SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Mark DeSaulnier

Senator Elaine K. Alquist
Senator Bill Emmerson

May 25, 2011

9:30 AM

Room 4203
(John L. Burton Hearing Room)

Staff: Jennifer Troia

AGENDA II

Item	Department
0530	Health & Human Services Agency (HHS), including Office of Systems Integration (OSI)
4140	Office of Statewide Health Planning & Development (OSHPD)
4170	Department of Aging (CDA)
4200	Department of Alcohol & Drug Programs (ADP)
5160	Department of Rehabilitation (DOR)
5170	State Independent Living Council (SILC)
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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VOTE-ONLY AGENDA

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VOTE-ONLY AGENDA, CONTINUED

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* *Note:* These agenda items include cross-over between OSI and DSS proposals.

DISCUSSION AGENDA

Vote-Only Agenda

0530 Health & Human Services Agency (HHS), including Office of Systems Information (OSI)

HHS Issue 1: Tech4Impact Grant Award

Budget Issue (#302): HHS requests, in an April 1 finance letter, to increase Reimbursement authority for 0530-001-0001 by $65,000 in order to utilize Tech4Impact grant funding awarded to the agency by the Public Health Institute Center for Technology and Aging (a private nonprofit research and education organization). The grant does not require a state match, and there is no General Fund (GF) impact.

Background: The total Tech4Impact grant award is $100,000. A 2010-11 budget revision was processed for $35,000 of this total, and this request reflects the remainder of the grant funding. The grant is intended to support local incorporation of web-based technology into existing Aging & Disability Resource Connection programs. As a result, individuals with chronic conditions may be able to manage their health through electronic personal health records.

Subcommittee Staff Comment and Recommendation: Staff recommends approval of the requested $65,000 increase in Reimbursement authority for 0530-001-0001.

HHS Issue 2: Aging & Disability Resource Connection (ADRC) Services

Budget Issue (#s 501 & 503): HHS requests, as part of the May Revision, to increase Schedule 1 of Item 0530-001-001 and Item 0530-001-0890 by $246,000. This additional federal funding authority will allow expenditure of available federal grants intended to strengthen ADRC services. This action would incorporate recently awarded second year funding of the ADRC Evidence Based Care Transitions grant ($206,000) and roll-over $40,000 in unexpended 2010-11 grant funds previously approved by the Legislature in SB 69.

HHS also requests, as part of the May Revision, to extend an existing limited-term Staff Services Manager (SSM) I position by 15 months through the end of the ADRC Options Counseling grant period, which is September 30, 2012. The current position was administratively established in January 2010, and is set to expire on June 30, 2011. No increase in expenditure authority is being requested as the grant funding was already approved as part of SB 69 as passed by the Legislature. This position is federally funded with no state match requirement.

Subcommittee Staff Comment and Recommendation: Staff recommends approval of the requested increases in expenditure authority and establishment of authority for the limited-term SSM I position.

HHS Issue 3: Child Welfare Services/Case Management System (CWS/CMS)

Budget Issue (#515): OSI requests, as part of the May Revision, to decrease expenditure authority for Item 0530-001-9732 by $3.2 million. This reduction reflects lower negotiated rates with the system's prime vendor. On December 17, 2010, CWS/CMS received approval from the federal Administration for Children and Families to amend the prime vendor contract. The current contract has been in place for 18 years with a term end-date of July 31, 2013. The agreement has been negotiated to obtain savings, extend the base contract term through 2016, and allow for three additional optional years to ensure uninterrupted maintenance support. OSI will submit additional decreases for the out-years of the contract through the annual budget process. There are corresponding $3.2 million ($1.5 million GF) decreases in the DSS local assistance budget for 2011-12.

Subcommittee Staff Comment and Recommendation: Staff recommends approval of the requested decreases in 2011-12 expenditure authority.

HSS Issue 4: Case Management Information and Payrolling System (CMIPS II) Project

Budget Issue (Issue #s 081, 514): According to the Administration, changes to the schedule and funding for CMIPS II are necessary because of significant programmatic changes in the In-Home Supportive Services (IHSS) program resulting from the 2009-10 and 2010-11 budget agreements, including implementation of Chapter 725, Statutes of 2010 (AB 1612). Given the magnitude of these program changes, the Administration estimates a schedule extension of another 18 months for the CMIPS II project. As a result, and as part of the May Revision, DSS requests to decrease its local assistance budget for CMIPS II in 2010-11 by $31.3 million ($11.6 million GF) and to increase its local assistance budget for the project in 2011-12 by $15.3 million ($5.6 million GF). Similarly HHS requests, related to these changes and as part of the May Revision, to decrease its 2010-11 expenditure authority by $11.5 million and to increase 2011-12 expenditure authority for Item 0530-001-9732 by $12.5 million.

In addition, DSS proposes, as part of the May Revision, an increase of $456,000 ($228,000 GF) and the one-year extension of 4.0 limited-term positions that support implementation of CMIPS II. According to the department, these positions provide the IHSS programmatic expertise necessary to ensure successful project implementation.

Background on CMIPS II: The existing CMIPS is a more than 20-year-old system that offers mainly payroll functions for providers in the In-Home Supportive Services (IHSS) program. CMIPS II is intended to be a web-based solution that integrates off-the-shelf products to perform IHSS case management, payroll, and timesheet processing, as well as reporting and data exchange functions. OSI has indicated that this new system will offer a number of benefits as compared with the existing system, including more timely updates of information; more easily accessible reports; increased work automation; and a greater ability to interface with other data systems.

Timing of CMIPS II Development: Procurement planning activities for CMIPS II originally began in fiscal year 1999-00. Procurement was then delayed and final proposals from bidders were received in August 2006. The incumbent contractor was the sole bidder. The contract award was supposed to be made on July 1, 2007, but negotiations took longer than anticipated. As a result, the contract was awarded in March 2008. Federal approval of the Implementation Advanced Planning document was also received in March 2008. Project initiation and planning began on July 1, 2008. Most recently, the CMIPS II project was expected to finish system testing and move into pilot operations in the spring of 2011. With these new delays, those activities are instead expected to begin in October 2011, with full implementation of the new system scheduled for January 2013.

Subcommittee Staff Comment and Recommendation: Staff recommends approving the proposed changes in HHS and DSS expenditure authority, as well as the requested one-year extension of the four limited-term positions at DSS.

HSS Issue 5: Health Information Exchange Support

Budget Issue: The Office of Health Information Integrity within the Health and Human Services Agency proposes to establish a two-year limited term Staff Service Analyst/Associate Governmental Program Analyst position ($99,000 federal funds) to support the Deputy Secretary in coordinating and leading the California electronic health information technology and exchange program. There is no General Fund impact.

Background: The Deputy Secretary for Health Information Technology (HIT) is California's designated HIT leader. The Deputy Secretary also serves as the chief advisor to the Governor and Secretary on issues pertaining to health information exchange. As the state's HIT leader, the Deputy Secretary is operationally responsible for the overall coordination with a large number of federal and state initiatives impacting HIE such as California Cooperative Agreement for Health Information Exchange, Regional Extension Center grants, Medi-Cal HIT Incentive Program, Cal ERX, California Telehealth Network and HIT Workforce Development grant programs. Additionally, the Deputy Secretary coordinates strategic planning efforts with state departments that will be affected and impacted by the health information programs.

According to the Administration, support for the Deputy Secretary's work was previously achieved through a redirection of resources from the California Office of Health Information Integrity (CalOHII). However, due to its own program demands, CalOHII cannot continue to provide the support needed for the activities and efforts of the Deputy Secretary as the state's HIT leader. Therefore, the administration is requesting this position to serve as an Executive Assistant and Analyst for the Deputy Secretary of HIT. The position will be funded by ARRA grant funds already included in CalOHII's budget authority.

Subcommittee Staff Comment & Recommendation: Staff recommends that the Subcommittee approve this request.

HSS Issue 6: Proposed Elimination of the CA Health Care Quality Improvement & Cost Containment Commission

Budget Issue: HSS proposes, as part of the May Revision, trailer bill language to eliminate this Commission, which has never convened.

Background: The California Health Care Quality Improvement and Cost Containment Commission was created by AB 1528 (Chapter 672, Statutes 2003) to research and recommend strategies for promoting quality health care. The 27 member commission was to include members knowledgeable about health care with appointment authority shared between the Office of the Governor (17 appointments), and the Senate and Assembly, each having four appointments. The commission was to issue a report to the Legislature and the Governor, on or before January 1, 2005, making recommendations for health care cost containment. According to the Administration, the passage of federal health care reform means that this advisory board is no longer needed. Federal health care reform implementation includes quality and cost assessments related to health care and in California some of these evaluations will be provided by the newly created Health Benefit Exchange.

Subcommittee Staff Comment and Recommendation: Staff recommends that the Subcommittee approve the proposed trailer bill language to eliminate this Commission.

4140 Office of Statewide Health Planning & Development (OSHPD)

OSHPD Issue 1: Implementation of Senate Bill (SB) 90

Budget Issue: OSHPD requests, as part of the May Revision, 5.0 two-year limited-term positions (two senior architects, two structural engineers, and one office technician) and a corresponding increase in Hospital Building Fund expenditure authority of $746,000 in 2011-12 and $706,000 in 2012-13 to implement the mandates of this recently enacted legislation (Chapter 19, Statutes of 2011). There is no GF impact.

Background: Following the 1971 San Fernando Valley earthquake, California enacted the Alfred E. Alquist Hospital Facility Seismic Safety Act of 1973, which mandated that all new hospital construction meet stringent seismic safety standards. In 1994, after the Northridge earthquake, the Legislature passed and the Governor signed SB 1953 (Alquist), which required OSHPD to establish earthquake performance categories for hospitals, and established a January 1, 2008 deadline by which general acute care hospitals must be retrofitted or replaced so they do not pose a risk of collapse in the event of an earthquake, and a January 1, 2030 deadline by which they must be capable of remaining operational following an earthquake. SB 1953 also allowed most hospitals to qualify for an extension of the January 1, 2008 deadline to January 1, 2013.

SB 90: This recently enacted legislation is the latest policy bill that has amended the seismic safety requirements for hospitals since 1994. Under SB 90, the 2013 deadline by which hospitals must meet existing seismic safety requirements may be extended by seven years when specified milestones and conditions are met. When determining whether to grant a requested extension, OSHPD must consider: 1) the structural integrity of the building based on its HAZUS evaluation score [using technology developed by the Federal Emergency Management Agency (FEMA)], 2) access to essential services within the community, and 3) specific factors related to the hospital owner's financial capacity.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of the requested position and expenditure authority for the implementation of SB 90.

4170 Department of Aging (CDA)

CDA Issue 1: Carry-Over of Federal Funds

Budget Issue (Issue #503): CDA requests, as part of the May Revision, to carry over, from 2010-11 to 2011-12, $696,000 in federal Medicare Improvements for Patients and Providers Act (MIPPA) grant funding. This carry-over would be accomplished technically through amendments to Items 4170-001-0890, 4170-001-0001, 4170-101-0890, and 4170-101-0001 of the Budget Bill.

Background: MIPPA grant funds are intended to expand Medicare Beneficiary enrollment in the Prescription Drug Benefit Low Income Subsidy Program and the Medicare Savings Program, and to provide outreach. In total, the federal Administration on Aging awarded a two-year, $2.2 million grant to the California Department of Aging. Of this amount, $1.1 million was to be spent in the current year and the remainder in the budget year. However, as a result of the late enactment of the 2010 Budget Act, only $400,000 will be expended in 2010-11. According to the Administration, if the proposed funds are carried over into 2011-12, all of the $2.2 million in grant funds can still be expended by the end of the grant period.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of the requested technical changes to carry-over the federal MIPPA funding.

5160 Department of Rehabilitation (DOR)

DOR Issue 1: Increased Federal Funding for Vocational Rehabilitation Services

Budget Issue: The Administration proposes, as part of the May Revision, changes to the Budget Bill to enable DOR to spend $2 million in additional federal funds that are available to support cooperative agreements for vocational rehabilitation (VR) services in colleges, high schools, and mental health programs. These funds require a state match, but that match will be met through certified time provided by the local partner agencies. The resulting total funds proposed for the VR program include $180.9 million ($28.4 million GF). There is no GF impact of the proposed May Revision change.

Background: The VR program is administered through DOR's staff of rehabilitation professionals, who assist individuals with disabilities in preparing for, entering into, and retaining competitive employment in integrated work settings and living independently in their communities. Nearly 80 percent of the VR Program funding is provided by a federal grant, with the remainder provided by state or "certified time" matching funds. The VR Program is not an entitlement program. Consumers are provided services within the amount of funds available and are limited by the federal grant and state or matching resources that are available.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of the requested changes to Budget Bill Items for DOR, including Items 5160-001-0001, 5160-001-0890, and Reimbursements.

5170 State Independent Living Council (SILC)

SILC Issue 1: ADRC Federal Grant

Budget Issue: SILC requests, in a spring finance letter, an increase of $255,000 in federal fund authority for a third year of federal grant resources to manage a newly operational Aging and Disability Resource Connection site and perform other specified activities. The Council is not requesting any GF resources, as in-kind services will be used for the state match.

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

5175 Department of Child Support Services (DCSS)

DCSS Issue 1: Estimate Changes

Budget Issue: DCSS requests, as part of the May Revision, technical adjustments that result from: 1) a $175,000 GF decrease and offsetting $175,000 Federal Trust fund increase, related to a projected increase in Federal Performance Basic Incentive Funds and 2) a $15.4 million decrease ($5.2 million GF and $10.2 million Federal Trust Fund) to reflect newly negotiated California Child Support Automation System (CCSAS) contract costs. The resulting total administrative costs for local assistance are estimated to be $906.3 million ($277.7 million GF) for 2010-11 and $866.6 million ($270.8 million GF) for 2011-12. The total distributed child support collections and revenues are projected to be $2.3 billion ($217.7 million GF) for 2010-11 and $2.3 ($256.3 million GF) for 2011-12. This reflects an increase of $77.4 million ($5.5 million GF) for 2010-11 and an increase of $117.7 million ($9.6 million GF) for 2011-12.

Background: Since Federal Fiscal Year 2000, states are evaluated for federal incentive funds based on five performance measures: 1) paternity establishment, 2) percent of cases with a child support order, 3) collections of child support currently owed, 4) collections of child support due in arrears, and 5) cost effectiveness as measured by total expenditures and total child support collections distributed. In addition, states can be penalized if they fail to perform at acceptable levels or to submit required data.

Federal law also mandates that each state create a single statewide child support automation system that meets federal certification. There are two components of California's statewide CCSAS system. The first is the Child Support Enforcement (CSE) system and the second is the State Disbursement Unit (SDU). The CSE contains tools to manage the accounts of child support recipients and to locate and intercept assets from non-custodial parents who are delinquent in their child support payments. The SDU provides services to collect child support payments from non-custodial parents and to disburse these payments to custodial parents. DCSS achieved full implementation of the CCSAS in November 2008, but the system, in the Maintenance & Operations phase now, undergoes continuing changes with contract updates.

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

DCSS Issue 2: Transfer of Postage Funds

Budget Issue: DCSS requests, as part of the May Revision, to permanently transfer $9 million ($3.1 million GF) from Items 5175-002-0001 and 5175-002-0890 to Items 5175-001-0001 and 5175-001-0890 to provide sufficient funding in the correct budget items to pay for postage associated with child support forms and notices. The request is budget-neutral, and the Department indicates that it is necessitated by a change in practice at the Department of General Services (DGS) Office of State Publishing (OSP).

Background: The Child Support Program distributes numerous forms, notices, and statements to custodial and non-custodial parents, employers, other governmental entities and fiscal institutions. These documents are necessary to comply with federal and state child support requirements, inform parents of their child support rights and obligations, and provide support to parents participating in the child support program. DCSS currently has a five-year contract with DGS OSP to provide for printing and mailing services. The contract amounts to $18.5 million ($6.3 million GF) per year through June 30, 2011. Of this amount, $9 million ($3.1 million GF) is allotted for postage associated with child support forms and notices. The funds are currently budgeted in an item through which postage is not directly paid, as current practice is to reimburse after the expenses are incurred. DGS has advised departments that effective in the 2011-12 budget year, absent a timely state budget, DGS OSP no longer has the authority or funding to pay for postage for clients' mass mailing projects, including the DCSS postage. Therefore, the movement of funds between budget items is necessary to allow OSP to effectuate the mailing under the new conditions.

<u>Subcommittee Staff Comment & Recommendation</u>: Staff recommends approving the proposed technical adjustments needed to implement the new method of paying postage costs.

5180 Department of Social Services (DSS)

DSS Issue 1: Estimate Changes and Technical Adjustments

<u>Budget Issue</u>: DSS proposes, as is customary during the May Revision, to update caseload and workload estimates based on more recent data than was available at the time of the Governor's January budget release. This year, the Department proposes these updates relative to SB 69 (the budget bill) as it was passed by the Legislature in March of this year.

<u>Caseload Estimates</u>: March and May estimates of the average monthly caseloads associated with a number of major programs in 2011-12 include:

Program	March 2011 Conference Budget	May Revision
CalFresh (food stamp) Program	1,564,501 households	1,211,429 households
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	1,284,825 cases	1,286,113 cases
CalWORKs	575,928 cases	593,828 cases
Child Welfare Services (Emergency Response, Family Maintenance & Reunification, Permanent Placement)	131,425 cases	136,433 cases
AFDC Foster Care	45,732 cases	45,857 cases
Kinship Guardianship Assistance Program (Kin-GAP)	13,102 cases	12,697 cases
Seriously Emotionally Disturbed Residential Placements	1,896 cases	1,768 cases
Adoption Assistance Program	88,431 cases	86,393 cases
In-Home Supportive Services (IHSS)	442,638 cases	437,997 cases

To reflect corresponding changes in the programs' caseload and workload budgets, DSS requests the following technical changes to budget bill items, totaling a net increase of $41.5 million (increases in Federal Trust Fund and other funds, offset by decreases in GF and Reimbursements):

Program	Item	Change from SB 69
CalWORKs / Kin-GAP	5180-101-0001 5180-101-0890 5180-601-0995	-$26,678,000 $59,042,000 -$202,000
Foster Care	5180-101-0001 5180-101-0890 5180-101-8004 5180-141-0001 5180-141-0890	-$9,194,000 -$7,107,000 $796,000 -$1,890,000 -$2,001,000
Adoption Assistance Program	5180-101-0001 5180-101-0890	-$5,345,000 $399,000
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	5180-111-0001	$18,563,000
In-Home Supportive Services (IHSS)	5180-111-0001 5180-611-0995	-$1,025,000 -$39,261,000
Child Welfare Services (CWS)	5180-151-0001 5180-151-0890 5180-651-0995	-$3,445,000 -$8,948,000 $681,000
Other Assistance Payments	5180-101-0001 5180-101-0122 5180-101-0890	$1,360,000 $256,000 -$1,298,000
County Administration and Automation Projects	5180-141-0001 5180-141-0890 5180-641-0995	$17,188,000 $52,382,000 -$5,610,000
Title IV-E Waiver	5180-153-0001	$134,000
Remaining DSS Programs	5180-151-0001 5180-151-0890 5180-651-0995	-$704,000 $31,000 $3,413,000

Estimates Related to March Budget Package: The May Revision also reflects the Administration's revised estimates of savings related to the following policies adopted as part of the March, 2011 budget package:

Program	Policy Change[1]	2011-12 Change from SB 69 Estimates
IHSS	Medical Certification Requirement (Issue 102)	Erosion of $132.4 million ($53 million GF) in savings due to one-month delay and revised implementation plans
CalWORKs	8 Percent Grant Reduction	Increased savings of $18.3 million based on implementation changes
CalWORKs	Lowering of Time Limit for Adults to Receive Assistance	Erosion of $40.9 million in savings due to more accurate data regarding the numbers of affected individuals
CalWORKs	Time Limit Change, Incremental Grant Reduction for Child-Only Cases & Earned Income Disregard Changes	Erosion of $44.7 million in savings due to two-month delay in implementation

The impacts of the CalWORKs estimates adjustments listed above (combined with CalWORKs caseload estimate changes) are reflected in a reduced amount of federal Temporary Assistance to Needy Families (TANF) funds available to offset GF costs within the California Student Aid Commission's budget for Cal Grants.

Title IV-E Waiver Carryover: In addition, the May Revision reflects a technical adjustment to carry-over $53 million ($23.7 million GF) in unexpended waiver county funds from prior fiscal years. The IV-E Waiver is a five-year federal demonstration project that allows counties to test a "capped allocation" or block grant funding structure for child welfare services. Alameda and Los Angeles counties are participants in the waiver project.

Subcommittee Staff Comment & Recommendation: Staff recommends adopting the above described caseload and other estimate adjustments, with any changes to conform as appropriate to other actions that have been or will be taken.

DSS Issue 2: Staffing Requests Previously Denied Without Prejudice

Budget Issue: The Legislature previously denied without prejudice DSS's requests, in budget change proposals included as part of the Governor's January budget, for $7.9 million ($4.0 million GF) and 54.5 new or continuing limited-term positions. The Administration has since notified the Subcommittee that it has rescinded its requests for 16 of these positions.

Background on DSS Staffing: As of March, 2011, DSS reports that it has 4,246 authorized positions overall. Of that total, 3,677 positions are filled. The breakdown of these positions by Division is as follows:

[1] For further information on these and other policies adopted in the May, 2011 package, please see prior Committee agendas and publications posted on this website: http://sbud.senate.ca.gov/committeehome and the analysis of the Human Services budget trailer bill, SB 72, published online at: http://www.leginfo.ca.gov/pub/11-12/bill/sen/sb_0051-0100/sb_72_cfa_20110317_103809_sen_floor.html.

Division	Authorized Positions	Filled Positions
Administration	414	333
Adult Programs (including IHSS)	78	62
Children and Family Services	342	290
Community Care Licensing	1,062	865
Disability Determination Services	1,678	1,569
Executive Division	22	15
Human Rights & Community Services	35	32
Information Systems	147	124
Legal	165	140
State Hearings	127	104
Welfare to Work	176	142
Total	**4,246**	**3,677**

In general, around two-thirds of these positions are authorized for staff members who work directly with clients and the public (140 of the Children and Family Services positions under the Adoptions program and all or nearly all of the Disability Determination Services and State Hearings positions). The remaining roughly one-third of the positions are authorized to provide state oversight and administration of county-run social services programs, such as the CalWORKs welfare-to-work program, In-Home Supportive Services, and child welfare services.

Resources and Positions Denied without Prejudice that the Administration Continues to Propose include:

1) $2.5 million ($1.3 million GF) for 19 administration-related positions in the Children and Family Services Division, including:

   a) $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);

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

   c) $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.

2) Approximately $1.7 million ($755,000 GF) for 15.5 new positions (3 permanent and the rest limited-term) and contract funding to implement recent budget-related changes to the IHSS program.

3) $467,000 ($233,000 GF) for an additional one-year extension of four limited-term positions to support the development of the Case Management Information Payrolling System (CMIPS II) system that will support the IHSS program.

<u>Resources and Positions Denied Without Prejudice that the Administration is No Longer Pursuing</u> include:

1) $2.4 million ($1.1 million GF) for four staff and contract funding at OSI, and the extension for two years of three limited-term staff at DSS, to support the development of the Child Welfare Services/Web project (which is proposed to be suspended as part of the May Revision);

2) $295,000 ($203,000 GF) to authorize three positions to conduct file reviews, prepare summaries and reports, provide technical assistance, and manage public information related to child fatalities and near fatalities resulting from abuse and/or neglect;

3) $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);

4) $69,000 GF and 1.5 licensing analysts related to the enactment of AB 2084 (Chapter 593, Statutes of 2010), which required licensed child day care facilities to meet requirements related to nutrition and beverages served. DSS is required to inspect the facilities for compliance during regularly scheduled inspections; and

5) $50,000 GF and 0.5 limited-term accounting officer position related to the enactment of AB 1048/1983 (Chapter 587, Statutes of 2010 and Chapter 567, Statutes of 2010), which created the Safely Surrendered Baby Fund check-off on the personal income tax form, extended the period during which a person may safely surrender a baby at designated sites, and required new annual reports to the Legislature.

For further information on all of these proposals, please refer to Subcommittee agendas for February 3 and February 8, 2011.

<u>Subcommittee Staff Comment & Recommendation</u>: Staff recommends that the Subcommittee approve the requested authority for the following positions and deny the requested authority for the remainder of the positions:

- Four two-year limited-term positions to support DSS's workload related to provider exclusions and the establishment of the provider sales tax at DSS (with two positions for each of these efforts).

- The one-year extension of four limited-term positions at DSS to support the final stages of CMIPS II development;

As a result, the Subcommittee would approve approximately $993,000 ($496,000 GF) in resources to support these positions (with final amounts to be determined by the Department of Finance and Subcommittee staff). *Continued on next page.*

Staff notes that these recommendations are made in the context of a higher level of resources in the Children and Family Services' Division than in other Divisions of the department. The department has not offered sufficient information to lead to the conclusion that existing Children and Family Services' Division staff would be unable to absorb the critical workload described above.

DSS Issue 3: Solano County Licensing Workload Transfer

Budget Issue: DSS proposes, as part of the May Revision, an increase of $43,000 ($27,000 GF) and 0.5 of a position to address additional workload associated with Solano County returning responsibility for the licensing of its foster family homes to the department. These increased state costs are more than offset by a reduction of $94,000 ($61,000 GF) in local assistance costs.

Background: DSS contracts with some counties to license and monitor foster family homes and family child care homes on the state's behalf. Solano County will be terminating its contract with the state effective July 1, 2011.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of the requested resources and 0.5 of a position.

DSS Issue 4: Updates to Proposed Realignment of Child Welfare Services (CWS) Programs

Budget Issue: The Conference Committee previously approved the Governor's budget proposal to realign to the counties $1.6 billion in funding and primary program responsibility for the Child Welfare Services (CWS) system. The proposal included 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. The proposal did 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 May Revision continues this realignment proposal, with the following modifications:

1) $68 million in funding for AB 3632 residential services provided to special education students are no longer included. As discussed below, the costs of these services are instead proposed to be transferred from DSS to the Department of Education;

2) $8.2 million is no longer included in order to retain funding for DSS to contract on a statewide basis for child welfare training activities;

3) $1.7 million and the responsibility for conducting activities associated with independent adoptions in the 55 counties that do not currently handle the work themselves are no longer included.

4) $6 million in state operations costs for Agency Adoptions are newly included in the proposal. The 30 counties that currently have DSS perform this workload for them would have the option to contract with DSS for the Department to continue its work or to choose another way to restructure their workload. The remaining 28 counties currently perform this work already.

5) $911,000 is no longer included in order to retain that funding at the state level to perform foster care and CWS work for tribal-state agreements.

Background: The total CWS budget includes $4.2 billion ($1.6 billion GF). 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). Under the Governor's revised proposal, nearly all of the state's CWS costs (currently GF) would be replaced by $1.6 billion in tax revenues to the counties.

Subcommittee Staff Comment & Recommendation: Staff recommends that the Subcommittee approve the revisions to the previously approved realignment proposal outlined above.

DSS Issue 5: Proposed Transfer of Funding for Residential Costs of Special Education-Related Out-of-Home Placements (AB 3632)

Budget Issue: The Administration proposes, as part of the May Revision, to return responsibility from counties to schools for mental health care that is determined to be necessary in order for students who are deemed to be seriously emotionally disturbed (SED) to access a free, appropriate public education. Related to this larger proposal regarding the funding and responsibility for these services, the Administration proposes to transfer $166.5 million ($66.6 million GF) in funding for the board and care of these students who are in out-of-home residential placements from the DSS budget to the budget for the California Department of Education (CDE). The average cost for that board and care is just under $6,000 per student, per month. The Administration also proposes approximately $2.0 million ($1.4 million GF) in savings from not transferring funding that was budgeted for administrative costs incurred by county welfare departments (at a rate of close to $95 per case).

Background on DSS and County Welfare Departments' Roles in the AB 3632 Program: Approximately 20,000 special education students receive mental health services (assessments, case management, individual and group therapy, rehabilitative counseling, and medication support) under the AB 3632 program. Around 1,800 children per month receive mental health and other services in an out-of-home residential placement, generally a group home. The placement of these students into out-of-home care is determined by a team operating within the special education system. The youth who are placed in out-of-home residential care under the AB 3632 program are not in foster care. The parental rights of their parents or guardians are generally intact during the time that they are out of the home. Although DSS and county welfare departments have no custody, placement, or case management responsibilities related to the care of these youth, they are involved as fiscal agents in the resulting payments of group home or residential care providers and do have a share of costs for this care. Specifically, county welfare departments receive state GF through DSS's budget and use local funds (mostly from the 1991 realignment) to pay the room and board costs for students whose Individualized Education Programs (IEPs) require residential placements. DSS is also responsible for licensing the California group homes and other community care facilities where these youth are often placed. In addition, the rates paid for the care and supervision of these youth are currently specified by law to equal the rates established for the care and supervision of youth who are in foster care.

Subcommittee Staff Comment & Recommendation: The proposed shift of funding for residential placement costs for students who are considered seriously emotionally disturbed is tied to a larger proposal regarding reforms to the funding and responsibility for overall AB 3632 programs. Those larger issues will also be heard in Subcommittee #1 on Education. Staff recommends that the outcome of this agenda item conform to the Committee's action on the larger shift of responsibilities for the program from counties to schools. If such a transfer of program responsibilities is adopted by the Committee, the proposed shift of residential funding from DSS to CDE should also be approved. To the extent that trailer bill language may be necessary to effectuate that outcome, it should be approved as placeholder language subject to review and consideration in the trailer bill drafting process.

DSS Issue 6: Adoptions Assistance Program – Overpayments

Budget Issue: DSS proposes, as part of the May Revision, technical trailer bill language to correct an inaccurate reference in existing law to sharing ratios to be used when collecting funds related to overpayments made through the Adoptions Assistance Program (AAP).

Background: The 2007-08 budget (in SB 84, Chapter 177, Statutes of 2007) required CDSS to implement processes and procedures to comply with federal reporting requirements for federal Title IV-E and adoption assistance overpayments. SB 84 also required CDSS to develop regulations to provide guidance and authority to counties to identify, track, and collect AFDC-FC overpayments to foster care providers. The regulation development and implementation was a result of federal notification that California was out of compliance with the Improper Payments Information Act of 2002. However, SB 84 incorrectly identified the Adoption Assistance Program sharing ratios in Welfare and Institutions Code Section 11466.23. According to the Administration, the proposed technical fix would ensure that counties will not be required to remit an incorrect non-federal share of AAP and Kinship Guardianship Assistance Program (Kin-GAP) overpayments.

Subcommittee Staff Comment & Recommendation: Staff recommends approving the technical trailer bill language to fix the inaccuracies in current law regarding sharing ratios to be used when collecting overpayments.

DSS Issue 7: Proposed Elimination of the Continuing Care Advisory Committee

Budget Issue: DSS proposes, as part of the May Revision, trailer bill language to eliminate the Continuing Care Advisory Committee (CCAC).

Background: The CCAC consists of 11 members appointed by the Governor, the Senate Rules Committee, the Speaker of the Assembly, and other CCAC members for two-year terms. The CCAC is responsible for advising the Continuing Care Contracts Branch of the Community Care Licensing Division within DSS regarding the continuing care industry. The CCAC meets three or four times per year. Members are paid a $25 stipend for each meeting attended and are reimbursed for their actual travel expenditures. The costs of the CCAC are paid from an account that is funded by annual provider fees and new project application fees. The CCAC was identified in the process created by AB 1659 (Huber, Chapter 666, Statues of 201) and AB 2130 (Huber, Chapter 670, Statutes of 2011) as a state agency that should sunset, and is otherwise scheduled to do so on January 1, 2013.

Subcommittee Staff Comment & Recommendation: Staff recommends approving the proposed trailer bill language to sunset the CCAC a year earlier than would otherwise occur.

DSS Issue 8: Proposed Suspension of Nutritional Requirements for Child Care Facilities (AB 2084)

Budget Issue: DSS proposes, as part of the May Revision, to suspend the requirements of AB 2084 in 2011-12. This proposal replaces the request in the Governor's budget for $69,000 GF and 1.5 Licensing Program Analyst positions to check during annual on-site inspections that the new standards are met. As outlined above, this is one of the budget change proposals that was included in the Governor's January budget, but that the Administration is no longer pursuing.

Background: AB 2084 (Chapter 593, Statutes of 2011) 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. The provisions of this bill will become operative on January 1, 2012, and the bill specifies that DSS shall only determine compliance with these provisions during a regularly scheduled, authorized inspection, and shall not be required to conduct separate visits.

Subcommittee Staff Comment & Recommendation: Staff recommends that the Subcommittee reject the proposed suspension of AB 2084 and the related trailer bill language, directing the Department to instead absorb this minimal workload during its regularly scheduled inspections.

DSS Issue 9: Technical Adjustment to CalWORKs Stage One Child Care Funding

Budget Issue (#503): DSS proposes, as part of the May Revision, a technical adjustment to increase the base level of funding for CalWORKs Stage One Child Care by $32.2 million. This technical adjustment does not impact the amount of GF savings assumed as a result of CalWORKs policies contained in the March budget package.

Background: The March 2011 budget package included a significantly reduced funding level for the CalWORKs "single allocation," which funds employment services and child care for participants. Corresponding to the $427 million GF reduction in the 2011-12 fiscal year, language was approved to extend and expand upon exemptions from welfare-to-work requirements for parents of very young children (known as "short-term reforms") for the duration of the budget year. The proposed Governor's Budget had assumed that these short-term reforms would instead expire on June 30, 2011 and reflected resulting costs for Stage One in 2011-12, partially offset by savings based on a three-month phase-in of cases reengaging in work activities and needing child care. When SB 69 was passed by the Legislature, Stage One costs were reversed to be consistent with the Legislature's action. However, the phase-in savings were erroneously retained. Therefore, a technical adjustment is necessary to reflect the appropriate level of base funding for Stage One child care.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of this technical adjustment to the funding for Stage One Child Care.

DSS Issue 10: Proposed Extension of Moratorium on Group Home Rate Applications

Budget Issue: DSS proposes, as part of the May Revision, a one-year extension of the moratorium on the acceptance and processing of group home rate applications for new programs, new providers, program changes, and program reinstatements that was established in last year's Human Services budget trailer bill, AB 1612 (Chapter 725, Statutes of 2010).

Background on Group Home Placements and Rates: According to data from the Child Welfare Services/Case Management System (CWS/CMS), the overall number of children in child-welfare supervised foster care has been steadily declining (from 116,900 children in July 1999 to approximately 55,000 in July 2010). The number of children placed in group homes also declined during that time, from approximately 10,600 to around 4,000. After the outcome of a recent lawsuit over the state's non-compliance with federal requirements related to rate-setting for group homes, the rates paid to those care providers increased by approximately 32 percent – to a range of $2,085 to $8,835 per child, per month in 2010-11.

Background on the Moratorium: The Rates Moratorium was established to allow DSS to redirect staff to other activities, including the development of policies and rates for programs like Multidimensional Treatment Foster Care (MTFC)/Intensive Treatment Foster Care (ITFC) programs which serve as family-based alternatives to group care. The department indicates that its ability to continue work on these issues given a one-year extension of the moratorium would benefit counties and foster children as a means to recruit and retain higher needs foster home placement options.

In proposing the moratorium last year, DSS indicated that it did not expect the policy to affect the state's ability to find placements for foster children, as there was at the time an over-capacity of available group home beds. The Department stated that as of February 2010, there were approximately 8,700 licensed group home beds available in California and approximately 6,000 children in group home placements.

The department is authorized to grant exceptions to the moratorium on a case-by-case basis, upon submission of a written request and supporting documentation provided to the department by a county welfare or probation director. To date DSS has received nine exception requests: four for capacity increases; one rate increase; three new provider applications; and one for a new program. All of these exceptions have been granted.

DSS has also surveyed counties regarding the impact of the moratorium on placements. Ten counties responded to the survey. Six respondents indicated that no problems were caused by the moratorium. Four counties indicated that they continued to have problems placing high needs children (although in most instances those problems likely pre-dated the moratorium). Four indicated that they had benefited from the moratorium. And four counties saw neither a benefit nor detriment from the moratorium.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of the trailer bill language and proposed one-year extension of the moratorium on group home rate applications.

DSS Issue 11: Proposed Suspension of Foster Youth Identity Theft Prevention Efforts (AB 2985)

Budget Issue: DSS proposes, as part of the May Revision, savings of $0.3 million GF and trailer bill language to make the requirements of AB 2985 (Chapter 385, Statutes of 2006) subject to an appropriation.

Background: AB 2985 requires county welfare departments to conduct a credit check for all foster youth who reach the age of 16 years old in order to help determine whether the youth has been the victim of identity theft. When a credit report contains negative information or evidence of identity theft, the county must refer the child to an approved credit counseling organization from a list developed by DSS, in consultation with the County Welfare Directors Association and other stakeholders. DSS reports that to date, the department has led a workgroup to develop a process for social workers and probation officers to request the credit reports. After coordinating with the three national credit reporting agencies, DSS learned that those agencies automatically reject requests for credit reports for children under age 18. Therefore, additional intervention is required by social workers to identify the child as a child in foster care and secure the credit report through a separate approval process. To the department's knowledge, counties have not implemented AB 2985 pending the issuance of guidance that the department has not yet completed or issued.

After AB 2985 was signed, implementation was delayed for one year due to budget constraints in 2007-08. Funds were appropriated and allocated to counties in 2008-09. Funds were appropriated but not allocated in 2009-10. There was no appropriation in 2010-11. DSS now indicates that given the ongoing budget situation and significant workload demands, the department cannot implement AB 2985 at this time. The department points out that social workers, probation officers, youth and caregivers would still be able to conduct credit checks in the absence of this mandate. For example, a related goal can be included in the youth's Transitional Independent Living Plan. Those checks would not, however, be required until an appropriation for the program is provided.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of the proposed 2011-12 savings and adoption of trailer bill language to delay implementation of the requirements of AB 2985 until July 1, 2013 (rather than make them subject to appropriation).

DSS Issue 12: Proposed Suspension of Resource Family Approval Pilot Efforts (AB 340)

Budget Issue: DSS proposes, as part of the May Revision, to suspend the implementation of AB 340 (Chapter 464, Statutes of 2007) until January 1, 2012 and to make its implementation subject to appropriation thereafter. AB 340 created a Resource Family Approval pilot program to streamline existing multiple processes for licensing foster family homes and assessing/approving relative caregivers, non-relative extended family members (NREFM), adoptive applicants, and prospective guardians. Resources for implementation in 2011-12 include $238,000 ($150,000 GF) and two positions for state operations, as well as $771,000 ($330,000 GF) for six months of local assistance costs.

Background: In 2002, the state's child welfare system was reviewed by the federal government and found deficient in several areas, including the safety and stability of children in foster care and length of time it takes for these children to reach a permanent home when they cannot return to their parents. Failing to meet the federal requirements resulted in fiscal penalties to the state unless the state completed a Program Improvement Plan (PIP). As part of the PIP, DSS agreed to develop an improved caregiver assessment process that would combine foster care licensing, relative approvals, and adoption home studies. To this end, DSS and the County Welfare Directors Association (CWDA) worked for over three years to develop a proposal to revamp the process and standards by which individuals who were interested in caring for children in foster care are determined suitable. This work resulted in AB 340.

State-Level Resources: The Assembly and Senate Appropriations Committees' analyses of AB 340 estimated approximately $150,000 GF in the first year for state personnel costs to oversee development and implementation of this pilot (and in one analysis, additional funds for its final evaluation). These analyses also recognized that the pilot should lead to some offsetting savings. The Department requested more resources than this in a 2008-09 budget change proposal, but was denied all resources for implementation in that budget year. The state operations resources mentioned above were later approved for 2010-11. Nonetheless, to date DSS has initiated only preliminary implementation activities of this pilot. The Department indicates that it has been unable to accomplish more due to resource limitations and the need to temporarily redirect existing staff to other mandated activities.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of the proposed funding for 2011-12. Staff also recommends approval of the trailer bill language that suspends implementation until January 1, 2012, but with an amendment to delete the provision that would make implementation beyond that date subject to appropriation.

Discussion Agenda

4140 Office of Statewide Health Planning & Development (OSHPD)

OSHPD Issue 1: Proposed Eliminations of Three Healthcare-Related Policy Commissions

Budget Issue: OSHPD proposes, as part of the May Revision, trailer bill language to eliminate: 1) the California Health Planning and Data Advisory Commission (CHPDAC), 2) the California Healthcare Workforce Policy Commission, and 3) the California Healthcare Rural Health Policy Council. Proposed 2011-12 savings for the elimination of CHPDAC include $85,000 in California Health Data and Planning Fund resources and 0.5 of a position ($170,000 and 0.9 of a position when annualized). There are no GF impacts.

Background on the CHPDAC Proposal: The 13-member California Health Policy and Data Advisory Commission (CHPDAC) was established in 1986 to advise the Director of OSHPD regarding the collection and reporting of healthcare data, such as publishing data summaries, selecting data elements for the production of healthcare outcome reports, and regarding proposed regulations prior to Office of Administrative Law review. CHPDAC is also charged with hearing appeals brought by healthcare facilities that have not met healthcare data reporting requirements. CHPDAC members include representatives of health plans, hospitals, physicians, long-term care, ambulatory surgery clinics, a business coalition, healthcare consumers, labor, and nurses. The CHPDAC meets every two months. Commission members are paid a $100 per diem for attending meetings. In addition, they are reimbursed for travel expenses.

The Administration indicates that its review of CHPDAC meetings from 2006 shows a pattern of sporadic productivity. The CHPDAC's advisory role is related to the collection and reporting of health data and was created in the mid-1980s when the health data collection field was relatively new. Since then, health data collection and related health reporting has matured and become more routine for the Office. The Administration also indicates that without CHPDAC, OSHPD would still have the ability to convene ad hoc and stakeholder advisory groups to solicit input and respond to federal initiatives.

The Healthcare Workforce Policy Commission: This 15-member Commission, appointed by the Governor, the Assembly Speaker, and the Senate Rules Committee, was established in 1974 to provide the OSHPD Director with policy and program recommendations for Song-Brown Programs administered through the Song-Brown Health Care Workforce Training Act. The Song-Brown Programs support clinical training opportunities for a variety of health professionals in medically underserved areas and communities. The Commission meets four times per year and makes recommendations for Song-Brown awards totaling over $6.7 million. Commission members are paid a $100 per diem for attending meetings. In addition, they are reimbursed for travel expenses. Commission functions and responsibilities including reviewing Song-Brown applications and recommending awards, as well as identifying California's areas of unmet need for physicians, dentists, nurses, and mental health providers. According to the Administration, these functions can instead be performed by existing OSHPD staff within the Healthcare Workforce Development Division.

The Rural Health Policy Council (RHPC): The RHPC was created in 1996 to coordinate rural health policy development and to disburse grants for rural health projects. The RHPC is comprised of representatives from several state departments, including the California Department of Mental Health, Emergency Medical Services Authority, and the Department of Health Care Services (DHCS), among others, and is housed within OSHPD. The RHPC holds public meetings to elicit testimony from rural constituents on a variety of rural health issues and to report to the public on state department rural health related activities. The RHPC last met in the fall of 2010. DHCS also has an Office of Rural Health, which was created to promote a working relationship between health-related state departments and rural health providers, consumers and others through education, communication, and outreach.

According to the Administration, no grant funding has been available for the RHPC to distribute for several years now, and future grants could be disbursed through OSHPD. In addition, the Administration indicates that the Governor and department leaders can convene for policy coordinating purposes without this statutorily created entity.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of trailer bill language to eliminate these three healthcare-related Commissions.

Questions for OSHPD:

1) Please briefly describe each commission proposed for elimination and the functions that OSHPD would take over if those eliminations were to be approved.

2) How will OSHPD work to ensure that the diversity of voices and experiences available via the Commissions' efforts will continue to be included in relevant policy decisions?

4200 Department of Alcohol & Drug Programs (ADP)

ADP Issue 1: Revision to Drug Medi-Cal (DMC) Estimates and Proposed Transfer of DMC to Department of Health Care Services (DHCS)

Budget Issue: ADP requests, as part of the May Revision, to revise its estimates of the caseload, utilization, and provider rates for services in the Perinatal DMC and Regular DMC programs. In comparison with the March budget package, the changes include a total increase of $490,000 ($351,000 GF). The May Revise rates reflect a cumulative increase of 4.6 percent due to changes in the Implicit Price Deflator used in calculating proposed DMC rates. The total budget for the DMC program is approximately $253.2 million ($134.3 million GF). Of this total, approximately $6.4 million ($3.2 million GF) is for support and the remainder is for local assistance. There are currently a total of 64 DMC-funded positions at ADP.

The Administration also proposes, as part of the May Revision, trailer bill language to transfer responsibility for management of the state's DMC program from ADP to DHCS by July 1, 2012. Technically, the move is proposed to be accomplished via proposed budget bill language amending Items under the Department of Health Care Services' budget to authorize the transfer of staff and expenditure authority between the Departments. The Subcommittee will consider the specifics of this budget bill language under other health agenda items.

Background: Since 1980, the DMC program has provided medically necessary drug and alcohol-related treatment services to Medi-Cal beneficiaries who meet income eligibility requirements (up to 250 percent of the Federal Poverty Level (FPL)). Services include Outpatient Drug-Free, Naltrexone (medication used to treat alcohol or opiod dependence), Narcotic Treatment, and Day Care Rehabilitative and Residential Treatment for eligible pregnant and postpartum women. DMC provider rates are currently based on the lower of factors listed in statute or adjustments for cumulative growth from prior year rates by a specified price deflator that measures the costs of goods and services to governmental agencies.

Rationale for the Proposed Transfer of DMC to DHCS: The Administration has indicated that the proposed move of DMC to DHCS will improve upon the state's ability to coordinate substance abuse (as well as mental health, which will be discussed in a separate agenda item) treatment as a part of the overall delivery of health care. The Administration also indicates that these goals are consistent with the goals of recent federal health care reforms, including the Affordable Care Act of 2010 and the 2008 passage of the Mental Health Parity and Addiction Equity Act, under which the Medicaid program will play an increasing role in the financing and delivery of mental health and substance use services. This integration of care is identified as particularly important given the prevalence of co-occurring illnesses.

Other Related Proposals to Reorganize the Delivery of Substance Abuse Programs: The Governor's January budget proposal and the May Revision both also propose to realign funding for DMC and other substance abuse treatment services (a total of $184 million) from the state to the counties. The Budget Conference Committee adopted this aspect of the proposed realignment package in March. Related to realignment, the Governor is proposing a 25 percent reduction of state operations costs for the realigned programs. While the proposed transfer of DMC administration from ADP to DHCS has been put forth in the context of the realignment of substance abuse treatment services, the Administration also indicates that the proposed transfer of responsibilities among state departments is not contingent on realignment.

In addition to current proposals for realignment and the transfer of DMC administration, the Administration has indicated that it intends to propose elimination of ADP and the transfer of its remaining, non-DMC specific functions to another state department or departments beginning with the 2012-13 budget year. The non-DMC functions ADP currently provides include acting as the single state agency for the federal Substance Abuse Prevention and Treatment (SAPT) Block Grant (which includes approximately $250 million), licensing and certifying alcohol and drug counselors and programs, collecting and managing data, and developing standards, statewide needs assessment and planning, training, technical assistance, and prevention programming.

Subcommittee Staff Comment and Recommendation: Staff recommends approval of the technical, estimate-related changes to the budget for the DMC program. Staff also recommends approval of a transfer of responsibility for administering the DMC program from ADP to DHCS. Correspondingly, staff recommends the adoption of placeholder trailer bill language to effectuate this transfer. Amendments to the Administration's proposed trailer bill language will be made as necessary, including any amendments needed to preserve Legislative oversight. The Subcommittee will have the opportunity to address the related budget bill language under future health-related agenda items.

Questions for ADP and DHCS:

1) Please describe the functions related to Drug Medi-Cal that are proposed to be transferred from ADP to DHCS and any that would remain at ADP, as well as the timeline during which this transfer would take place.

2) What are the arguments in favor of this proposed transfer? What, if any, concerns have been raised?

3) What are the departments' plans for effectuating the proposed transfer smoothly and without any interruptions in services to clients?

5160 Department of Rehabilitation (DOR)

DOR Issue 1: Proposed Change to Appeals Process

Budget Issue: DOR proposes, as part of the May Revision, to achieve savings and efficiencies from eliminating the Rehabilitation Appeals Board (RAB) and transferring the workload associated with reviewing appeals filed by applicants for or consumers of DOR services to impartial hearing officers through an interagency contract with another state entity (e.g., DSS or the Office of Administrative Hearings). The Administration estimates that contracting with IHOs will cost approximately $80,000 and DOR would continue to incur staffing costs of another $95,000 for one staff position to coordinate referrals of cases to the IHO. Thus, the total cost for this proposal would be $175,000 per year (no GF). By contrast, in 2010-11 the budget for RAB was $205,000, but actual expenditures over the last five years averaged $308,000.

Background: By law, the RAB consists of seven members appointed by the Governor, although at present one seat is vacant. Members serve a term of four years and are subject to Senate confirmation. A majority of board members must be individuals with disabilities who are independently self-supporting in businesses and professions within the community. Board members receive reimbursement for travel expenses and a per diem of $100 for each day spent on their duties. The RAB hears appeals by applicants for DOR services who wish to contest a denial of eligibility and by existing DOR consumers who are not satisfied with the services being provided to them. The DOR provides vocational rehabilitation services to approximately 115,000 Californians with disabilities annually. In federal fiscal year 2010, over 10,700 consumers achieved employment outcomes. During that same period of time, 39 requests for appeal were resolved.

Rationale for Proposed Change: According to the Administration, the present RAB appeals process complies with federal law but has several significant drawbacks, including that hearings cannot always be scheduled within the statutory time frames due to quorum requirements and that the RAB has consistently exceeded its budgeted operating costs. The Administration also indicates that impartial hearing officers with more legal and evidentiary expertise will have greater ease in sorting through complex legal questions and documenting related conclusions.

Subcommittee Staff Comment & Recommendation: The staff recommendation on this issue is pending.

Questions for DOR:

1) Please describe the appeal and decision-making processes as they exist today and how they would differ under this proposal.

2) What are the Administration’s plans to ensure accessibility of the appeals process to consumers of the department’s services?

5180 Department of Social Services (DSS)

0530 Health & Human Services Agency (HHS), including Office of Systems Integration (OSI)

AUTOMATION ISSUES

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

Budget Issue (#603): DSS and HHS request, as part of the May Revision, to suspend the development of the CWS/Web automation system. The resulting 2011-12 GF savings would be $3.1 million.

Prior to proposing the project's suspension, OSI estimated a total cost of $351.2 million ($165.5 million GF) for the project over the decade between 2006-07 and 2016-17. Of this amount, the one-time costs to implement the project are estimated to be $215.3 million ($97.5 million GF), with maintenance and operations costs of $135.9 million ($68 million GF). To date, $21.5 million ($10 million GF) in planning funds have been invested in the project.

Background: California's CWS system includes a variety of state-supervised, county-administered interventions designed to protect children. Major services consist of emergency response to reports of suspected abuse and neglect, family maintenance or reunification, and foster care. The Child Welfare Services/Case Management System (CWS/CMS) is the existing automated system that provides case management capabilities for CWS agencies, including the ability to generate referrals, county documents, and case management and statistical reports. The CWS/CMS system was implemented statewide in 1997, and OSI has previously stated that CWS/Web is necessary because the CWS/CMS technology is outdated and the new system would rely on a more modern, web-based technical architecture. In addition, OSI and DSS have reported that the CWS/Web system will increase efficiency and better comply with federal system requirements (which are tied to federal funding). The CWS/Web project is still in its planning phase. Full implementation was previously anticipated to occur after development ended in 2014.

Administration's Rationale for Suspending the Project: According to the Administration, the federal Administration for Children and Families has recently indicated that it intends to revise its requirements for statewide automated child welfare information systems. In light of this potential change in federal direction and to address the remaining budget shortfall since the Legislature passed SB 69, the Administration has proposed this project suspension.

Subcommittee Staff Comment and Recommendation: Staff recommends approval of the proposed suspension of CWS/Web given the evolving federal requirements under which any new system would be designed. *Continued on next page.*

In tandem with this halting of the current procurement, and in recognition of the continuing needs under the CWS/CMS M&O, staff additionally recommends adoption of trailer bill language directing DSS, in partnership with OSI and stakeholders, including Legislative staff and counties, to complete the following and provide an update to the Legislature by January 1, 2012:

1. Determine and describe the degree to which the CWS/CMS system:

    a. Is in compliance with current law, regulation, and policy.

    b. Supports current Child Welfare Services practice, including but not limited to key Child Welfare Service functions, ease of access to case and service information, multidisciplinary case management, and ease of use.

    c. Links to information that enhances investigation, case management, or efficiency.

    d. Provides ready access to data for reporting, planning, management, and program outcome monitoring.

2. Determine the best approach to address any missing functionalities that are critical to CWS operations. Options shall include building functionality into the current CWS/CMS system, restarting the CWS/Web procurement, or developing a new procurement.

3. Assess and report on communication from the federal government regarding requirements of the system, both by the January 1, 2012 deadline and thereafter when there is additional direction on federal expectations.

4. Recommend next steps, including a timeline, for implementing the recommended approach or approaches.

Questions for DSS & OSI:

1) CWS/Web was previously authorized in order to update outdated technology, improve efficiency, and better comply with federal requirements. If the project is no longer going to be pursued, would the existing CWS/CMS system be able to meet the department and counties' critical program and technology needs? What analysis has the department conducted to date to determine whether changes to that system or another project plan would be required?

2) What has the department heard from the federal government regarding any potential changes to applicable federal requirements?

DSS Issue 2: Los Angeles (LA) Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System (LRS)

Budget Issue (#603): The Administration requests, as part of the May Revision, to indefinitely suspend the LRS automation project. The resulting GF savings in 2011-12 would be $26.7 million. This means that $783,000 ($202,000 GF) would remain in the budget for planning and close-out activities. The Administration indicates that the suspension of LRS is being proposed to address the remaining GF budget shortfall since the Legislature passed SB 69.

Last year, OSI estimated a total cost of $408.6 million over four years ($208.6 million GF/TANF, $173.3 million federal funds and $26.7 million county funds) for LRS development and implementation before the project would reach its maintenance and operations phase. The 2011-12 Governor's Budget includes updated costs based on the completion of Los Angeles County's negotiations with the selected vendor: $370.2 million over four years ($196.1 million GF/TANF, $147.3 million federal funds and $26.8 million county funds). To date, $5.8 million ($2.3 million GF) total of planning funding has been spent on the project. The most recent estimates of the 2010-11 budget also include $38.5 million ($14.3 million GF) for LRS planning and development costs. However, according to the Administration, only $723,000 ($283,000 GF) of those funds will be spent due to project delays.

Background: The Statewide Automated Welfare System (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. After a recently completed consolidation combining two out of the prior total of four SAWS consortia systems, there are currently three separate consortia systems that constitute SAWS. Each of the three contains information for roughly one-third of the statewide caseload. The total 2010-11 maintenance & operations (M&O) budget for SAWS is $181.8 million ($95.6 million GF/TANF).

With 2009-10 and 2010-11 M&O costs of $30.7 million ($15.7 million GF/TANF) each fiscal year, LEADER is one of the three consortia systems. LA County entered into an agreement for Unisys to develop LEADER in 1995 and completed countywide implementation of the system in 2001. The most recent contract for LEADER extends through April 2015.

According to OSI and LA County, LEADER technology is outdated and cumbersome (e.g., it uses outdated COBOL language with 9.5 million lines of code). In addition, LEADER relies on proprietary hardware and software components created by its vendor. The federal government has previously expressed concerns about the state and county's resulting non-competitive use of that same vendor; and OSI has indicated that no other qualified vendors have been willing to enter a bid to operate the LEADER system. The Administration previously indicated that LRS would streamline LA's business practices, eliminate duplicative data entry, and minimize errors. OSI also indicated that LRS would expand clients and service providers' ability to apply for benefits or report case changes online. LA

County also intends for LRS to replace its Greater Avenues for Independence (GAIN) Employment and Reporting System (GEARS) for its welfare-to-work program, as well as its General Relief Opportunities for Work (GROW) system, and to contain options for other functionalities.

Given these concerns and goals, the Legislature first appropriated funding to support the planning process for a new system to replace LEADER in 2005-06. More recently, LA began negotiations for an LRS contract with a vendor in late 2009. Due to the state's fiscal condition, the project was delayed by six months each in the 2009-10 and 2010-11 budgets. The Administration also reports that more recently, the federal government has indicated that it will not approve funding for the project until it has received, reviewed and approved of the state's long-term plan for its overall eligibility system. Prior to recent delays and this May Revision proposal for project suspension, OSI had expected to conclude planning activities at the end of 2010 and to begin design, development, and implementation of the LRS project in January 2011, with an anticipated completion date of around December 2014.

Subcommittee Staff Comment and Recommendation: Staff recommends that the Subcommittee take action to sweep $14.1 million GF that was budgeted for LEADER in 2010-11, via the addition of the following Budget Bill Language:

> "5180-495 Reversion, Department of Social Services. As of June 30, 2011, the balances specified below, of the appropriations provided in the following citations shall revert to the balance in the fund from which the appropriations were made:
>
> 0001- General Fund
> (1) Item 5180-141-0001, Budget Act of 2010 (Ch. 712, Stats. 2010). Up to $14,062,000 appropriated in Program 16.75 – County Administration and Automation Projects."

Further, staff recommends that the Subcommittee approve a delay in the development of LRS in the budget year, with corresponding savings of approximately $13 million GF for 2011-12, and any attendant technical changes that are required to effectuate this reduction.

Questions for DSS & OSI:

1) LRS was previously authorized in order to update outdated technology, improve efficiency, and allow the state and LA County to cease using a sole-source contract. What analysis has the department conducted to date to determine how the state and county could address these concerns if LRS is not developed?

2) What has the department heard from the federal government regarding its pending approval of funding for LRS?

OTHER CALWORKS ISSUES

DSS Issue 3: Proposed Amendments to SB 72 (March Trailer Bill)

Budget Issue: DSS proposes, as part of the May Revision, trailer bill language to amend the provisions of SB 72 related to CalWORKs described below.

Background on SB 72: The March 2011 budget package made a significant number of changes to the CalWORKs program that were estimated to save approximately $1.0 billion GF in 2011-12. Among these changes were the following, for which statutory changes were made in SB 72:

1) Lowered the amount of time parents or caregiver relatives can receive aid -- from 60 to 48 months

2) Reduced the Maximum Aid Payment in effect on July 1, 2009 by 8 percent

3) Further reduced, by 5 percent increments (for a maximum total reduction of 15 percent), grants for children in cases without an aided adult who have received assistance for more than 60, 72, and 84 months, respectively

4) Lowered funding for child care, employment services, and administration in the counties' "single allocation" by $427 million GF in 2011-12. Correspondingly, extended and expanded upon exemptions from welfare-to-work requirements for parents of very young children (i.e., one child up to the age of 35 months or two children under the age of six years)

5) Suspended, for one year, the case management services and sanctions otherwise available under the CalLearn program for pregnant and parenting teenagers. The intent was that these teenagers would instead be eligible for regular welfare-to-work services that are available in their counties. They would also continue to be eligible for supplements or bonuses related to progress in school, as specified.

6) Amended the state's current policy of disregarding the first $225 of earned income and 50 percent of each dollar earned beyond $225 when calculating a family's monthly grant. Instead, disregard the first $112 of earned income and then 50 percent of all other relevant earnings

7) Made cost-neutral changes to expand the state's participation in an existing subsidized employment program and align the program more closely with operation of a related program that existed under the federal American Recovery and Reinvestment Act of 2009's (Public Law 111-5) Emergency Contingency Fund. As a result, the state will participate in half of the costs of the subsidized employment participant's wages, up to the amount that the state would instead have paid for the family's assistance grant.

Proposed Changes: In order to effectuate the intent of SB 72, DSS proposes the following technical changes:

1) An amendment to clarify that individuals who are participating in subsidized employment are not also required to participate in community service;

2) Amendments to clarify that teen parents who are not participating in CalLearn during that program's suspension do not have to stop going to school in order to receive welfare-to-work services;

3) Amendments to ensure the continued receipt of services by teens who are participating in the CalLearn program during their first or second trimester of pregnancy before July 1, 2011 (when the CalLearn program); and

4) Amendments to correct an inaccurate reference to the state's recovery of specified overpayments, as these activities are instead handled by counties.

In addition, the department proposes to change the provisions of SB 72 that would have created two separate "clocks" for time on aid—one for the 48-month time-limit created for CalWORKs and another for the 60-month time-limit that applies to federal Temporary Assistance to Needy Families (TANF) assistance received in any state. According to the department and counties, the implementation of these two separate clocks would otherwise delay implementation of the changes to CalWORKs time-limits enacted by SB 72 and erode the related savings assumptions. The counties have indicated that there are fewer than 200 CalWORKs families with out-of-state TANF months who may receive fewer months of CalWORKs aid because of the proposed change.

Subcommittee Staff Comments & Recommendation: Staff recommends that the Subcommittee approve the proposed trailer bill language, subject to technical changes that may arise in drafting but are consistent with the proposed policy changes and clarifications.

Questions for DSS:

1) Please briefly summarize the proposed amendments.

2) In particular, please describe the administrative complexities that would be avoided by the changes to language regarding time-limits described above and the resulting impacts on CalWORKs recipients who have received assistance in other states.

In-Home Supportive Services (IHSS) Issues

DSS Issue 4: Proposed Amendments to SB 72 (March Trailer Bill)

Budget Issue: DSS proposes, as part of the May Revision, amendments to SB 72 (Chapter 8, Statutes of 2011), which was the human services trailer bill enacted as a part of the March 2011 budget package.

Background on March Budget Package: The Legislature adopted changes to IHSS and Medi-Cal as a part of SB 72, including the following, which were anticipated to result in $486 million GF savings in 2011-12:

1) Created a requirement that an applicant for or recipient of IHSS obtain certification from a licensed health care professional declaring that the applicant or recipient is unable to perform one or more activities of daily living independently, and that without IHSS, the applicant or recipient is at risk of placement in out-of-home care.

2) Directed the Department of Health Care Services to determine whether it would be cost-efficient for the state to exercise the Community First Choice Option made available under section 1915(k) of the federal Social Security Act (42 U.S.C. Sec. 1396n(k)).

3) Established a pilot project that requires the Department of Health Care Services to identify individuals who receive Medi-Cal benefits on a fee-for-service basis and who are at high risk of not taking their prescribed medications. The Department will then procure automated medication dispensing machines to be installed in participants' homes and monitored as indicated.

4) Precluded the ability of recipients of Waiver Personal Care Services from backfilling IHSS hours lost due to IHSS reductions, including an existing 3.6 percent, across-the-board reduction to hours of authorized services.

5) Created a trigger mechanism for alternative reductions if the Department of Finance determines that data reported regarding the pilot project described above does not demonstrate the ability to achieve annualized net savings of $140 million GF. If the pilot and any subsequent legislation are not anticipated to result in $140 million annualized GF savings, DSS is required to implement an across-the-board reduction in IHSS services beginning October 1, 2012, with specified exceptions.

Proposed Amendments: The Administration proposes the following changes to provisions of SB 72:

1) With respect to the **across-the-board reduction** that may be triggered, DSS proposes to: 1) include intent language, 2) eliminate a pre-approval process to exempt certain especially at-risk recipients from the reduction, and 3) exempt recipients receiving services under specified waiver programs from the reduction. The Department has expressed concern that the pre-approval process would vary from county to county, thus creating inequities that may violate federal law.

2) DSS also proposes to delete an **exception to having a medical certification of need prior to receiving services**. The provision at issue creates an exception when "the deterioration of the recipient's health or mental health is likely to result in eviction from home, homelessness, or a hazardous living environment." The Department has expressed concern that this provision inappropriately expands social workers' roles and requires them to assess issues for which they do not have the requisite information or expertise.

3) DSS also proposes to repeal a provision that would otherwise prevent recipients of **Waiver Personal Care Services** from backfilling hours of IHSS that are lost due to across-the-board reductions in hours already in effect or that may take effect in the future. The original intention of this language was to protect against a loss of GF savings due to potential backfills. However, upon further analysis, it has become clear that under the waiver program some recipients would instead be able to backfill IHSS hours with more expensive services (e.g., nursing services) that would exceed the cost avoidance originally expected from the proposal.

Subcommittee Staff Comment & Recommendation: Staff recommends that the Subcommittee take the following actions with respect to the proposals described above:

1) Amend the proposed intent language as follows:

   12301.03(a) Authorized hours under the IHSS program were reduced in fiscal year 1992/1993 and included a supplemental assessment process that ~~ensured~~ was intended to ensure that IHSS recipients remained safely in their homes.

   (b) The reduction in authorized hours as provided for in the Act that added this section includes a supplemental assessment process that ~~will~~ is similarly intended to ensure that IHSS recipients will remain safely in their homes.

2) Reject the proposed elimination of the pre-approval process to exempt certain especially at-risk recipients from the reduction and approve of the proposed exemptions for recipients receiving services under specified waiver programs. Although some of the waiver program recipients may be the same individuals who could otherwise be pre-approved for supplemental care, the pre-approval process could also capture narrow groups of other especially vulnerable populations as well.

3) Replace (rather than deleting as proposed) the language related to exceptions to having a certification of need prior to receiving services described in #2 of the background section on Proposed Amendments above. The new language would read: "Services may be authorized temporarily pending receipt of the certification when the county determines there is a risk of out of home placement."

4) Approve of the proposed repeal of the prohibition on backfilling lost IHSS hours with additional Waiver Personal Care Services hours. *Continued on next page.*

Questions for DSS:

1) Please briefly describe the pre-approval process codified in SB 72 and your concerns regarding the inclusion of that process. How are these concerns mitigated by the language in the statute that limits the process's applicability to "the extent permitted by federal law," which can be clarified in consultation with the federal government?

DSS Issue 5: IHSS- Proposed Trailer Bill Language Related to Provider Exclusions

Budget Issue: DSS proposes, as part of the May Revision, trailer bill language to amend the list of criminal offenses that serve as a bar to being an IHSS provider. The department also proposes to create a state and county-funded program for IHSS providers who have criminal histories that have resulted in a finding that they are ineligible to serve as providers whose work can be paid for with federal Medicaid funding. Under this proposal, those determinations would be made based on the individual's inclusions in a federal list maintained by the Office of the Inspector General and/or a state-level list of suspended and ineligible providers maintained by the Department of Health Care Services. The department estimates 2010-11 costs of $1.2 million GF associated with this new program.

Background: The 2009-10 and 2010-11 budget trailer bills for human services issues (Chapter 4, Statutes of the 2009-10, Fourth Extraordinary Session; Chapter 17, Statutes of 2009-10, Fourth Extraordinary Session; and Chapter 725, Statutes of 2010) created a series of new requirements for existing and new IHSS providers to be screened via criminal background checks. These statutes created a specified list of "Tier One" convictions that would serve as an absolute bar to being an IHSS provider. This list was intended to include all convictions that would serve as a bar to the use of federal Medicaid funding pursuant to federal law (i.e., specified abuse against a child, elder, or dependent adult, or fraud against a government health care or supportive services program). The statutes also created a list of "Tier Two" convictions (e.g., serious and violent felonies) which serve as a bar to being an IHSS provider. Tier Two convictions differ from Tier One in that providers with those convictions in their backgrounds can be authorized to provide IHSS services if a recipient signs a form indicating his or her informed consent or if the provider is granted a general exception by DSS.

DSS now asserts that the Tier One list of convictions may not adequately cover all convictions that are excluded under federal law. The department therefore proposes to expand statutory language describing Tier One to a more generalized reference subject to the department's interpretation, rather than a very specific list of offenses created by the Legislature. In addition, the department proposes to expand the language to exclude all individuals who are ineligible to provide more general Medi-Cal services as determined by the Department of Health Care Services. It is important to note that there are separate sections of state statute governing the exclusion of Medi-Cal providers generally from the exclusion of IHSS providers in particular. The IHSS-related sections of statute are narrower and more specific. This distinction was litigated in recent years and resulted in a court decision that the more specific IHSS-related sections of state law control the exclusion of IHSS providers.

Subcommittee Staff Comment & Recommendation: Staff recommends that the Subcommittee reject the proposed trailer bill language to broaden and make more generic the list of criminal convictions that serve as a bar to being an IHSS provider. To the extent that there are any additional federally mandated convictions that the Administration or Legislature believe should be added to the list of Tier One exclusions, the full consideration of how to interpret federal law with respect to those offenses would be more appropriate for consideration by a policy Committee in consultation with Legislative Counsel.

Staff further recommends that the Subcommittee reject any portion of the proposed funding that is attributed to the use of the state-level Suspended & Ineligible list for Medi-Cal providers, which is not specific to the narrower sections of state statute that apply to the IHSS program.

Questions for DSS:

1) Please briefly describe the trailer bill language and the department's rationale for proposing it through the budget, rather than policy, process.

DSS Issue 6: IHSS- Public Authority Administration Funding

Budget Issue: The Administration proposes, as part of the May Revision, to reduce the funding for IHSS Public Authorities (PAs) by $7.7 million ($2.2 million GF). There are 52 PAs in the state that cover 56 counties. Including the impact of the proposed reductions, the total statewide PA funding would include $17.0 million ($6.6 million GF).

Background on PAs: Under state law, a county board of supervisors may elect to establish a PA to provide for specified functions related to the delivery of IHSS. The PAs are separate entities from the county in which they operate. PAs are the employers of IHSS providers for the purposes of collective bargaining over wages, hours, and other terms of employment. IHSS recipients, however, retain the right to hire, fire, and supervise the work of any IHSS worker providing services to them. PAs also provide at least the following functions: 1) assistance to recipients in finding IHSS providers through the establishment of a registry; 2) investigation of the qualifications and background of potential providers; and 3) training for providers and recipients.

Background on PA Funding: PA rates are county-specific and are computed by multiplying case-months by the average hours per case by the administrative hourly rates for each PA (established based on hourly wages, employer taxes, benefits, and administrative costs). Since 2009-10, the rates established by these formulas have, however, been reduced by 20 percent, as approved in the 2009-10 budget [in AB X4 1 (Chapter 1, Statutes of 2009, Fourth Extraordinary Session)]. In addition, the rates have been reduced by $8.7 million GF and corresponding other funds, as a result of Governor Schwarzenegger's 2009-10 veto of that amount of PA funding.

The total funding for PAs in recent years and as proposed for 2011-12 includes:

	2008-09	2009-10	2010-11	2011-12 March Budget	2011-12 May Revise
GF (000s)	21,800	10,000	9,700	8,900	6,600
Total Funds (000s)	60,700	27,100	27,200	24,700	17,000

According to the Administration, the proposed reductions from March to the May Revision are tied to the impacts of decreased caseload estimates since the Governor's January budget proposal.

Potential Impact of Reductions to PA Funding: According to the California Association of Public Authorities (CAPA), the proposed level of funding for PAs in the May Revision would mean that some PAs would have insufficient funds to pay rent, basic bills and personnel costs while complying with their mandated functions. CAPA proposes a restoration to the March level of PA funding, as well as the development of a replacement methodology for PA funding allocations.

Subcommittee Staff Comment & Recommendation: Staff recommends rejecting the proposed May Revision reduction to Public Authorities' Administration funding. Funding for PAs would thus remain at the level included in SB 69 as it was passed by the Legislature in March (approximately $24.7 million total funds, with $8.9 million GF). In addition, staff recommends the adoption of trailer bill language directing the Department, in consultation with stakeholders including at least the counties and public authorities, to develop a new rate-setting methodology for public authority administrative costs, beginning with the 2012-13 fiscal year.

Questions for DSS:

1) What are the potential consequences if the May Revision's proposed reduction in PA funding results in PA closures? How might IHSS consumers, providers, counties, and the overall program be impacted?

2) Has the Department previously explored alternative options for how to establish PA funding levels?

DSS Issue 7: IHSS- County Administration and District Attorney Funding

Budget Issue: The Administration proposes, as part of the May Revision, to reduce the funding for county administration of IHSS by $12.6 million ($5.2 million GF) from the level included in SB 69 in March. Including the impact of the proposed reductions, the total statewide funding for county administration of IHSS would include $390.3 million ($138.6 million GF). The Administration also proposes, as part of the Governor's January budget and May Revision, to continue $28.4 million ($10.0 million GF) for county district attorney activities related to the IHSS program.

Background on County Administration Funding for IHSS: County workers provide intake and case management for over 430,000 low-income individuals who are elderly, blind or who have disabilities and who receive IHSS services to remain safely in their homes. According to the County Welfare Directors Association, county staff have struggled over the past two years to keep pace with this ongoing workload and the many changes to the IHSS program, including new program-integrity measures described below and several other program reductions or changes.

Background on Funding for District Attorney/County Anti-Fraud Activities: With some minor exceptions when federal or state funds are available, local District Attorneys' offices are principally funded on a discretionary basis out of county General Funds. According to the California Department of Justice, approximately $1.2 billion total was spent on prosecution activities statewide (based on 2006-07 data).

The funding for these IHSS-related district attorney activities was first included in the 2009-10 budget, as part of a package of $54.2 million ($21.9 million GF) in new resources for additional IHSS program integrity efforts. The funds were tied to budget bill language that described them as one-time, but the funding was continued in the 2010-11 budget and is again proposed in 2011-12. A significant number of other permanent IHSS program and policy changes were made in 2009-10 that remain in place today. These include:

1) Criminal background checks and appeals processes for IHSS providers;
2) The requirement for providers to attend an orientation;
3) Authorization to send directed mailings to providers and recipients and to conduct unannounced home visits, pursuant to developed protocols and in targeted cases, when there is cause for concern about program integrity;
4) Limits on the use of P.O. boxes by providers to receive paychecks;
5) Training for social workers on fraud prevention;
6) Notification to providers about their clients' authorized hours and service levels; and
7) Certifications on timesheets, after notice of possible criminal penalties for fraud.

In addition, between 2009-10 and 2010-11, the Administration received 42 new staff positions for IHSS program integrity at DHCS and DSS [at a cost of $3.0 million ($1.5 million GF)].

Subcommittee Staff Comment & Recommendation: Staff recommends holding the counties harmless from caseload changes in 2011-12 on a one-time basis by rejecting the portion of the proposed $12.6 million ($5.2 million GF) reduction from March to May in counties' administration funding that is attributable to those changes. In conjunction with this action, staff recommends rejecting the continuation of the $28.4 million ($10 million GF) for county district attorney activities.

Questions for DSS:

1) Please describe the funding methodology for county administration of the IHSS program and the attendant responsibilities of the counties, including program integrity-related responsibilities.

2) Please describe the uses of the county district attorney funding from 2009-10 to date and why this funding is proposed to be continued.

OTHER CHILDREN'S PROGRAM ISSUES

DSS Issue 8 (#836): Proposed Rate Increase for Foster Families and Other Specified Caregivers

Budget Issue: DSS proposes, as part of the May Revision, an increase of $41.3 million ($10.7 million GF) in 2011-12 to raise the monthly rates for care and supervision that are paid to foster families and to guardians or adoptive parents of former foster children. The changes to foster family home rates result from a recent court order. The Department also proposes budget trailer bill language to codify the new rate-setting methodology used to establish these increased rates. The rate changes by age range are as follows:

Age Range	Current basic rate	Proposed 2011-12 basic rate
0-4	$446/month	$609
5-8	485	660
9-11	519	695
12-14	573	727
15-19	627	761

Beginning in Fiscal Year (FY) 2012-13, the new rate structure would also be adjusted annually for the cost of living.

Background: According to the Department, the new foster family home (FFH) rate structure was developed as a result of a judgment issued by the court *in California State Foster Parent Association, et al. v. John A. Wagner, et al* (CSFPA). In the CSFPA lawsuit, the court determined that DSS had never set a FFH rate based upon the federally required consideration of the costs of providing specified aspects of care. To remedy this violation of federal law, the Court ordered the Department to establish a new rate structure. CDSS commissioned a foster care rates study from The Center for Public Policy Research (CPPR) at the University of California, Davis to develop alternate rate methodology proposals and filed a report with the Court on April 8, 2011 outlining its proposal for which methodology to use.

Dispute Over Effective Date of the Rate Increase: DSS proposes to begin paying the new rates as of July 1, 2011, or upon enactment of the budget. On April 15, 2011, the plaintiffs filled a motion for further relief requesting that the Court instead enforce its December 2010 order and require the Department to immediately pay the new FFH rate. On May 5, 2011, the Department filed to oppose the plaintiff's motion. A court hearing on the issue is set for May 26, 2011.

Related Rate Increases for Adoption and Guardianship Placements: Historically, the basic foster care rate paid for care of children in out-of-home placements has also been used to either set the benefits, or as a factor in the setting of benefits, for children who have exited foster care to enter into permanent placement types, such as adoption and specified guardianships. Statutes tie these payments to the payment the child would have received if they had been in, or continued to be in, out-of-home (foster) care. In keeping with this existing law and practice, DSS proposes parallel rate increases for the rates used to support placements in guardian or adoptive homes. However, this proposed change applies only to prospective cases. So rates for the Adoption Assistance Program and specified guardianship cases created on or after July 1, 2011 will be set at the FFH rate level the child would have received on or after July 1, 2011, if the child had remained in foster care. The Department indicates that this continued link between rates in prospective cases is intended to avoid creating a disincentive to permanency for the child.

Under this proposal, guardianship and AAP rates for existing cases (established before July 1, 2011) would be de-linked from the new FFH rate levels, and instead tied to the rates for these cases in effect prior to July 1, 2011. The Department is distinguishing these cases because permanency has already been achieved at the previously existing rate (and thus the Department does not believe that questions related to incentives for permanency are as critical). The Department does, however, propose to increase these rates in existing cases based on cost of living adjustments beginning with FY 2012-13. Without this proposed creation of a separate benefit level for cases from before July 1, 2011, the GF impact of the newly proposed rates would be $91.2 million (rather than the $10.7 million being proposed).

Subcommittee Staff Comment & Recommendation: Staff recommends approving the requested resources and adopting the Administration's trailer bill language as placeholder language to effectuate the new rate-setting system. To the extent that a court decision necessitates a different starting date for the foster family home rate changes described above, additional changes related to those and the other rates described above may become necessary.

Staff also recommends that the Subcommittee direct the Administration to provide, prior to finalization of related trailer bill provisions that would identify a specific methodology, additional information for the Subcommittee's consideration with respect to the options available for measuring proposed cost of living increases that would begin in 2012-13. This information shall include, but not be limited to how the options presented compare with other statutorily-based adjustments that may be comparable (e.g., for other foster care placements and other social services programs) and in terms of their potential fiscal impacts over time.

Questions for DSS:

1) Please describe the lawsuit and resulting rate study that led to this proposal. Please also explain the rationale for proposing related rate increases for prospective guardians and adoptive families for former foster children.