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

SUBCOMMITTEE NO. 3 Agenda

Senator Richard Pan, M.D., Chair
Senator Melissa Hurtado
Senator Jeff Stone

Wednesday, May 15, 2019
10:00 a.m.
State Capitol - Room 4203

PART A

Consultant: Renita Polk

Item Department Page

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ISSUES FOR VOTE ONLY

5180 DEPARTMENT OF SOCIAL SERVICES – IN-HOME SUPPORTIVE SERVICES (IHSS)

Issue 1: IHSS State Administrative Review and Data Analysis (Governor's Budget)

Governor's Proposal. The Administration requests $235,000 for the permanent extension of two three-year limited term positions to support ongoing workload for the State Administrative Review (SAR) process and data analysis.

This issue was heard during the Subcommittee's March 14th hearing.

Staff Comment and Recommendation. Approve as budgeted.

ISSUES FOR DISCUSSION

5180 DEPARTMENT OF SOCIAL SERVICES - IHSS

The Governor's May Revision includes about $3.8 billion from the General Fund for IHSS in 2018-19. For 2019-20, the May Revision proposes $4.5 billion in General Fund for IHSS. Relative to the Governor's January budget, the May Revision estimates that IHSS General Fund costs will be, on net, about $60 million higher in 2018-19 and, on net, about $210 million higher in 2019-20. The increase in General Fund IHSS costs in the current year and budget year relative to the Governor's January proposal is primarily driven by two factors: (1) higher estimated hours per case, and (2) higher estimated provider costs per hour.

Issue 1: Public Authority Administration Funding (Issue 411-MR)

May Revision. The Administration requests that Item 5180-111-0001 be increased by $1,838,000 and reimbursements be increased by $1,899,000 for public authority administration based on updated workload assumptions.

Staff Comment and Recommendation. Hold open.

Issue 2: Restoration of the 7-Percent Across-the-Board Reduction (Issue 413-MR)

May Revision. The Administration requests that Item 5180-111-0001 be increased by $15,250,000 and reimbursements be increased by $22,151,000 to reflect the updated costs to restore the 7-percent across-the-board reduction to IHSS hours. The May Revision proposes to temporarily restore the 7-percent reduction through December 31, 2021, due to lower than expected revenues over the forecast period and ongoing efforts to contain costs.

LAO Comment. In general, the LAO has expressed concerns with many proposals within the May Revision where the Governor chooses to treat policies that are fundamentally ongoing in nature as temporary, which creates programmatic challenges and increases cost pressures. According to the LAO, this approach implicitly prioritizes new ongoing spending proposals largely at the expense of existing programmatic commitments.

Staff Comment and Recommendation. Hold open. Note that in January the Administration proposed to continue the restoration on an ongoing basis, but the Administration now proposes to continue the restoration only through December 21, 2021 due to lower than expected revenues over the forecast period and ongoing efforts to contain costs.

Issue 3: Electronic Visit Verification County Administration Funding (Issue 412-MR)

May Revision. The Administration requests that Item 5180-111-0001 be increased by $1,503,000 and reimbursements be increased by $4,507,000 to reflect adjustments in county administrative workload associated with the final implementation plan for electronic visit verification.

Staff Comment and Recommendation. Hold open.

Issue 4: Maintenance-of-Effort Increased Costs (Issue 424-MR)

May Revision. The Administration requests that Item 5180-111-0001 be increased by $55,098,000 related to the re-benching of the County IHSS maintenance-of-effort to reflect revised 1991 Realignment revenue projections and revised IHSS caseload and cost estimates.

Background. In January, the Governor estimated that the base County IHSS MOE would have increased to $2 billion in 2019-20. Absent any changes, DOF found that 1991 realignment revenues were not enough to cover these increasing MOE costs. In January, the Governor proposed to reduce the base County IHSS MOE itself to an amount that could be covered by 1991 realignment revenues. Specifically, the Governor proposed to reduce the base County IHSS MOE from $2 billion to $1.56 billion in 2019-20. As a result of these changes, it was estimated that, on net, about $240 million of county costs would be shifted to the state in 2019-20.

In May, the Governor estimates that, on net, an additional $55 million in General Fund is required to lower the base County IHSS MOE to an amount that can be covered by 1991 realignment. This is because, based on higher IHSS cost projections, the Governor’s May Revision estimates that base County IHSS MOE costs would have been $2.06 billion in 2019-20 under current law—about $60 million higher than January estimates. Additionally, the Governor’s May Revision estimates that 1991 realignment revenues can cover about $4 million in additional base county IHSS costs relative to January estimates (still about $1.56 billion in total). Based on these updated estimates, reducing the County IHSS MOE to $1.56 billion would, on net, shift about $300 million of county costs to the state in 2019-20—about $55 million more than initial January estimates.

Staff Comment and Recommendation. Hold open.

5180 DEPARTMENT OF SOCIAL SERVICES – CALWORKS

The Governor's May Revision assumes total CalWORKs costs in 2018-19 will be $4.8 billion—$47 million (1 percent) lower than the amount proposed in January. This slight decrease is due to a lower-then-anticipated estimated caseload. The Governor's May Revision assumes total CalWORKs costs in 2019-20 will be about $5.3 billion—$43 million (1 percent) higher than the January proposal. This increase reflects the effect of (1) new costs related to 12-month eligibility within Stage 1 child care, (2) slightly higher spending for the CalWORKs Home Visiting Initiative, and (3) a larger allocation to counties to provide case management for employment services. These additional costs are offset somewhat by lower costs as a result of a larger-than-expected caseload decline.

Issue 1: Single Allocation Employment Services Budget Methodology Changes (Issue 415-MR)

May Revision. The Administration requests that Item 5180-101-0001 be increased by $128,000 and Item 5180-101-0890 be increased by $41,296,000 to reflect a revised budgeting methodology for the employment services component of the CalWORKs Single Allocation to counties. It is also requested that Provision 11 be added to Item 5180-101-0001, and Provision 1 of Item 5180-101-0890 be amended to clarify that funding allocated for the purposes of CalWORKs Stage One Child Care services is independent of the CalWORKs Single Allocation.

Background. The May Revision proposes to use a new budgeting methodology to determine county funding for CalWORKs employment services. Historically, counties have received a funding for these purposes based on a flat per-client rate that was to be used for case management and direct employment services, such as vocation training, coursework, and job skills workshops. In the May Revision, the Administration proposes to set different budgeted funding amounts for case management depending on the amount of time county staff dedicate to working with different types of clients. (The Administration has indicated that funding for direct services, such as those discussed above, will continue to be provided based under the historical methodology until this portion can be updated as well.) The groupings of the case types are as follows:

- <u>Intensive Cases</u>. The highest funding level, corresponding to employment services case management for individuals who have significant barriers to employment.
- <u>Basic Cases</u>. Employment services case management for individuals who have some barriers to employment.
- <u>Work-ready Cases</u>. Employment services case management for individuals who have job skills and work experience and are prepared to re-enter the labor force.
- <u>Re-engagement</u>. Employment services case management for individuals who have not been participating in the CalWORKs program—for example, individuals who have been under sanction status for more than 12 months—or individuals who are exempt from the work participation requirement because they are caring for young children.

The new funding methodology for employment services results in a year-over-year increase of about $110 million (16 percent) from 2018-19 to 2019-20 for this component of the single allocation. Relative to the Governor's January proposal, the May Revision estimate for employment services is $140 million higher than the previous estimate for 2019-20 due to the new methodology, which on average provides higher funding-per-case than the previous method.

Legislative Analyst's Office (LAO) Comments. The LAO states that the new methodology represent a promising step, as it takes into account the level of services and case management each requires, but also raises key questions. First, the new funding methodology, which accounts for different case types, is based on an assessment of statewide need and not county need. In other words, the Administration has estimated the number of individuals statewide in each grouping (as listed above) and provided statewide funding based on that assessment. It is the LAO's understanding that funding will continue to be allocated to each county based on the size of their total caseload rather than the size of the newly defined caseload groupings. Secondly, the Administration's new methodology estimates the number of individuals in each grouping based on a set of proxies—for example, the number of intensive cases is based on the number of cases that receive specialized services under the existing Family Stabilization program. The use of these proxies nevertheless raises the question: how accurately does the new budgeting methodology identify participants who need more or less intensive services, and how will this assessment be refined in future years based on feedback from counties and state officials?

Staff Comment and Recommendation. Hold open.

Issue 2: CalWORKs Outcomes and Accountability Review County Administration (Issue 416-MR)

May Revision. The Administration requests that Item 5180-101-0001 be increased by $887,000 and Item 5180-101-0890 be increased by $12,293,000 to support county administrative activities related to the CalWORKs Outcomes and Accountability Review Continuous Quality Improvement process.

Staff Comment and Recommendation. Hold open.

Issue 3: Revised CalWORKs Home Visiting Assumptions (Issue 418-MR)

May Revision. The Administration requests that Item 5180-101-0001 be decreased by $3,289,000 and Item 5180-101-0890 be increased by $13,969,000 to reflect revised projections of CalWORKs cases eligible for Home Visiting Services.

Staff Comment and Recommendation. Hold open.

Issue 4: CalWORKs Stage One 12-month Eligibility (Issue 421-MR)

May Revision. The Administration requests that Item 5180-101-0001 be increased by $40,663,000 to establish a 12-month eligibility period for CalWORKs Stage One Child Care services, effective October 1, 2019. This proposal requires trailer bill language.

LAO Comments. The May Revision includes $41 million in 2019-20 (increasing to $54 million in 2020-21) to implement certain changes to CalWORKs Stage 1 child care. Specifically, the May Revision proposes to lengthen the amount of time a family stays in Stage 1 child care. Under current law, families in Stage 1 child care transfer to Stage 2 when the county deems them stable. (Every county has its own definition of stability.) The May Revision proposes that a family receive Stage 1 child care for at least twelve months before being transferred to Stage 2 child care. The proposal also reduces the frequency with which Stage 1 families must be recertified for child care. These proposals would become effective beginning October 1, 2019. Trailer bill was just released by the Administration on May 14th and the LAO is still reviewing.

Staff Comment and Recommendation. Hold open.

Issue 5: Cal-Learn Case Management Standards Change (Issue 422-MR)

May Revision. The Administration requests that Item 5180-101-0001 be increased by $230,000 and Item 5180-101-0890 be increased by $5,777,000 to reflect adherence to new case management standards in the CalWORKs Cal-Learn program.

Staff Comment and Recommendation. Hold open.

Issue 6: Decreased TANF Funding for Cal Grants (Issue 419-MR)

May Revision. The Administration requests that Item 5180-101-0890 be decreased by $5.9 million to reflect a decrease in the amount of federal TANF block grant funds available to offset General Fund costs in the Cal Grant program.

Staff Comment and Recommendation. Hold open.

Issue 7: BBL - CalWORKs Housing Support Program Re-appropriation

May Revision. The Administration requests that Item 5180-493 be amended for the purpose of re-appropriating the unexpended balances from funds appropriated in the 2018 Budget Act for the CalWORKs Housing Support Program.

Staff Comment and Recommendation. Hold open.

Issue 8: TBL – SB 726 Terminology Change and Delayed Implementation

May Revision. The Administration proposes trailer bill language to make a terminology change to the EBT expungement process changes as a result of Senate Bill 726 (Wiener), Chapter 930, Statutes of 2018.

Background. SB 726 requires an expungement process for non-fraudulent cash assistance overpayments to former CalWORKs recipients who have not received cash aid for 36 consecutive months. SB 726 also allowed for mass overpayment expungement in the event overpayments were a result of negligence or major systemic error. The county welfare departments and Statewide Automated Welfare System (SAWS) consortia use the term "expunge" for a different process. This language changes the SB 726 terminology from "expunge" to "discharge." Additionally, the total automation changes necessary to implement this bill cannot be made in SAWS until 2023 when the single CalSAWS is completed. As such, this language delays implementation date from July 1, 2019 to July 1, 2020, at which point a phased implementation would be carried out through 2023 when all necessary functionality is built into SAWS.

Staff Comment and Recommendation. Hold open.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES (DDS)

Issue 1: May Revision Adjustments

May Revision. The May Revision includes $8.2 billion total funds ($5.0 billion General Fund) for the Department in 2019-20; a net increase of $736.5 million ($534.3 million General Fund) over the updated 2018-19 budget.

Community Services Program/Regional Centers

The updated 2018-19 projected community population is 333,094, a net increase of 356 consumers, compared to the 2018 Enacted Budget. 333,010, a net decrease of 84 consumers compared to the 2019-20 Governor’s Budget. The net decrease reflects an increase of 377 consumers in the Active caseload, and a decrease of 461 in the Early Start caseload. The 2019 May Revision updates the 2019-20 Governor’s Budget to $7.0 billion ($4.1 billion General Fund); an increase of $67.6 million ($35.8 million General Fund). This includes a $66.6 million increase ($37.2 million General Fund) in Purchase of Service (POS). The updated budget overall includes an increase of $1.0 million ($1.4 million General Fund decrease) in Operations costs.

The budget year projection for the community population is 350,161, a net increase of 555 consumers as compared to the 2019-20 Governor’s Budget. The May Revision proposes $7.8 billion ($4.7 billion General Fund) for the Regional Center system, an increase of $356.9 million ($225.2 million General Fund) as compared to the proposed 2019-20 Governor’s Budget.

State Operated Residential and Community Facilities

The population on July 1, 2018, was 514 residents. The Department projects an ending population of 326 residents on July 1, 2019. The 2019 May Revision updates the budget to $404.4 million ($316.7 million General Fund), which is a net increase of $10.0 million General Fund as compared to the 2019-20 Governor's Budget.

The 2019 May Revision proposes a total of $323.8 million ($282.2 million General Fund) for the State Operated Residential and Community Facilities Program; a net increase of $14.4 million ($16.4 million General Fund) from the 2019-20 Governor's Budget.

Headquarters

The 2019 May Revision proposes no changes to the 2018-19 Headquarters' budget of $70.9 million ($42.3 million General Fund).

The May Revision proposes $92.5 million ($59.4 million General Fund) for Headquarters which is a net increase of $7.7 million ($6.2 million General Fund) compared to the 2019-20 Governor's Budget.

Staff Comment and Recommendation. Hold open. Note that additional resources for the department's relocation to the Clifford Allenby Building are included in the May Revision, but were discussed as part of a cross-departmental proposal on May 14th.

Issue 2: Provider Rate Adjustment (Issue 410-MR)

May Revision. The Administration requests that Item 4300-001-0001 be increased by $2.5 million and four positions, Item 4300-101-0001 be increased by $101,183,000, and reimbursements be increased by $66,950,000. These adjustments reflect a two-year limited-term provider rate increase, effective January 1, 2020, and resources necessary for the implementation of regional center accountability and oversight reform measures. The rate increases would begin in January 2020 to give the department time to obtain federal approval from the Centers for Medicare and Medicaid Services (to ensure continued receipt of federal matching funds).

Background. The proposed rate increases would be for service providers in the following categories:

- Residential services (in homes with 6 beds or fewer): $82.6 million total funds
- Support services (including supported living services): $67.6 million total funds
- Supported employment (group and individual): $12 million total funds
- Transportation assistance: $1.6 million total funds

DDS designed the temporary rate increases based on information obtained from the rate study submitted to the Legislature on March 15, 2019 in two ways. Specifically, DDS used information from the rate study to decide which services to target and how to better achieve rate parity across providers. DDS indicates that it is targeting service categories based on which services had the largest gap between current rates and what the rate would be under the rate models presented in the rate study. However, the proposed rate increase does not implement the rate study's proposed models. As with the rate study, the Governor's May Revision proposes to capture regional variations in cost by applying regional adjustment factors. Additionally, the Governor's proposal attempts to narrow the arbitrary differences in rates among similar providers that are located in the same area. While no provider would receive a rate reduction, some providers would receive a larger rate increase than others.

DDS also states it designed the proposed rate increases to stabilize residential capacity and options; to stabilize the workforce; and to set the stage for "systems reform and innovative redesign." DDS estimates that the targeted service providers would receive, on average, a temporary 18 percent rate increase.

LAO Comments. In general, the LAO has expressed concerns with many proposals within the May Revision where the Governor chooses to treat policies that are fundamentally ongoing in nature as temporary, which creates programmatic challenges and increases cost pressures. According to the LAO, this approach implicitly prioritizes new ongoing spending proposals largely at the expense of existing programmatic commitments.

Questions.

1. The department has indicated that it has targeted rate increases for specific service categories based on which services had the largest gap between current rates and the rates under the proposed rate models. What is the impact of this proposal on those gaps? How do the adjusted gaps as a result of this proposal compare to the gaps of service providers not included in the proposal?

2. The department has indicated it designed the proposed rate increases to stabilize residential capacity and options. Please talk to the stability of other service providers not included in this proposal.

3. Several stakeholders have advocated for an eight percent across-the-board increase for service providers. Please explain why the department chose not to implement that proposal.

Staff Comment and Recommendation. Hold open.

Issue 3: TBL – Regional Center Transparency and Accountability

May Revision. The Administration proposes language that would provide additional measures to enhance regional center and provider oversight.

To increase transparency, accountability, and oversight, DDS proposes the following statutory changes aimed at providing the community more information on the service quality, outcomes, and regional center performance.

- Performance contract reporting: Require regional center governing boards to annually report on performance contract outcomes and receive community input in a public meeting, and to report to DDS on the outcomes of the meeting and the regional center's plan to address areas where improvement is needed. This information will allow DDS and stakeholders to actively oversee and monitor regional center performance and compliance, as well as identify best practices and disseminate those broadly.

- Regional Center process standardization: Provide DDS the authority to standardize regional center processes where appropriate to provide greater consistency and predictability for consumers and their families. DDS will begin this effort by creating, with stakeholder input, a consumer and family-friendly information packet that must be provided to anyone seeking regional center services.
- Performance dashboard requirements: Require DDS to provide the dashboard in a machine readable format, and require regional centers to post their data on their websites consistent with DDS' dashboard outcomes and to link to DDS' data dashboard. This could include an expansion of outcomes data to be reported to DDS.

To improve regional center Board Governance, DDS is also proposing the following:

- Governing board meetings with DDS: Require regional center governing boards to meet with DDS representatives upon a request by the department's director. The board will exclude regional center employees from the meeting if so requested by the director.

- Governing boards expertise: Require regional center governing boards to include a member with financial expertise, as well as adding an option for board governance to the current management experience requirement. Governing boards will no longer be required to have a member with public relations skills.

- Legal counsel conflicts-of-interest: Require regional center governing boards to ensure that any attorney retained by the board to provide legal services is not an employee of the regional center or a consultant who acts as a member of the regional center's management team.

To improve consumer safety and transparency, DDS also proposes the following:

- Consumer safety: Require fingerprinting/background clearance for all direct service professionals in service areas that are targeted for rate adjustments. These services include, personal assistance, supported living services, supplemental program support services, transportation assistants, supported employment and Independent Living Skills. Require regional centers to monitor compliance.

- Health and safety: Provide the director of DDS the authority to issue a directive to regional centers and require the regional centers to comply with the directive. A directive may be issued by the director of DDS to protect consumer health and safety.

- Service provider quality: Require regional centers to send to DDS reports regarding service provider corrective action plans, including but not limited to, information on service provider names, types of actions taken and dates of actions.

- National Core Indicators (NCI) survey results: Require regional centers to post on their websites NCI survey results specific to their regional center, to hold an annual public board meeting to discuss the data, and to report to DDS on the outcomes of those meetings and the regional center's plan to address areas where improvement is needed.

Staff Comment and Recommendation. Hold open. At the time of writing this agenda, language was not available.

Issue 4: Porterville Stabilization Training Assistance and Reintegration Facilities (Issue 404-MR)

May Revision. The Administration requests that Item 4300-001-0001 be increased by $4,710,000 and reimbursements be increased by $1,177,000 to operate two Stabilization, Training, Assistance, and Reintegration (STAR) homes at the Porterville Developmental Center General Treatment Area. This one-time augmentation provides interim acute crisis stabilization services pending the completion of the Central Valley STAR homes in fiscal year 2020-21.

Staff Comment and Recommendation. Hold open.

Issue 5: Population and Staffing Adjustment (Issue 405-MR)

May Revision. The Administration requests that Item 4300-001-0001 be increased by $11,654,000 and 20.2 positions and reimbursements be decreased by $9,287,000 for the operation of one additional intermediate care facility at the Fairview Developmental Center and continued operation of all intermediate care facilities until December 31, 2019. This is due to scheduled placements occurring later than estimated in the 2019-20 Governor's Budget.

Staff Comment and Recommendation. Hold open.

Issue 6: Early Start Co-Payments (Issue 406-MR) and TBL

May Revision. The Administration requests that Item 4300-101-0001 be increased by $1 million. Trailer bill language is necessary to implement this request.

Background. As a condition of federal Early Start grant funding, DDS must ensure that insured families are not disproportionately charged more than uninsured families for early intervention services. Currently, some privately insured families pay out-of-pocket co-payments while regional centers cover all early intervention service costs for uninsured families. These changes enable regional centers to make co-payments on behalf of privately insured families in order to comply with federal requirements.

Staff Comment and Recommendation. Hold open.

Issue 7: Family Home Agency Oversight (Issue 407-MR)

May Revision. The Administration requests that Item 4300-101-0001 be increased by $1.1 million and reimbursements be increased by $519,000. These funds will enable regional centers to expand Family Home Agency monitoring of individuals who transition out of high-cost models of care into more cost-effective, less restrictive settings.

Staff Comment and Recommendation. Hold open.

Issue 8: Specialized Home Monitors (Issue 408-MR)

May Revision. The Administration requests that Item 4300-101-0001 be increased by $207,000 and reimbursements be increased by $99,000. This is a technical salary adjustment for regional center Board Certified Behavioral Analyst positions proposed in the Governor's Budget.

Staff Comment and Recommendation. Hold open.

Issue 9: Caseload and Utilization Adjustment (Issue 409-MR)

May Revision. The Administration requests that Item 4300-101-0001 be increased by $90,038,000, reimbursements be increased by $44,054,000, and Item 4300-101-0890 be decreased by $696,000. These changes reflect updated expenditures in caseload-driven operations and purchase of service costs.

Staff Comment and Recommendation. Hold open.

Issue 10: Uniform Holiday Schedule Suspension (Issue 411-MR)

May Revision. The Administration requests that Item 4300-101-0001 be increased by $30.1 million and reimbursements be increased by $20.2 million to suspend the implementation of the Uniform Holiday Schedule. Provisional language is necessary to implement this request. The May Revision proposes to continue the suspension through December 31, 2021.

Staff Comment and Recommendation. Hold open.

Issue 11: Best Buddies (Issue 412-MR)

May Revision. The Administration requests that Item 4300-101-0001 be increased by $500,000. This adjustment supports Best Buddies' delivery of peer-to-peer mentoring and supported employment services.

Staff Comment and Recommendation. Hold open.

Issue 12: TBL – Enhanced Behavioral Supports Homes Sunset Extension

May Revision. The Administration proposes language that would extend the Enhanced Behavioral Support Home program sunset from Jan. 1, 2020 – to Jan 1. 2021. This will allow for continued development of homes that serve individuals who have challenging behavioral needs.

Staff Comment and Recommendation. Hold open.

Issue 13: TBL – Canyon Springs Admissions Expansion

May Revision. The Administration proposes language that would expand admissions into Canyon Springs for individuals currently admitted to acute psychiatric facilities, Institution for Mental Disease, or state operated Stabilization, Training, Assistance, and Reintegration homes and have no community placement options to meet high intensity need.

Staff Comment and Recommendation. Hold open.