (a) the amount of the augmentation, (b) an identification of the purposes for which the funds will be used, and (c) an explanation of the reason the funds were not spent in 2010-11.* These funds shall be used for local assistance for the programs for which they were originally budgeted."

5175 Department of Child Support Services (DCSS)

DCSS Issue 1: California Child Support Automation System (CCSAS)

<u>Budget Issue</u>: DCSS requests, in a budget change proposal, a reduction of $19.3 million ($6.6 million GF) and a shift of contract funding to support 11.0 new permanent positions to continue management and operation of the CCSAS.

<u>Background</u>: The CCSAS is an automation system that provides centralized case management, including locating and collecting payments from non-custodial parents and disbursing payments to custodial parents. The table below and on the next page summarizes the budget request:

CCSAS Budget Proposal for 2011-12	
Description	Dollars in Thousands
State Operations:	
• Staff and benefits	$927
• Operating expenses & equipment	$73

• Project hardware/software	$1,708
Total DCSS State Operations	$2,708
Local Assistance	
• Business partner contract expiration	-$13,224
• Child Support Enforcement (CSE) maintenance and operations services	$3,731
• Shift help desk contract to state staff	-$1,000
• Application hosting & migration services	-$14,110
• Various consultant contracts	-$90
• Wide area network	$553
• Local technical support	$2,106
Total DCSS Local Assistance	-$22,034
TOTAL PROJECT COSTS	**-$19,326**

Subcommittee Staff Comment & Recommendation: Staff recommends approval of the budget change proposal.

5180 Department of Social Services (DSS)

DSS Issue 2: CalFresh - Electronic Benefit Transfer (EBT) for Farmers' Markets

Budget Issue: DSS requests, as part of its local assistance estimates, $1.6 million ($788,000 GF) to provide EBT services (point-of-sale devices, service, and transaction fees) to over 700 new farmers' markets in 2011-12.

For additional background, please see the Agenda for this Subcommittee from January 27, 2011.

Subcommittee Staff Comment & Recommendation: In light of the Administration's stated intention to revisit the estimates associated with this request at the May Revision, staff recommends rejecting the currently requested resources without prejudice.

DSS Issue 3: CalWORKs - Temporary Assistance Program (TAP)

Budget Issue: DSS proposes, in trailer bill language, to repeal statutes requiring the department to create and implement TAP. Based on preliminary cost estimates, after automation changes of $5.3 million GF, if excess-MOE funds are available when it is implemented, TAP is effectively cost-neutral to the state because funds needed for the program ($220 million in recipient benefits) are already included in the CalWORKs budget. GF resources that would otherwise be used to meet the MOE would instead be shifted to fund the solely-state funded TAP (which is not countable as MOE). However, according to the Department, TAP could also result in a revenue loss to the state because of an associated loss of public assistance cost recoupment through child support payments.

Background: TAP was authorized in the 2006 human services trailer bill (AB 1808, Chapter 75, Statutes of 2006) as a voluntary program to provide cash aid and other benefits with solely state funding to a group of current and future CalWORKs recipients who are exempt from state work participation requirements (previously estimated to apply in 24,000 cases). TAP was intended to allow these recipients to receive the same assistance benefits through TAP as they would have under CalWORKs, but without any federal restrictions or requirements. As a result of TAP, California would improve its work participation rate. To date, implementation complexities, largely due to challenges with child support automation and rules, have prevented TAP from moving forward. As a result, trailer bill language was adopted four years in a row to delay TAP implementation. The Department reports no new progress in overcoming those challenges to implementing TAP.

Subcommittee Staff Comment & Recommendation: Staff recommends that the Subcommittee rescind its prior action to approve the Administration's proposal to repeal the statutes underlying TAP, and instead approve placeholder trailer bill language for an additional one-year delay in the program's implementation.

DSS Issue 4: Staffing Requests Related to Recent Legislation

Budget Issue: DSS requests, in a budget change proposal, $270,000 ($217,000 GF) for positions associated with recently enacted legislation, as described below.

1) **AB 2418** (Chapter 468, Statutes of 2010): $96,000 for one limited-term consultant position.

   This legislation revised the definition of "Indian child" for the purposes of Indian child custody proceedings to include an unmarried person who is over 18 years of age but under 21 years of age, and who is either a member of an Indian tribe or eligible for membership in an Indian tribe. The Department states that the requested position would assist with implementation of associated new processes and requirements; however, the bill was not considered to have a fiscal impact that warranted its review by the Senate Appropriations Committee.

2) **AB 973**: (Chapter 440, Statutes of 2010): $55,000 ($37,000 GF) and 0.5 limited-term analyst position.

   AB 973 revises, until January 1, 2013, the requirements that must be met before prospective adoptive parents may take a drug-exposed newborn into temporary custody from the hospital. The bill was not considered to have a fiscal impact that warranted its review by the Senate Appropriations Committee.

3) **AB 1048/1983**: $50,000 GF and 0.5 limited-term accounting officer position.

   AB 1983 (Chapter 587, Statutes of 2010) creates the Safely Surrendered Baby Fund check-off on the personal income tax form. Additionally, AB 1048 (Chapter 567, Statutes of 2010) extends the period during which a person may safely surrender a baby at designated sites, and requires new annual reports to the Legislature. The Senate Appropriations Committee analysis did not anticipate any state support costs at DSS for AB 1983 and anticipated approximately $32,000 in 2011-12 costs for AB 1048's reporting requirements.

4) **AB 2084**: $69,000 GF and 1.5 licensing analysts.

   AB 2084 (Chapter 593, Statutes of 2010) requires licensed child day care facilities to: a) serve only low fat or nonfat milk to children ages two or older; b) limit juice to not more than one serving per day of 100% juice; c) serve no beverages with added sweeteners, either natural or artificial; and d) make clean and safe drinking water readily available and accessible for consumption throughout the day. These provisions become operative on January 1, 2012, and the bill requires DSS to inspect the facilities for compliance during regularly scheduled inspections. The Senate Appropriations Committee analysis indicated anticipated state costs of $150,000 GF annually.

Subcommittee Staff Comment & Recommendation: Staff recommends rejecting the requested positions for implementation of AB 2418 and AB 973, and rejecting without prejudice the requested positions for AB 1084/1983 and AB 2084.

DSS Issue 5: Proposal to Continue Suspension of a Confidential Intermediary Program for Sibling Contact (AB 2488)

Budget Issue: DSS proposes savings of $3.0 million ($1.7 million GF) in avoided state operations and local assistance costs from continuing to suspend implementation of AB 2488 (Chapter 386, Statutes of 2006, Leno). The Administration's proposed trailer bill language would suspend the statewide program for an additional two years and would delete intent language regarding continued implementation at the local level to the extent possible.

Background: AB 2488 created a confidential intermediary program intended to facilitate contact between siblings in the circumstance that at least one of them was adopted. In 2008-09, the Governor vetoed funding for implementation of AB 2488, stating that implementation of the program would be delayed for one year as a budget balancing reduction. The Legislature subsequently delayed program implementation to July 1, 2010 and then July 1, 2011 (except to the extent that its provisions can continue to be implemented locally).

Subcommittee Staff Comment & Recommendation: Notwithstanding the merits of fully implementing AB 2488, staff recommends approving trailer bill language for an additional one-year suspension of its provisions. Staff also recommends rejecting the Administration's proposed deletion of language regarding the Legislature's intent for continued implementation to the extent possible.

Discussion Agenda

Human Services Realignment Proposals

4200 Department of Alcohol & Drug Programs
5180 Department of Social Services

Realignment Issue 1: Proposal to Realign State-Supported Substance Use Treatment Programs

Budget Issue: The Governor's budget proposes, beginning in 2011-12 and continuing through full implementation of realignment in 2014-15, to realign to the counties $184 million in funding and primary program responsibility for specified substance-use treatment programs. The Governor's budget identifies tax revenues for counties in lieu of this amount of General Fund resources to support these programs. The proposal does not include realignment of responsibility for licensure or certification of treatment programs. The Administration's intention is for this movement of funding and responsibilities to enable counties to implement creative models of integrated services within the context of other public safety realignment proposals (which are being reviewed by Subcommittee #5), as well as for other low-income persons receiving treatment services.

Background on Programs Included: The largest program included in this proposal is the state's **Drug Medi-Cal (DMC) program**, with funding of $130.7 million GF and corresponding federal funds. The DMC program provides medically necessary substance use disorder treatment services for eligible Medi-Cal beneficiaries. The DMC program includes outpatient drug free, narcotic replacement therapy, and day care rehabilitative services, as well as residential services for pregnant and parenting women. Youth ages 12 to 21 who are covered under the Early and Periodic Screening and Diagnosis and Treatment program may also receive these services. The DMC caseload is anticipated to grow by 36,121 to include 322,437 individuals in 2011-12.

This proposal also includes **non-DMC perinatal (before and after-pregnancy) and other state-funded treatment programs**, with funding of $25.7 million GF. Of the funds for non-DMC perinatal treatment programs, $5.1 million support existing residential programs known as Women and Children's Residential Treatment Services (WCRTS). There are currently eight of these programs in the state.

ADP currently contracts with 57 counties, and in some cases directly with treatment providers, for the provision of these DMC and non-DMC treatment services.

The proposal also includes $26.8 million GF for **drug court programs**, which are generally administered by the counties with state oversight. By and large, drug court programs combine judicial monitoring with intensive treatment services over a period of around 18 months. Individuals who qualify are usually nonviolent drug offenders. As of October 2009, ADP provided funding that supported 135 drug courts in 53 of California's 58 counties. Based on 2008 data from the Administrative Office of the Courts (AOC), ADP estimates that there were a total of 203 drug courts in California at the time. Adult drug courts provide access to treatment for offenders in criminal, dependency, and family courts while minimizing the use of incarceration. Dependency drug courts address substance abuse issues that contribute to removal of children from the care of their parents. Finally, juvenile drug courts incorporate the same underlying components of adult drug courts, while also including more intensive supervision.

It is worth noting that this proposal does not include funding for community-based diversion programs through the Substance Abuse and Crime Prevention Act (Proposition 36) or Offender Treatment Programs. Funding for these programs was eliminated in 2009-10 and 2010-11, respectively, and is not restored in the Governor's budget.

Federal Requirements: In 2011-12, ADP estimates that the state will receive $256.3 million in federal Substance Abuse Prevention & Treatment (SAPT) block grant funding ($236.2 million for Local Assistance and $18.1 million for State Support). As a condition of receiving these funds, the federal government requires the state to spend $207 million to meet its related Maintenance of Effort (MOE) requirement. The federal government establishes this MOE based on a two-year average of state. States that violate the MOE lose one dollar of federal funding for each state dollar below the required spending level (although federal law does allow for the waiver of MOE requirements when a state faces "extraordinary economic conditions"). The federal government also requires the state to identify a single state agency for administering federal substance abuse-related funds. ADP currently serves as that agency.

In addition, recently enacted federal health care reforms impact the provision of alcohol and other drug treatment across the nation. First, effective in 2010, the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 (Parity Act) requires specified health plans to provide substance use-related benefits on parity with physical health benefits (e.g., deductibles, co-payments, and limits on visits cannot be any more restrictive than for other medical treatments). Among other health plans, the Parity Act applies to Medicaid managed care plans. Second, federal health care reform (the Affordable Care Act) will significantly expand the number of beneficiaries to whom the Parity Act and other Medicaid rules apply.

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

Questions for ADP:

1) Please describe the realignment proposal and how the Administration anticipates that substance use treatment in the state would likely change or not change as a result.

2) How and when would major programmatic, governance and funding-related decisions in light of realignment be made? What roles would federal law require the state to retain? What flexibility could be given to counties under this proposal?

3) How does the Administration anticipate that this proposal would impact the individuals served by treatment programs?

4) The state currently contracts with some counties for the services provided in the Narcotic Treatment Program and with some providers directly. Reportedly, not all counties have wanted to more directly provide these services in the past. How would this program fit into the realignment proposal? Similarly, the Women and Children's Residential Treatment Services program currently has eight providers in different regions of the state. How would this program fit into the realignment proposal?

5) Do you anticipate that the state will be able to count expenditures under the realigned programs toward its federal SAPT MOE?

Realignment Issue 2: Proposal to Realign Child Welfare Services (CWS) and Adoptions Programs

Budget Issue: The Governor's budget proposes, beginning in 2011-12 and continuing through full implementation of realignment in 2014-15, to realign to the counties $1.6 billion in funding and primary program responsibility for California's Child Welfare Services (CWS) system. The proposal includes child abuse prevention and adoptions programs, as well as emergency response to allegations of abuse and neglect, supports for family maintenance and reunification, and out-of-home foster care services for approximately 50,000 children. The proposal does not, however, include changes related to the automation system for child welfare services case management and data collection or the licensing of residential placements for children.

The total CWS budget includes $4.2 billion ($1.6 billion GF). The non-federal costs in each program are shared by the state and counties, with the highest county share of 60 percent in the foster care program and the lowest of 25 percent in the Adoptions Assistance Program (AAP). These non-federal sharing ratios were established as part of the 1991 realignment and were intended to incentivize permanency for children and families. Under the Governor's proposal, all $1.6 billion of state costs (currently GF) would be replaced by $1.6 billion in tax revenues to the counties.

Background on Programs Included: The state's **CWS system** investigates allegations of child abuse and neglect and provides case management and support services to children and their families. Statewide, hotline calls alleging child abuse and neglect are received for approximately one-half million children each year.

When children cannot safely remain in their homes because of abuse or neglect, the **foster care** component of the CWS system provides out-of-home placements. Roughly eighty percent of placements are in family settings (e.g., the home of a foster family or relative), while eight percent are in group homes and the remainder are in other settings. In each placement, the caregivers or providers receive monthly grant payments for care and supervision of the child, ranging from an average of $600 per month in kinship guardianship settings to over $5,000 per month in group home settings.

The **adoptions** programs proposed for realignment include: 1) the Relinquishment (or Agency) Adoptions Program, which provides services to facilitate the adoption of children in foster care, and 2) the Independent Adoptions Program, which serves birth parents who provide consent for the adoption of their children and adoptive parents. Adoption services are provided through state district offices, 28 county agencies, and a variety of private agencies. About 7,000 children are adopted from foster care annually.

The **Adoptions Assistance Program (AAP)** provides average monthly cash grants of just over $800 to around 90,000 families with children whose circumstances may have otherwise presented barriers to adoption (e.g., children over the age of three, who are members of a sibling group being adopted together, or who have adverse parental backgrounds such as a history of drug addiction or mental illness). Nearly all children adopted from foster care are eligible for and receive AAP benefits.

Background on Current Governance Structure of CWS Programs: The federal government provides significant funding for the costs of the CWS and AAP programs mentioned above. Correspondingly, federal law and regulations establish programmatic requirements and goals, and the federal government reviews the outcomes of the state's program and service delivery. Among the state's federally supported programs, the CWS system is generally considered to be one of the more highly regulated by the federal government.

The federal government also requires that each state have a single state agency that is responsible for implementation of CWS programs. In California, the state Department of Social Services is that agency and is responsible for oversight of the CWS programs. However, the counties administer the programs and interact with children and families more directly. The Administration states that the proposed shift of funding and responsibility to counties is intended to be accompanied by flexibility for counties to operate the programs and better serve vulnerable children.

Note Regarding Special Education-Related Placements: The $1.6 billion GF provided for CWS programs also includes about $72 million for the board and care of children who have been designated as **"seriously emotionally disturbed"** and placed in out-of-home care in connection with their special education programs. Although the funding for these residential services is budgeted under CWS, the program's structure (created by AB 3632, Chapter 1747, Statutes of 1984) does not give DSS or county welfare agencies a direct role or responsibility in making these placements or managing the children's cases. The residential placement costs are shared 40/60 between the state (GF) and counties. Subcommittee #1 will be examining the Administration's overall realignment proposal related to AB 3632 programs. The LAO has recommended that the responsibility and funding related to the care of these children be realigned to school districts, rather than counties.

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

Questions for DSS:

1) Please describe the realignment proposal and how the Administration anticipates that the operation of CWS and adoptions programs would likely change or not change as a result.

2) How and when would major programmatic, governance, and funding-related decisions in light of realignment be made? What roles would federal law require the state to retain? What flexibility could be given to counties under this proposal?

3) How does the Administration anticipate that this proposal would impact the children and families served by the CWS and adoptions programs?

Realignment Issue 3: Proposal to Realign Adult Protective Services (APS)

Budget Issue: The Governor proposes, beginning in 2011-12 and continuing through full implementation of realignment in 2014-15, to realign to the counties the entire $55.1 million in state funding and the primary program responsibility for APS. The total 2010-11 budget for APS programs statewide is $130.7 million (including $64.7 million federal funds and $10.9 million county funds).

Background: APS programs, which are currently mandated statewide, respond to reports of elder and dependent abuse on an emergency response basis. The programs also provide needs assessment, case management, and other critical services (e.g. emergency shelter care) to persons aged 65 and older who are functionally impaired, unable to meet their own needs, and victims of abuse, neglect, or exploitation. Currently, APS programs are administered by 58 local APS agencies with oversight provided by DSS. The Governor states that the transfer of this entire program will give counties full flexibility to determine the appropriate level of services and priorities for their communities.

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

Questions for DSS:

1) Please describe the realignment proposal and how the Administration anticipates that the operation of APS programs would likely change or not change as a result. Would some APS responsibilities continue to be mandatory?

2) What, if any, role would the state retain related to the administration or oversight of APS programs?

3) How does the Administration anticipate that this proposal would impact the individuals served by APS programs?

5175 Department of Child Support Services (DCSS)

DCSS Issue 2: Proposal to Suspend County Share of Child Support Collections

Budget Issue: The Governor's budget proposes to suspend the county share of child support collections, estimated to be $24.4 million, in 2011-12. Under the proposal, this amount would instead benefit the General Fund. The department also proposes trailer bill language to implement the proposal. The Governor's budget also maintains the "revenue stabilization" funding of $18.7 million ($6.4 million GF) that counties receive to maintain caseworker staffing levels in order to stabilize child support collections.

Background: Child support payments from non-custodial parents are collected and distributed to either families or governments. Collections made on behalf of families who have not received public assistance are distributed to custodial parents. Collections made on behalf of families who have received public assistance are retained by the government to repay past welfare costs. These assistance collections are shared by the federal, state, and county governments. Prior to the implementation of the automated State Disbursement Unit (SDU), collections were sent to the counties first, and then the counties would send the state and federal share of collections to the state. Subsequent to implementation of the SDU, the collections are received at the state level and the county share of collections is transferred to the counties. According to DCSS, current statute does not reflect the current collections system (as it reflects the system prior to the SDU). There are no statutory requirements regarding the use of the county share of collections once they are transferred to the county treasurer's office. Based on a DCSS survey of counties in 2009-10, most counties transfer their share of collections to the local welfare agency to offset the county share of welfare costs. Los Angeles County and San Diego County reinvest the collections into the local child support program, and other counties transfer the funds to their county general funds.

Revenue Stabilization Funds: In the Governor's 2009-10 budget proposal, the department proposed an augmentation of $18.7 million ($6.4 million General Fund) for local child support agencies (LCSAs) to maintain revenue generating caseworker staffing levels in order to stabilize child support collections. Due to flat levels of funding for LCSAs' basic administrative expenses and local cost increases, local revenue generating caseworker staffing levels had declined in recent years. According to DCSS, this had contributed to declines in child support collections. The Legislature approved the request but directed that 100 percent of the new funds be used to maintain revenue caseworker staffing levels. Based on data for 2009-10, DCSS indicates that the revenue stabilization funds led to the retention of 245 staff who would otherwise have been laid off.

LAO Comments: Because many counties use their share of collections to support their CalWORKs program, the LAO believes the Legislature should discuss this proposal in the context of the other proposed CalWORKs reductions.

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

Questions for DCSS:

1) Please explain the impacts of the proposal on counties and various county programs.

Questions for LAO:

1) How should the DCSS proposal be considered in the context of other CalWORKs proposals?

5180 Department of Social Services (DSS)

Child Welfare Services

DSS Issue 6: Continuation of Unallocated Veto Reduction

Budget Issue: When he signed the amendments to the 2009-10 budget contained in ABx3 1 (Chapter 1, 3rd Extraordinary Session, Statutes of 2009) in July 2009, the Governor used a line-item veto to make an unallocated reduction of $80.0 million GF to CWS and foster care programs. After the Administration allocated the vetoed funding across programs, the total cut to CWS was $133.5 million, including $53.5 million in federal fund losses corresponding to the General Fund reductions. The Legislature restored the vetoed funds in the 2010-11 budget that it sent to Governor Schwarzenegger; but he again vetoed the funding. Governor Brown's 2011-12 budget continues an unallocated reduction of the same amount.

Implementation of the Reductions: The Department indicates that it adopted guidelines for implementing the veto that focused on the preservation, to the extent possible, of the core CWS program (e.g., county child welfare workers), direct services provided to children and families, and federal funding and mandates. Still, according to the Department, the veto and current fiscal challenges at the local level have lead to a reduction of roughly 19 percent in the total number of direct service child welfare social workers from the middle of 2008 to the end of 2010 (not including data from all counties). Less training is available for new social workers. And many counties have reduced or eliminated services, including voluntary Family Maintenance Services that served as a resource for helping to keep children at home with their families, the Supportive and Therapeutic Options Program (STOP), and the Kinship Support Services Program (KSSP).

Last year, the counties similarly reported a loss statewide of more than 500 front-line social workers who investigate emergency reports of abuse and neglect, help families stay together or be reunited, and work to find children permanent homes so that they do not remain in foster care unnecessarily. The most recent analysis of social worker caseloads conducted by the LAO in 2007-08 estimated that in counties representing 98 percent of the foster care caseload, social worker caseloads already exceeded the minimum (not optimal) standards established by a study conducted in response to the requirements of SB 2030 (Chapter 785, Statutes of 1998). Social worker caseloads at the time were estimated to be less than 80 percent of the minimum standard in counties representing 48 percent of the caseload.

According to the counties, statewide performance data last year also indicated that reports of abuse and neglect were less likely to be timely investigated. Foster children were being moved between homes more frequently; and the percentage of children getting timely health examinations was steadily decreasing.

Subcommittee Staff Comment & Recommendation: This item is included for informational purposes, and no action is required at this time.

Questions for DSS:

1) Please describe how the funding reductions that resulted from the veto were allocated in 2010-11 and how they are anticipated to be implemented in the 2011-12 budget.

2) What are the expected impacts on children and families? On other areas of the state and counties' budgets?

DSS Issue 7: Proposed Reduction in Funding for Transitional Housing Program Plus (THP-Plus)

Budget Issue: The Governor's budget proposes $19 million GF savings from a reduction of that size to the funding for THP-Plus. Absent the proposed reduction, the projected costs for THP-Plus would have been $35.8 million GF. The Department states that the basis for the size of the reduction is an estimate of the costs that would otherwise be incurred by serving youth ages 18 and 19 in THP-Plus, and that the reduction is proposed "in light of the passage of" Assembly Bill (AB) 12 (Chapter 559, Statutes of 2010). The Department estimates that the proposed reduction will result in a loss of 650 beds or slots.

Background on THP-Plus and Emancipation from Foster Care: THP-Plus provides up to two years of transitional housing and supportive services to help former foster youth achieve self-sufficiency. Last year, there were approximately 1,400 young adults and 168 of their children living in THP-Plus placements in 52 California counties. Participants receive support from staff to work toward self-sufficiency (e.g., employment or education-related) goals and may live alone or with roommates. The THP-Plus monthly reimbursement rate is up to 70 percent of the county's average group home grants for 16 to 18-year-old foster youth. To date, THP-Plus has served former foster youth who have emancipated from care (i.e., for whom a judge has terminated the state's jurisdiction) and for whom federal financial participation in the costs of care and services was not an option.

It is well-documented that foster youth who emancipate from care without continued support at the age of 18 experience higher rates of arrest, incarceration, pregnancy, homelessness, unemployment and a lack of educational achievement (e.g., receipt of a high school diploma) than their peers. In a 2008 survey by the John Burton Foundation, the interviewed THP-Plus participants experienced a 19 percent gain in employment and a 13 percent increase in hourly wages, in addition to advances in education, health, and housing stability.

<u>Upcoming Changes to the Foster Care System for 18 to 21-Year-Olds</u>: Prior to the enactment of the federal Fostering Connections to Success & Increasing Adoptions Act (FCSA, Public Law 110-351, enacted in 2008), Title IV-E of the federal Social Security Act did not allow for federal funding of the costs of foster care for children over the age of 18 (or in some very limited circumstances, the age of 19). Among a number of other major policy changes related to child welfare and adoptions assistance programs, the FCSA for the first time included a state option to continue providing Title IV-E reimbursable foster care, adoption, or guardianship assistance payments for the benefit of youth between the ages of 18 and 21. The FCSA also expanded the list of foster care placement options available to this population.

AB 12 created the statutory framework for California to opt into this newly available federal funding stream. Under the provisions of that bill, the extension of foster care benefits past age 18 will be phased-in over three calendar years (i.e. for age 18, then 19, then 20) beginning on January 1, 2012. In order to receive foster care, Kinship-Guardianship Assistance Program (Kin-GAP), Adoptions Assistance Program (AAP) or CalWORKs benefits after age 18, youth in California who meet other requirements must agree to reside in an eligible placement and be in one of the following circumstances: 1) completing high school or equivalent program (i.e. GED); 2) enrolled in college, community college or a vocational education program; 3) participating in a program designed to remove barriers to employment; 4) employed at least 80 hours a month; or 5) unable to do any of the above because of a medical condition. THP-Plus housing (called "THP-Plus foster care") will be one allowable supervised foster care placement for 18 to 21-year-olds who opt to remain in foster care when that choice becomes available to them.

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

<u>Questions for DSS</u>:

1) What are the anticipated impacts of the proposed reduction in funding for THP-Plus? In particular:

    a. Would youth currently living in THP-Plus placements be likely to lose their housing and supportive services earlier than they otherwise would have?

    b. Would fewer youth who are emancipating in 2011-12 have the option to receive services or supports than in the past (particularly since the provisions of AB 12 that extend the availability of foster care to 18 to 21-year-olds will not take effect until January 1, 2012, and will then apply only to 18-year-olds during the last six months of the 2011-12 budget year)?

DSS Issue 8: Other Staffing Requests for the Children's Division

Budget Issues: In addition to the funding related to recent legislation described earlier in this agenda, DSS requests, in budget change proposals, the following augmentations to staffing in its Children's Division, totaling roughly $3 million ($1.6 million GF):

1) $1.6 million ($867,000 GF) to authorize 11 (seven permanent and four two-year, limited-term) positions and temporary help funding for the implementation of Assembly Bill 12, the California Fostering Connections to Success Act (AB 12);

2) $837,000 ($279,000 GF) to authorize seven positions to perform field monitoring of county child welfare and CalWORKs programs;

3) $295,000 ($203,000 GF) to authorize three positions to conduct file reviews, prepare summaries and reports, provide technical assistance to counties, and manage public information related to child fatalities and near fatalities resulting from abuse and/or neglect;

4) $199,000 ($147,000 GF) to make one previously approved limited-term manager position permanent and add a second limited-term position for implementation of the federal Fostering Connections to Success and Increasing Adoptions Act (FCSA); and

5) $101,000 ($64,000 GF) to establish one two-year, limited-term position to analyze an increased number of Financial Audit Reports that will be submitted to the Department by group homes in the wake of a recent lawsuit.

Background on Positions Related to the FCSA and AB 12: The FCSA (Public Law 110-351, enacted on October 7, 2008) made a number of significant reforms to promote permanency and improved outcomes for foster and adopted children through policy changes in six key areas: 1) support for kinship care and family connections, 2) support for older youth, 3) coordinated health services, 4) improved educational stability and opportunities, 5) incentives and assistance for adoption, and 6) direct access to federal resources for Indian Tribes. The 2009-10 and 2010-11 budgets included resources for implementation of various FCSA provisions, including one of the limited-term positions that is a subject of this request. As described above, AB 12 is legislation that was enacted to allow California to take advantage of newly available federal financial participation under the FCSA for the care of foster youth ages 18 to 21, as well as assistance payments to relative guardians of children who have exited the foster care system.

Background on Field Monitoring Positions: According to DSS, its monitoring of counties' uses of social service program funding is currently being accomplished through federal audits, as well as various internal controls and desk audits performed at the state level. The Department indicates that these practices have been cited repeatedly as insufficient by the Bureau of State Audits (BSA) and the federal Office of the Inspector General and Administration for Children and Families (ACF). ACF has now directed the Department to take corrective action to comply with monitoring requirements in the Code of Federal Regulations, and the state is facing potential sanctions if ACF considers its corrective actions insufficient. The potential sanctions apply to several programs, the most critical of which are Temporary Assistance to Needy Families (TANF) and Title IV-E child welfare services. To avoid the sanctions, the Department states that it needs 7.0 positions to perform field monitoring of county programs.

Background on Positions Related to Child Fatalities: The Department states that the requested positions are needed to perform duties associated with case-specific reviews of the circumstances surrounding fatalities/near fatalities of children known to the state's Child Welfare Services system. The staff would conduct electronic file reviews, prepare incident summaries, participate in county critical incident review team briefings, prepare mandated reports and analyses, maintain a website for public access to child fatality related information, and work with the counties to improve their reporting of child fatalities/near fatalities resulting from abuse and/or neglect. The Department made a very similar request last year, which the Legislature denied.

Background on Group Home Financial Audit Reports: As the result of a recent court order, the rates paid to group homes for children in California increased by approximately 32 percent. Correspondingly, the Department indicates that approximately 116 additional non-profit corporations per year will be required to submit annual (rather than triennial) financial audit reports that are required for entities that receive more than $500,000 in federal funding. These audit reports will be submitted to the Department, and the Department is then required to review them within a specified time.

Subcommittee Staff Comment & Recommendation: Staff recommends rejecting these positions without prejudice.

Questions for DSS:

1) Please briefly describe these staffing requests and your highest priorities among them.

2) How might the proposed position needs change in the context of the Administration's child welfare services realignment proposal?

3) What would be the consequences if these positions were not authorized?