

SUBCOMMITTEE NO. 3

Agenda

Senator Caroline Menjivar, Chair
Senator Susan Talamantes Eggman, Ph.D.
Senator Shannon Grove
Senator Richard D. Roth



Thursday, May 9, 2024
9:30 am, or upon adjournment of session
1021 O Street – Room 1200

Consultant: Elizabeth Schmitt

<u>Item</u>	<u>Department</u>	<u>Page</u>
0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY		2
ISSUE 1: OFFICE OF YOUTH AND COMMUNITY RESTORATION – SYTF DATA		2
ISSUE 2: UPDATE ON TRANSFER OF JUVENILE JUSTICE PROGRAMS TO THE OFFICE OF YOUTH AND COMMUNITY RESTORATION		6
ISSUE 3: CHILD WELFARE SERVICES – CALIFORNIA AUTOMATED RESPONSE AND ENGAGEMENT SYSTEM UPDATE		10
ISSUE 4: PROPOSALS FOR INVESTMENT		16
PUBLIC COMMENT		17

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY**Issue 1: Office of Youth and Community Restoration – SYTF Data**

Background: DJJ Closure and Realignment. The 2020-21 Budget Act included a plan to permanently close the Division of Juvenile Justice (DJJ) at the California Department of Corrections and Rehabilitation (CDCR). While most youth were already housed or supervised locally, prior to July 1, 2021, counties could choose to send youths who had committed violent, serious, or sex offenses to state facilities operated by DJJ. There were typically about 650 youth statewide in DJJ facilities. DJJ permanently closed on June 30, 2023, and the last youths were transferred to counties, completing the realignment of the juvenile justice system to the county level. The plans for DJJ closure and realignment are outlined in SB 823 (Committee on Budget and Fiscal Review), Chapter 337, Statutes of 2020 and SB 92 (Committee on Budget and Fiscal Review), Chapter 18, Statutes of 2021.

As a result of realignment, counties are responsible for caring for youth with more serious needs and who have committed more serious offenses. The realignment plan outlined a process for counties to establish Secure Youth Treatment Facilities (SYTFs) for high-level offenders who would have previously been housed at DJJ. To assist counties with their increased responsibility, the state provides block grant funding to counties for each realigned youth, and one-time funding for planning and juvenile facility infrastructure needs. As of September 2023, there were 2,878 youth housed in juvenile facilities statewide.

OYCR. To support counties in this transition, the realignment plan included the creation of the OYCR to provide statewide assistance, coordination, and oversight. OYCR is under the Health and Human Services Agency (HHS) rather than under CDCR or the Board of State and Community Corrections (BSCC), reflecting the intended shift away from corrections and toward services and treatment. The mission of the Office, as defined in statute, is “[T]o promote trauma responsive, culturally informed services for youth involved in the juvenile justice system that support the youths’ successful transition into adulthood and help them become responsible, thriving, and engaged members of their communities.”

Mandates of the OYCR include:

- Identify policy recommendations for improved outcomes for court-involved youth.
- Identify and disseminate best practices to inform rehabilitative and restorative youth practices.
- Provide technical assistance to develop and expand local youth diversion opportunities.
- Evaluate the efficacy of local programs being utilized for realigned youth and report to the Governor and Legislature by July 1, 2025.
- Develop a report on youth outcomes in the juvenile justice system based on the updated JCPSS (Department of Justice) System.
- Provide an ombudsperson to investigate complaints and resolve where possible and report regularly to the Legislature.

- Concur with the BSCC on any juvenile grants.
- Assume administration of juvenile grants no later than January 1, 2025.
- Concur with the BSCC on new standards for secure youth treatment facilities.

Welfare and Institutions Code 2200 requires that all juvenile justice grant administration functions at the BSCC move to OYCR by January 1, 2025.

OYCR Funding. The 2021 Budget Act included \$27.6 million in 2021-22 and \$7 million ongoing for OYCR. The 2021-22 funding included \$20 million for technical assistance, disseminating best practices, and grants. The 2022 Budget Act included an additional \$10 million ongoing for the Office, and language detailing the duties and responsibilities of the Ombudsperson within OYCR. The 2023 Budget Act continued the \$10 million appropriation for OYCR for technical assistance, disseminating best practices, and issuing grants to counties and probation departments for the purposes of transforming the juvenile justice system to improve outcomes for justice involved youth.

Juvenile Justice Data Collection. The 2023 Budget Act included \$3.54 million to facilitate the collection of specific juvenile justice data related to realignment. These 2023 Budget Act made these funds available to county probation departments to provide OYCR with the following data for the 2021-22, 2022-23, and 2023-24 fiscal years, disaggregated by gender, age, and race or ethnicity:

1. Number of youth and their commitment offense or offenses, if known, who are under the county's supervision that are committed to a secure youth treatment facility, including youth committed to secure youth treatment facilities in another county.
2. The number of individual youth in the county who were adjudicated for an offense under subdivision (b) of Section 707 of the Welfare and Institutions Code or Section 290.008 of the Penal Code.
3. Number of youth, including their commitment offense or offenses, if known, transferred from a secure youth treatment facility to a less restrictive placement.
4. Number of youth for whom a hearing to transfer jurisdiction to an adult criminal court was held, and number of youth whose jurisdiction was transferred to adult criminal court.

The 2023 Budget Act requires the data listed above to be submitted to OYCR by December 30, 2023 for the 2021-22 and 2022-23 fiscal years, and by December 30, 2024 for the 2023-24 fiscal year. A summary of the statewide data was presented to the Subcommittee on February 29, 2024. The full report is now available on OYCR's website.¹

¹ OYCR, AB 102 Report: https://oycr.ca.gov/wp-content/uploads/sites/346/2024/05/OYCR_-AB-102-Report_5.1.24.pdf

Key OYCR Findings from the AB 102 Report. The full report is available on OYCR’s website. Some key findings include:

- Black and Brown youth continue to be overrepresented in the juvenile justice system.
- OYCR did not find evidence of statewide “net widening” (growth of the number of youth in SYTFs compared to historical DJJ levels), however they did find significant net widening in San Bernardino County. In addition, OYCR notes five counties to continue monitoring due to increases in the SYTF population compared to DJJ commitments in 2021: Alameda, Contra Costa, Fresno, Kern, and Riverside.
- The use of less restrictive placements, or LRPs, is increasing.
- Counties are using SYTFs to house youth who have committed serious crimes, as intended by realignment.

The following is an overview of the AB 102 data provided by OYCR:



AB 102 Data Overview

	FY 2021-2022	FY 2022-2023
A. Number of youth committed to SYTF	237	427
B1. Number of youth adjudicated of a 707(b) offense	1,459	1,730
B2. Number of youth adjudicated of a PC 290.008 offense (not counted in B1)	98	74
C. Number of youth transferred from SYTF to LRP	*	100
D1. Number of youth for whom a transfer hearing was ordered	213	244
D2a. Number of youth transferred to adult criminal court	48	35
D2b. Number of youth NOT transferred to adult criminal court	82	112

Note: The data displayed reflect a statewide count.
 Note: For FY 21-22, nine counties had no youth to report. (n=49)
 For FY 22-23, eight counties had no youth to report. (n=50)
 * Data not displayed for privacy – less than 12 youth

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff notes that the 2023 Budget Act requires data to be reported for the 2021-22, 2022-23, and 2023-24 fiscal year. Additional budget bill language or statutory authority would be needed in order to ensure this data is reported for 2024-25 and future years.

Questions. The subcommittee requests OYCR respond to the following:

1. Please present an overview of the county-specific juvenile justice data counties were required to submit to OYCR pursuant to the 2023 Budget Act.
2. What do these data tell us about how realignment is implementing across the state? In what areas does the data show progress in meeting the goals of realignment and in what areas does the data indicate cause for concern? Are there particular counties in which the data shows notable progress or problems?
3. How will this data inform OYCR’s work moving forward, including the development of grants and policy recommendations?
4. What would be the effect of not having this data reported regularly from year to year? What could be improved or expanded for future data collection purposes in order for OYCR to carry out its mission?

Issue 2: Update on Transfer of Juvenile Justice Programs to the Office of Youth and Community Restoration

Budget Change Proposal and Trailer Bill Language – Governor’s Budget. The Board of State and Community Corrections (BSCC) requests to shift the federal Title II Grant Program administration functions to the Office of Youth and Community Restoration (OYCR) effective July 1, 2024. Specifically, this proposal transfers the administration of the Title II Grant Program under the federal Juvenile Justice and Delinquency Prevention Act (JJDP). The transfer of grant administering authority includes the move of related spending authority and grant administration functions, including support for the State Advisory Committee on Juvenile Justice and Delinquency Prevention, and compliance monitoring functions under the JJDP. This is a transfer of spending authority that has no impact on the General Fund.

Background. Welfare and Institutions Code 2200 requires that all juvenile justice grant administration functions at the BSCC move to OYCR by January 1, 2025. This is a component of the juvenile justice realignment plan laid out in SB 823 (Committee on Budget and Fiscal Review), Chapter 337, Statutes of 2020.

Title II Grant Program and Juvenile Justice and Delinquency Prevention Act (JJDP). The Title II Grant Program is a federal juvenile justice grant program that is administered by the BSCC. As the designated state agency, BSCC is required to carry out all grant administration functions, such as conducting an annual review, revision, and approval of a comprehensive state plan for the improvement of juvenile justice and delinquency prevention activities, establishing priorities for the use of JJDP funds, and approving expenditures of such funds. The federal Reauthorization of JJDP in 2018 (34 U.S.C. §§ 11101 et seq.) requires a supervisory board (currently the BSCC) as well as an “advisory group” that “shall consist of not less than 15 and not more than 33 members appointed by the chief executive officer of the State” and requires the membership to reflect specific kinds of representatives and experiences. (34 U.S.C. § 11133(a)(3).) In California, the state advisory group is known as the State Advisory Committee on Juvenile Justice and Delinquency Prevention (SACJJDP). The SACJJDP is currently housed in, and administratively supported by, the BSCC.

Under the JJDP, SACJJDP must perform certain activities, such as participating in the development and review of the state’s juvenile justice plan, provide review and comment on the state’s Title II Grant application, and review progress and accomplishments funded under the state’s plan for the Title II Grant. (34 U.S.C. § 11133(a)(3)(B-E).) To support the SACJJDP in carrying out its required activities, the JJDP allows the designated state agency to set aside no more than 5 percent of the annual Title II Grant allocation.

The JJDP also establishes federal minimum standards for the protection and care of youth who have contact with juvenile justice systems. These standards are more commonly known as “the core requirements,” which prohibit certain minors from being detained or confined, prohibit sight or sound contact between minors and adults in detention, and prohibit minors from being in detention in a law enforcement facility for more than six hours. (34 U.S.C. § 11133(a)(3)(11)(A) – (13)(B).) The BSCC monitors secure facilities for compliance with these core requirements through data collection and verification efforts, and compliance monitoring inspections. (Welfare & Institutions Code § 209(f).) The

federal Title II Grant Program generally provides \$12 million in grant funding, largely to community-based organizations, over three-year cycles (approximately \$4 million per year).

As part of this proposal, OYCR will assume administration of the Title II Grant Program as well as the connected responsibilities for compliance monitoring associated with the JJDP. This includes position authority for four full-time staff dedicated to the Title II Grant Program: one field representative and three Associate Governmental Program Analysts. These positions will be eliminated from BSCC and transferred to OYCR as part of this transition.

Juvenile Justice Funding. This Budget Change Proposal only addresses the federal Title II Grant Program, which is one of several juvenile justice grant programs. Pursuant to Welfare and Institutions Code 2200, “all juvenile justice grant administration functions in the Board of State and Community Corrections shall be moved to [OYCR] no later than January 1, 2025.”

The chart below, provided by the Legislative Analyst’s Office, shows statewide funding for various juvenile justice grant programs:

Major Sources of County Juvenile Justice Funding Provided Through the State (In Millions)		
Program	2023-24 Estimated Funding	2024-25 Proposed Funding
Funding to Support Realigned Workload	\$453	\$490
Youthful Offender Block Grant	244	251
Juvenile Justice Realignment Block Grant	195	225
Juvenile Reentry Grant	14	15
Funding for Other Workload	\$537	\$553
Juvenile Probation Activities	283	291
Juvenile Justice Crime Prevention Act	199	205
Juvenile Probation Camp Funding	55	56
Totals	\$990	\$1,043

The Youthful Offender Block Grant supports county responsibilities realigned in 2007, and the Juvenile Justice Reentry Grant supports responsibilities realigned in 2010. The Juvenile Justice Realignment Block Grant (JJRBG) provides funding for the 2021 realignment of youth who would have formerly been committed to the Division of Juvenile Justice (DJJ). The JJRBG is currently based on a temporary formula. Current law requires the Governor and the Legislature to work with stakeholders to establish a permanent

allocation formula in 2024; the Governor's Budget proposes extending the temporary formula for one year and developing a permanent formula in 2025 instead.

In addition to the grants stemming from various realignments, the state funds counties for juvenile-justice related workload through the Juvenile Probation Activities grant, the Juvenile Justice Crime Prevention Act, and the Juvenile Probation Camp Funding grant. Overall, the state provides approximately \$1 billion to counties in 2024-25 for juvenile justice programs.

Trailer Bill Language: Transfer of Title II Grant Program – Governor's Budget. This proposal also includes trailer bill language that establishes OYCR as the designated state agency under the JJDPa and authorizes OYCR to carry out all grant administration functions pursuant to the JJDPa. The trailer bill language also repeals code sections related to an inactive advisory group on runaway and homeless youth (Welfare and Institutions Code Sections 1785, 1786, 13704, and 13812).

Trailer Bill Language: Delay of JJRBG Formula – Governor's Budget. Additionally, the Governor proposes trailer bill language to delay the development of a new distribution methodology for the JJRBG from January 2024 to January 2025.

Subcommittee Staff Comment and Recommendation – Hold Open. This issue was previously heard in this Subcommittee on February 29, 2024.

Subcommittee staff notes that this Budget Change Proposal lacks clarity regarding full implementation of Welfare and Institutions Code 2200, which requires all juvenile justice programs to move from BSCC to OYCR by January 1, 2025. This proposal only transfers the relevant position authority for one federal program, the Title II Grant Program, which funds about \$4 million in juvenile-justice related programming per year, a fraction of the approximately \$1 billion in overall funding the state provides to counties to administer juvenile justice programs.

The Administration has indicated that JJRBG is with OYCR per statute, and there is not currently position authority at BSCC that needs to transfer to OYCR. OYCR is already tasked with reviewing county realignment plans connected to the JJRBG.

However, the other juvenile justice programs mentioned above (Youthful Offender Block Grant, Juvenile Reentry Grant, Juvenile Probation Activities Grant, Juvenile Justice Crime Prevention Act, and Juvenile Probation Camp Funding grant) are not included in this proposal.

This Subcommittee initially heard this issue on February 29, 2024. At that time, the Department of Finance did not provide an answer on why the bulk of juvenile justice grant programs are absent from this proposal and what issues exist that would prevent full fidelity to the statute.

Questions. The Subcommittee requests the Department of Finance respond to the following:

1. Welfare and Institutions Code 2200 requires all juvenile justice grant administration functions to move under OYCR by January 1, 2025. Please explain why this proposal speaks only to the federal Title II Grant Program and not the totality of juvenile justice grant administration functions that are required by law to move to OYCR.

2. How does the Administration plan to fulfill the state's obligation to focus juvenile justice programs under OYCR?

3. Given the Governor's budget includes trailer bill language and a budget change proposal to transfer only the Title II grant, what is the Department of Finance's comprehensive plan to address the remaining juvenile justice grants currently administered by BSCC?

Issue 3: Child Welfare Services – California Automated Response and Engagement System Update

Budget Change Proposal – Governor’s Budget. The Office of Technology and Solutions Integration (OTSI) requests \$173.4 million (\$88.1 million General Fund, \$84.3 million federal funds, and \$988,000 reimbursements) for 2024-25, along with five new, permanent OTSI positions. Additionally, OTSI requests provisional language to increase project expenditure authority up to an additional \$52 million (\$26 million General Fund). The requested funding and positions provide the resources to continue the design, development, and implementation activities for the Child Welfare Services – California Automated Response and Engagement System (CWS-CARES) and CARES-Live. This funding is consistent with project costs that were approved in the 2023 Budget Act in accordance with Special Project Report (SPR) 6.

Background on CWS-CARES. CWS-CARES is a statewide case management and data solution for child welfare services to replace the state’s current system, known as CWS/CMS. The replacement of the current CWS/CMS system is needed to meet federal requirements. According to OTSI, CWS-CARES will:

- Allow key members of the Child and Family Team (CFT) to have direct access to enter information or access shared information to support case plan and service delivery.
- Allow children and their families to be at the center of decision making by providing families with direct access to help them have access to key information and communicate with their worker.
- Provide timelier service delivery and enable social workers to spend less time doing data entry and more time working directly with families.
- Increase process and system efficiency, resiliency, quality, and maintainability across the state.
- Track cost at the individual level (a step towards tracking dollars to outcomes by person and by program).
- Support achievement of the Comprehensive Child Welfare Information System (CCWIS) certification requirements to maintain federal financial participation (FFP) funding and avoid large state repayments and federal non-compliance penalties.

According to OTSI, funding to continue the CWS-CARES project is necessary to improve the quality and overall effectiveness of statewide child welfare delivery while also meeting the federal CCWIS regulations that secure retention of federal funding. The existing CWS/CMS system was initially implemented in 1997 and is not compliant with the CCWIS federal and state laws, regulations, or policies, which has resulted in the following:

- The state is unable to collect 54 of the 205 total Adoption and Foster Care Analysis and Reporting System (AFCARS) fields, resulting in federal penalties assessed quarterly. In addition, CDSS committed to collection of an additional 85 data elements related to the Indian Child Welfare Act (ICWA) that are not able to be collected in CWS/CMS.

- Counties have had to invest resources and local funding into systems and workarounds to track data to help them in managing their programs rather than into staffing or direct services. Often data in these systems are not accessible for state and federal reporting, resulting in a lack of complete and accurate data statewide.
- Counties and tribes are unable to quickly implement new changes to the system. Implementation of prevention services under the federal Family First Prevention Services Act (FFPSA) are dependent on having a consistent statewide data collection system to allow for state and federal reporting required to draw down FFP.
- End-users have adopted time-intensive manual processes and created external systems to bridge gaps in the CWS/CMS functionality, impacting the ability to efficiently provide consistently high-quality services across the state.

This project will deliver the core CWS-CARES solution through two versions: CWS-CARES Version 1 (V1) and CWS-CARES Version 2 (V2). The CWS-CARES V2 extends the functionality of the CWS-CARES V1 with data-intensive features supporting CCWIS compliance and continuation of interfaces, external systems, and Child Welfare Contributing Agencies, thus making it a more efficient and effective system for users.

In 2019, CDSS and OTSI delivered several feature sets using the custom development approach, including the Child Welfare History Snapshot, Facility Search, and Child and Adolescence Needs and Strengths Assessment (CANS). These three feature sets in production today are referred to as maintenance and operations “CARES-Live.”

On May 27, 2021, the project selected Resource Family Approval (RFA) Application Submission, Review, and Approval process as the greenfield demonstration module for the CWS-CARES. The development and functional testing of planned feature sets was completed on December 31, 2021, and the RFA Application process went live on January 31, 2022, with Fresno County being the first of five counties to receive the RFA rollout. The remaining counties went live on February 22, 2022.

The project submitted SPR 6, which was approved in May 2023. SPR 6 describes the CWS-CARES project status and updated plan for the CWS-CARES Design, Development & Implementation (DD&I) activities. Since then, the project has completed two additional product milestones with functionality related to Investigations Engagement and Determination. Additionally, several new milestones have started including Prevention Services, Case Closures, Warrants, Court Hearing Framework, Other Hearings, and Eligibility Programs.

Resource and Staffing Request. This request is for funding for state, county, and vendor resources; hardware/software; and core constituent participation to continue the DD&I of the CWS-CARES project to replace the existing legacy system. This request for continued funding is consistent with SPR 6 and the work to be completed in 2024-25. The chart below summarizes total project funding proposed for 2024-25. Note that this includes General Fund and federal funds, as well as provisional authority included in the 2024-25 budget request. The \$225.4 million total includes the requested \$52 million in provisional authority. Of the total requested funding including provisional authority, \$114.1 million is General Fund.

Attachment 2 – Project Budget Detail

2024-25 Budget Change Proposal - CWS-CARES Project Budget Detail

Budget Category	2024-25 Proposed CWS- CARES Costs	2024-25 Proposed CARES-Live Costs	2024-25 Total Proposed Costs
CWS-CARES Project			
OTSI Personal Services	14,332,163	2,778,782	17,110,945
Hardware/Software	14,510,388	889,301	15,399,689
Contract Services	133,673,178	3,766,645	137,439,824
CARES Development Services	120,045,707	0	120,045,707
CARES-Live Services	0	3,226,203	3,226,203
Project Management Services	4,741,511	91,283	4,832,794
County Consultant Services	8,885,960	449,159	9,335,119
OE&E	14,179,759	7,141,365	21,321,124
OSI Other OE&E (Gen Exp., Travel, and Facilities)	2,882,355	514,070	3,396,425
DGS Fees	1,830,798	376,607	2,207,405
Enterprise Services	6,117,578	1,258,426	7,376,004
Data Center Services	3,349,028	4,992,262	8,341,290
Total OTSI Spending Authority	176,695,488	14,576,093	191,271,582
CWS-CARES Project			
CDSS Personal Services	1,520,000	0	1,520,000
CDSS Other OE&E (Gen Exp., Travel, and Facilities)	462,000	0	462,000
Core Constituent Participation	30,822,770	0	30,822,770
IPOC Contract Services	800,000	0	800,000
County Regional Training Academy	306,251	0	306,251
Tribal Consultant	181,000	0	181,000
*Tribal Participation (Non-Add Line)	100,000	0	100,000
Total CDSS Local Assistance	34,092,021	0	34,092,021
Total Project Budget	210,787,509	14,576,093	225,363,603

* Tribal Participation Costs to be submitted as a separate Premise item and are only reflected in this view for display purposes.

** Of the amounts reflected in the table above, \$52,070,000 (\$26,035,000 General Fund) is held provisionally.

The five requested positions included in this proposal would add to the 81 existing positions currently at OTSI to support the project. A summary of the requested positions is below:

OTSI Requested Positions Summary

Proposed Resources	Additional Resources for FY 2024-25	Classification
Content Strategist	1 position	Information Tech. Specialist I (ITS I)
Research & Design Lead*	1 position	Information Tech. Specialist II (ITS II)
CDI Data Analytics Specialist	1 position	Information Tech. Specialist I (ITS I)
CDI Data Analytics Lead	1 position	Information Tech. Specialist II (ITS II)
Information Security Analyst	1 position	Information Tech. Specialist II (ITS II)
Total	5 positions	

*This position was previously requested in SPR 6; however, the position title and project unit have since been reclassified

2023 Budget Act – CWS-CARES. The 2023 Budget Act included \$130.2 million (\$66.6 million General Fund) for 2023- 24 for state operations to continue the DD&I activities of the CWS-CARES project. Budget bill language includes authority to access an additional \$70.1 million (\$35 million General Fund) should project activities accelerate. Additionally, budget bill language makes expenditure of these funds contingent upon verification of satisfactory progress, as defined, by the Department of Finance, in consultation with the Department of Technology. Budget bill language further requires CDSS to convene monthly meetings with the LAO, legislative staff, the Department of Technology, the Department of Finance, and other relevant parties to review project status reports; provide stakeholders, counties, and the Legislature with monthly project status reports; and schedule an annual progress demonstration. Trailer bill language increases legislative oversight of the project and specifies project objectives.

Total Project Funding. The total project costs through 2028, provided by OTSI, are summarized below.

Cost Category	CARES	CARES-Live
Project Costs (One-Time and Continuing)		
Staff (Salaries & Benefits)	\$111,625,168	\$20,707,213
Consulting & Prof. Services: Interdepartmental	\$16,684,205	\$3,121,222
Consulting & Prof. Services: External	\$969,938,348	\$85,876,580
Consolidated Data Centers	\$25,561,033	\$4,883,746
Information Technology	\$179,485,291	\$3,375,931
Misc. OE&E Rollup (Departmental Services; Central Administrative Services; Office Equipment; Other; Unclassified/Special Adjustment; Local Assistance)	\$227,183,327	\$21,217,358

Cost Category	CARES	CARES-Live
Total Project Costs (One-Time and Continuing):	\$1,530,477,372	\$139,182,050
Future Ops. IT Staff & OE&E Costs (Maintenance & Operations)		
Staff (Salaries & Benefits)	\$32,219,160	\$20,141,187
Consulting & Prof. Services: Interdepartmental	\$2,575,306	\$1,976,783
Consulting & Prof. Services: External	\$82,109,226	\$36,366,000
Consolidated Data Centers	\$9,878,543	\$29,161,674
Information Technology	\$39,833,683	\$5,232,437
Misc. OE&E Rollup (Departmental Services; Central Administrative Services; Office Equipment; Other; Unclassified/Special Adjustment; Local Assistance)	\$13,918,154	\$18,932,029
Total Future Ops. IT Staff & OE&E (Maintenance & Operations):	\$180,534,071	\$111,810,111
	Total CARES Costs	TOTAL CARES-Live Costs
	\$1,711,011,443	\$250,992,161
	TOTAL PROJECT COSTS	
	\$1,962,003,604	

Subcommittee Staff Comment and Recommendation – Hold Open. This Subcommittee previously heard this issue on April 25, 2024.

As of the March 2024 report to the Legislature, approximately \$54 million of the \$186.3 million in total spending authority from the 2023 Budget Act appropriation for CWS-CARES had been spent. OTSI reports that this low number is due to extended invoicing and claiming timelines and that they expect to use the full budget appropriation in 2023-24. Throughout 2024, including at the April 25th Subcommittee hearing, the Legislature and LAO have requested monthly spending projections for the remainder of the current fiscal year. Without this type of information, it is unclear how OTSI will spend down the remaining approximately \$132 million in 2023-24.

Questions. The Subcommittee requests OTSI respond to the following:

1. How much does OTSI project to spend on CWS-CARES in May 2024 and June 2024, including costs to pay invoices for work completed earlier in the fiscal year?
2. What is the basis for OTSI to determine that the 2023 Budget Act appropriation will be fully utilized? Will OTSI share spending plans or projections with the Legislature in order to demonstrate how the full appropriation will be spent?

Issue 4: Proposals for Investment

Stakeholder Proposals for Investment. The Subcommittee has received the following proposals for investment related to health and human services.

Presentation Item:

1. **Permanently Authorize the Emergency Food Bank Reserve.** The California Association of Food Banks (CAFB) requests \$1 million in 2024-25, 2025-26, and 2026-27 to fund and permanently authorize the Emergency Food Bank Reserve. According to CAFB, “in October of 2019 the California Department of Social Services (CDSS) requested to use \$1 million from the State’s General Fund to purchase and deliver food to food banks in [communities affected by natural disasters], as well as provide reimbursement for some food bank expenses related to emergency response. This effort was called the ‘State Disaster Food Assistance Program’ (SDFAP) and the ‘Emergency Food Bank Reserve’ was created as the account to fund the program with ongoing replenishment authority. Immediate action is needed to continue the success of the State Emergency Food Bank Reserve. Although replenishment language for the Emergency Food Bank Reserve account has been included in the State budget since 2020, CDSS currently lacks the legal authority to access this account. As of today, the Department has run out of food boxes, and is unable to execute a contract with a vendor to procure and distribute more food during an emergency due to the lack of statutory authority to access the Emergency Food Bank Reserve account. \$3 million one-time would sustain the program for three years, consistent with funding and distribution levels since the inception of the program in 2019. To help ensure the smooth operation, avoid the delays seen in 2023, and streamline administration of the program we are asking to place it in the Welfare & Institutions Code where the state’s other emergency food programs reside.”

Non-Presentation Items:

2. **Diaper Bank Funding.** The California Association of Diaper Banks requests \$10 million in 2024-25 to continue operations and provide free diapers to families in need. According to the California Association of Diaper Banks, “the state began providing limited-term funding for diaper banks five years ago. The last round of funding included \$30 million one-time over three years in the 2021-22 budget (\$10 million per year), which expires June 30, 2024. Each site currently receives \$1.25 million annually for diapers. Previous state funding has allowed Diaper Banks to distribute 160 million diapers to over 1 million families with 1.6 million infants. However, without an extension of funding in this year’s budget, free diaper distributions will cease to exist in California... This proposal would make free diapers available in 39 counties representing 83 percent of residents in California. Diaper Banks have established the operational structure and have become the community resource for free diapers. If state funding expires and this structure collapses, it will take years to rebuild if/when future funding is made available.”
3. **Critical Access Hospital Medi-Cal Reimbursement.** The California Hospital Association (CHA) requests annual expenditure authority of \$112.5 million (\$50 million General Fund and

\$62.5 million federal funds) and trailer bill language to support the creation of a cost-based Medi-Cal reimbursement for critical access hospitals (CAHs). According to CHA, California's 37 CAHs, serving communities located at least 35 miles from another medical facility, and which are included among rural hospitals, have seen their operating margins drop by a frightening 8 percentage points from 2019 to 2023. They are losing money every day to deliver care and maintain access. Two-thirds of CAHs are operating in the red and their scant reserves are dwindling and at risk. Under this proposal, DHCS would work with CAHs to evaluate their current cost reports and develop a reimbursement methodology that would provide payment to meet costs for inpatient, outpatient and skilled nursing facility services provided to Medi-Cal patients.

4. **Extension of Bridge Loan Repayment for Non-Designated Public Hospitals.** The District Hospital Leadership Forum (DHLF) requests budget bill language to extend the repayment term of CHFFA bridge loans to non-designated public hospitals to match the terms of the Distressed Hospital Loan Program, providing these hospitals an additional four years to repay the loans. According to DHLF, during the pandemic district and municipal hospitals were struggling with staffing shortages, supply shortages, and increased expenses. DHCS also transitioned its Medi-Cal managed care program from a fiscal year to a calendar year basis, impacting the timing of Medi-Cal supplemental programs, delaying over \$100 million of payments annually. DHLF worked with the Legislature on two \$40 million loan programs in 2021 and 2022 offered by CHFFA to bridge some of the cash flow gap for those hospitals most in need. These interest free loans had a two-year repayment term as it was expected that hospitals would exit the pandemic and return to a better fiscal situation. Hospitals and health care providers in general, are still facing staffing and supply shortages and had to contend with extremely high levels of inflation which has further weakened their finances.

In 2023 the legislature passed the Distressed Hospital Loan Program (DHLP) which has approved loans to a number of hospitals (over half the awardees and funds are to district hospitals). The DHLP loans are interest free and contain a six-year repayment schedule. While a number of district and municipal hospitals are receiving DHLP loans, these funds were approved by HCAI and CHFFA to assist the hospitals with their turnaround plans so that the hospitals facing closure could survive longer term. These loans were not envisioned to be used to repay other loans. Under this proposal, CHFFA would extend the terms of the bridge loans to non-designated public hospitals to provide an additional four years to repay the loans.

PUBLIC COMMENT
