

---

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

## **SUBCOMMITTEE NO. 3**

## **Agenda**

---

**Senator Richard Pan, Chair**  
**Senator William W. Monning**  
**Senator Jeff Stone**



**March 16, 2017**  
**9:30 a.m., or Upon Adjournment of Floor Session**  
**Room 4203, State Capitol**

### **PART A**

Consultant: Theresa Pena

<b><u>Item</u></b>	<b><u>Department</u></b>	<b><u>Page</u></b>
<b>5160</b>	<b>Department of Rehabilitation</b>	
Issue 1	Overview	2
Issue 2	Proposals for Investment	7
Issue 3	Oversight: Traumatic Brain Injury Funding	8
Issue 4	BCP: California Innovations Program: Federal Work-Based Learning Grant for Students with Disabilities	10
Issue 5	BCP: Supported Employment Program: Increase Job Coaching Rates	11
Issue 6	BCP: Information Security Compliance	12
	Public Comment	

---

*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.*

---

**5160 DEPARTMENT OF REHABILITATION**

**Issue 1: Overview**

The Department of Rehabilitation (DOR) works in partnership with consumers and other stakeholders to provide direct services and advocacy resulting in employment, independent living, and equality for individuals with disabilities. DOR seeks to assist over 130,000 Californians with disabilities to obtain and retain competitive employment in integrated settings, and to maximize equality and ability to live independently in their communities of choice. With a proposed FY 2017-18 budget of \$446.7 million (\$61.5 million General Fund) and 1,879 authorized positions, the department offers programs related to vocational rehabilitation, assistive technology, independent living, supported employment, services for individuals with traumatic brain injuries, and workforce development. Overall, federal funding constitutes around 84 percent of the department’s total funding. Below is a chart that provides an overview of the department’s funding since FY 2015-16.

<b>Fund Source</b>	<b>2015-16 Actuals</b>	<b>2016-17*</b>	<b>2017-18*</b>
<b>General Fund</b>	<b>\$ 59,782</b>	<b>\$61,456</b>	<b>\$61,531</b>
Traumatic Brain Injury Fund	\$841	\$1,062	\$1,114
Vending Stand Fund	\$1,273	\$2,361	\$2,361
Federal Trust Fund	\$368,290	\$374,089	\$373,965
Reimbursements	\$6,377	\$7,680	\$7,680
<b>Total Expenditures</b>	<b>\$436,563</b>	<b>\$446,648</b>	<b>\$446,651</b>
<b>Positions</b>	<b>1,838</b>	<b>1,876</b>	<b>1,879</b>

\* Budgeted amount

**Eligibility.** When the department does not have enough funds to serve all applicants who are deemed eligible for services, the federal government requires DOR to use an Order of Selection (OOS) process, under which the department must serve people with the most significant disabilities first (all those in the "most significantly disabled" category will be served first, followed by those in the "significantly disabled" category and then the "disabled category"). DOR has been operating under an OOS since 1995. Within each category, DOR serves individuals according to date of application. If placed on a waiting list, DOR consumers receive information and referral services and may ask for their priority category to be re-evaluated if they have experienced a change in severity of disability. Currently, there are no consumers on the DOR waiting list.

**Services and Programs.** In addition to providing services, such as career assessment and counseling, job search and interview skills, and career education and training, DOR offers several programs.

- Vocational Rehabilitation (VR). The Vocational Rehabilitation Services Program delivers vocational rehabilitation services to persons with disabilities through vocational rehabilitation professionals in district and branch offices located throughout the state. DOR has cooperative

agreements with state and local agencies (education, mental health, and welfare) to provide unique and collaborative services to consumers.

- Assistive Technology (AT). The Assistive Technology Act of 1998 (amended in 2004) funds each state and U.S. territory to provide AT services. California's program, known as the California Assistive Technology System (CATS), is funded by a federal grant through the Rehabilitation Services Administration (RSA). For DOR to provide the required services, DOR contracts with the California Foundation for Independent Living Centers (CFILC) to provide statewide AT services.
- Independent Living Services. DOR funds, administers, and supports 28 independent living centers in communities located throughout California. Each independent living center provides services necessary to assist consumers to live independently and be productive in their communities. Core services consist of information and referral, peer counseling, benefits advocacy, independent living skills development, housing assistance, personal assistance services, and personal and systems change advocacy.
- Traumatic Brain Injury (TBI). In coordination with consumers and their families, seven service providers throughout California provide a coordinated post-acute care service model for persons with TBI, including supported living, community reintegration, and vocational supportive services. This will be discussed in more detail later in the agenda.

**Workforce Innovation and Opportunity Act.** On July 22, 2014, President Obama signed the Workforce Innovation and Opportunity Act (WIOA), which seeks to assist job seekers access employment, education, training, and support services to succeed in the labor market, and to match employers with skilled workers. WIOA seeks to improve services to individuals with disabilities, including extensive pre-employment transition services for youth, better employer engagement, and increasing access to high-quality workforce services. Consistent with WIOA requirements and input received from internal and external stakeholders, DOR has implemented or completed the following:

- Provided training, technical tools and resources to all departmental staff.
- Facilitated multiple public WIOA forums with internal and external stakeholders.
- Collaborated with state and local partners, community rehabilitation programs, stakeholders and national experts to develop and implement new services and identify evidence based practices to meet WIOA requirements.
- Established 39 new contracts providing over 600 students and youth with disabilities the opportunity for work experiences.
- Collaborated with the California Department of Education to develop and streamline the processes, procedures and documentation required before youth and students with disabilities may be employed at sub minimum wages.

- Designated a DOR representative on every Local Workforce Development Board (LWDB) to represent the needs of individuals with disabilities.
- Negotiated and finalized MOUs with each LWDB.
- Supported marketing activities to establish DOR as a talent resource for employers seeking to hire qualified individuals with disabilities.
- Established a team of Vocational Rehabilitation professionals to provide career counseling and information and referral.

The RSA issued final WIOA regulations in September 2016. While many of the key requirements of WIOA have been implemented, DOR expects that the remaining requirements will be fully realized before 2020. Examples of remaining requirements are final modifications to the information technology data collection system, transformation of services to youth with disabilities, and implementation of RSA's new performance metrics.

**Social Security Beneficiary Work Incentive Planners.** In 1981, Congress established the Cost Reimbursement Program to encourage state Vocational Rehabilitation Agencies to provide services that would result in gainful employment by SSI/SSDI beneficiaries. Under the Cost Reimbursement Program, the Social Security Administration pays DOR for the reasonable costs of services provided to SSI/SSDI consumers if those services result in the consumer achieving work at specified earnings level, known as the Substantial Gainful Activity. The department began a Work Incentives Planning Pilot from September 2013 through August 2015 to increase employment outcomes and self-sufficiency. According to the department, this pilot was successful in leading more individuals to working and earning higher wages, as well as increasing Social Security Cost Reimbursements.

In 2013-14, the DOR was provided nine temporary help positions to develop the WIP Pilot Program to assist additional individuals receiving vocational rehabilitation services improve employment outcomes and decrease their dependency on SSI/SSDI benefits. The WIP Pilot Program generated an additional \$684,076 in SSA reimbursements. The 2015 Budget Act included \$3.1 million in federal expenditure authority and 31 positions to permanently establish WIP services. These WIP positions generated roughly \$1.7 million in SSA reimbursements for 2015-16 and roughly \$1.9 million in 2016-17.

### **Independent Living Center Funding.**

Independent Living Centers (ILCs) are private nonprofit organizations that provide a variety of services to individuals with disabilities of all ages. DOR funds, administers, and supports 28 ILCs in communities located throughout California. Each independent living center provides services necessary to assist consumers to live independently and be productive in their communities. Core services consist of information and referral, peer counseling, benefits advocacy, independent living skills development, housing assistance, personal assistance services, and personal and systems change advocacy.

ILCs receive government funding from both Title VII (c) funds from the U.S. Department of Health and Human Services, under the Administration for Community Living (ACL) and Title VII (b) funds through the DOR. State funds come from Social Security Reimbursement Program Income through the DOR.

Last year, the 2016 Budget Act included a \$705,000 General Fund augmentation for three ILCs. These ILCs serve Amador, Calaveras, Tuolumne, Mariposa, Stanislaus, San Joaquin, Kern, Placer, El Dorado, and Alpine counties. This year's Governor's Budget proposes to remove this augmentation.

**CaPROMISE Grant Update.** In fiscal year 2014-15, the DOR was awarded a competitive federal grant, entitled Promoting the Readiness of Minors in Supplemental Security Income (or PROMISE), which began October 1, 2013 and goes through September 30, 2019. The \$55 million, five-year CaPROMISE grant seeks to develop and implement model demonstration projects that promote positive outcomes for 14 to 16-year old Supplemental Security Income (SSI) recipients and their families. The grant is 100 percent federal funds without a state match requirement.

As the lead coordinating agency for CaPROMISE, DOR is responsible for statewide leadership, oversight, administration, and coordination of the grant. DOR partners with five other state departments<sup>1</sup> and 21 Local Educational Agencies (LEAs) to coordinate services, direct outreach, recruitment, and involvement of participants.

The grant is currently in its fourth year. All six approved permanent full-time positions have been hired and performing their duties and responsibilities since FY 2014-15. Total enrollment of 3,273 participants was completed on April 30, 2016. Of those enrolled, 1,646 participants were randomly assigned to the CaPROMISE services group (treatment group) and are receiving the services by the CaPROMISE. Services are received from 21 LEAs where Career Service Coordinators provide case management, service coordination, and benefits planning along with three California State Universities (CSUs) who provide interns for pre-vocational services. The main focus is on service provision: benefits and financial planning (by Career Service Coordinators at the LEAs who are also certified benefits planners), work experience (at least one paid and one unpaid work experience for each participant by the end of the project), independent living skills trainings through partnership with four ILCs.

---

<sup>1</sup> California Department of Education; Employment Development Department; Department of Developmental Services; Department of Health Care Services; and Department of Social Services.

Below is a service delivery and implementation timeline of the grant.

### CaPROMISE Activities, Targets, Timelines with Benchmarks

Activities	Targets	Estimated Completion	Update
Career Services Coordinators Receive Basic Training	100% complete training	June 2014	Completed
Career Service Coordinators Receive Cornell Training	100% complete training	September 2014	Completed
Interagency Council Meeting	2 meetings per year	March 2014(Initial Meeting) September 2014 May 2015 December 2015 <b>September 2016</b> <b>January 2017</b>	All Meetings conducted to date
Recruitment of Students	At least 3,078 child SSI recipients ages 14-16 and their families	April 2016	Completed <b>3,273 enrolled</b>
Data Collection System Developed	Developed and initiated	June 2014  <b>Regularly updated based on the needs of the project</b>	Completed
Case Management Intervention	100% of students	September 2018	On Track
Benefits Counseling/Financial Planning Intervention	100% of students	September 2018	On Track
Work Experience Intervention	100% of students have at least one volunteer and one paid experience	September 2018	On Track
Parent Training and Information Intervention	100% of families	September 2018	On Track
Employment Preparation Workshops/Soft Skills Training Intervention	100% of students	September 2018	On Track

**Staff Comment and Recommendation.** Hold open.

#### Questions.

1. Please provide a brief overview of the department and its programs and services.

**Issue 2: Proposals for Investment**

The subcommittee has received the following proposal for investment.

- Restore 2016-17 Budget Augmentation for Independent Living Centers

**Budget Issue.** The Subcommittee has received a letter from Assemblymember Rudy Salas, signed by multiple other members of both the Assembly and Senate, requesting that the \$705,000 General Fund that was appropriated to ILCs last year be restored.

**Background.** Last year, the 2016 Budget Act included a \$705,000 General Fund augmentation in base funding for three ILCs. The three facilities are the Independent Living Center of Kern County, Disability Resource Agency for Independent Living (in Stockton), and Placer Independent Living Resources, and serve a total of 11 counties. These centers, which were established with federal VII-C funds, were originally excluded from receiving state funded ‘base funding’ to provide equity across funding for all ILCs. These three centers do receive state funding allocated by formula for Assistive Technology and Population in addition to federal funds.

**Staff Comment and Recommendation.** Hold open.

<b>Issue 3: Oversight: Traumatic Brain Injury Funding</b>
---

**Traumatic Brain Injury (TBI) Program.** The Department of Rehabilitation administers the Traumatic Brain Injury (TBI) Program, where seven providers deliver statewide services, such as coordinated post-acute care, supported living, community reintegration, and vocational supports, to help over 900 impacted individuals lead productive and independent lives. DOR also funds education, information, and referral services for over 10,000 individuals impacted by TBI; as well as serving an additional 1,300 individuals with TBI through its Vocational Rehabilitation Program.

**Funding.** TBI Fund revenues stem from penalties paid for various violations of California's Vehicle Code. Section 1464 of the Penal Code establishes that 0.66 percent of the state penalty funds imposed upon every fine, penalty, or forfeiture collected by the courts throughout the state for criminal and vehicular offenses, be contributed to the TBI Fund. In addition, fines that are collected for violation of California's seat belt law support the TBI Program.

Sites historically received \$150,000 per year from the TBI Fund. However, the California State Controller's Office reports that the Seatbelt Penalty Fund (SPF) has decreased by over \$50 million since 2006-07. The TBI Fund has not generated enough revenue to support the \$150,000 per site funding level since 2006. In 2015-16, each of the seven sites received \$120,000.

The 2014 Budget Act included a one-time revenue transfer of \$500,000 from the Driver Training Penalty Assessment Fund (DTPAF) to the TBI Fund. The 2016 Budget Act included a one-time revenue transfer of \$360,000 from the DTPAF. The department has been seeking additional funding opportunities, such as federal grants; however, the department has been unsuccessful at identifying a stable funding source for the TBI programs

TBI funds are summarized in the chart below.

<b>TBI FUND REVENUE</b>	
<b>State Fiscal Year</b>	<b>TBI Fund</b>
FY 10-11	\$1,091,926
FY 11-12	\$809,181
FY 12-13	\$849,834
FY 13-14	\$807,753
FY 14-15	\$769,164
*FY 15-16	\$664,222
*FY 16-17	\$228,758

\* Year to date Revenues as of January 2017

**Governor's Proposal.** Currently, funds from the SPF and the DTPAF are distributed among various special funds. SPF revenues have decreased significantly over the past several years, largely due to a decrease in traffic citations. With the projected decrease, the SPF will no longer be able to support all of the programs that receive this funding. In addition, the cost of these programs has increased, and the statutory formula has not been adjusted accordingly.



The Administration has proposed to amend the process by which the state portion of the assessment is distributed. The Governor's budget proposes to remove the current distribution process and instead provide direct appropriations and transfers from the State Penalty Fund to support these various programs. For the TBI fund, this annual appropriation would be \$800,000, and each site would receive \$150,000.

**Staff Comment and Recommendation.** This is an oversight item, and no action is required. The Governor's proposal will be discussed in a future hearing in Subcommittee No.5 on Public Safety.

**Questions.**

1. Please discuss TBI funding and summarize the Governor's proposal for the State Penalty Fund.

**Issue 3: BCP: California Innovations Program: Federal Work-Based Learning Grant for Students with Disabilities**

**Governor's Proposal.** The Administration is requesting one permanent full-time position to provide program oversight and perform contracting and data management activities required to administer the California Innovations Program - Federal Work-Based Learning Grant. The \$8.5 million federal grant has a five-year grant period and there is no state match requirement. DOR will use existing federal fund authority for the expenditures.

**Background.** The California Innovations Program is meant to increase self-sufficiency for students with disabilities through planned education and work-based learning. This program supports the goals of the WIOA, which emphasizes serving students and youth to ensure they have meaningful opportunities to receive training and other services needed to achieve competitive employment outcomes.

The department will collaborate with Local Education Agencies (LEAs) to provide program services such as paid and non-paid career-focused internships, participation in career pathway programs, and entrance in to post-secondary education or competitive integrated employment. DOR is responsible for statewide leadership, oversight, administration, and coordination at the state and federal level for the grant. This includes contract development and administration, invoicing and budgeting, oversight of program evaluations and site visits, coordinating meetings, and providing training and technical assistance, among other duties.

Currently the grant is funding one limited-term (LT) position at the Staff Services Manager level to administer the grant and .25 FTE for a Project Director, at an estimated cost of \$153,000 yearly. Since a LT allocation only allowed a maximum of two years, one permanent full-time position is being requested to administer the grant for the full five-year period.

**Staff Comment and Recommendation.** Hold open. No concerns have been raised to subcommittee staff at this time.

**Questions.**

1. Please summarize the proposal.

**Issue 4: BCP: Supported Employment Program: Increase Job Coaching Rates**

**Governor's Proposal.** The Administration requests \$500,000 General Fund in 2017-18 and ongoing to match the increased supported employment provider hourly rate identified in the Department of Developmental Services' (DDS) June 2016 New Provider Rate memo as required by Chapter 3, Statutes of 2016, Second Extraordinary Session AB1 X2 (Thurmond). The additional funding will help DOR sustain the job coaching rate at \$36.57 per hour, consistent with the DDS rate, with out reducing other services to individuals with disabilities.

**Background.** Supported Employment (SE) job coaching is a Vocational Rehabilitation service that provides individuals with the most significant disabilities with on-the-job support, enabling them to become employed in competitive and integrated work environments. SE job coaching services are provided by both the DOR and DDS. DOR provides SE job coaching services to an estimated 3,000 consumers annually.

DDS SE job coaching hourly rates, intake, placement, and retention services are statutorily defined. DOR has historically set a rate structure consistent with DDS to avoid disparity among the job coaching service providers. In 2015-16, AB1 X2 required DDS to restore the SE job coaching rate back to 2008-09 levels, from \$30.82 to \$36.57 effective July 1, 2016. This resulted in a \$500,000 increase to DOR's SE program costs. The 2016 Budget Act provided the department \$500,000 in General Fund to enable DOR to increase the SE job coaching hourly rate consistent with DDS.

The requested \$500,000 General Fund, combined with the \$500,000 General Fund provided in the 2016 budget, will allow DOR to raise its SE job coaching hours rate. Currently, the department is backfilling the increased \$500,000 General Fund need with redirection of Vocational Rehabilitation funds, which, if continued, could result in less individuals with disabilities being served.

**Staff Comment and Recommendation.** Hold open. No concerns have been raised to subcommittee staff at this time.

**Questions.**

1. Please summarize the proposal.
2. Please explain what other programs may be impacted by the current backfilling with Vocational Rehabilitation funds.

**Issue 5: BCP: Information Security Compliance**

**Governor's Proposal.** The Administration is requesting two permanent full-time positions and \$281,000 in General Fund to ensure adequate staffing in DOR's Information Security Office (ISO), compliance with the information security regulations prescribed in the State Administrative Manual (SAM) 5300, and to maintain the overall safety and security of DOR data. The requested positions are as follows:

- One Systems Software Specialist (SSS) II
- One Staff Information Systems Analyst Specialist (Staff ISA)

**Background.** When DOR created its information security program more than a decade ago, it dedicated one position, the Information Security Officer (ISO). Since that time, there has been an increase in the number and type of security threats.

In the past year, DOR has undergone several security assessments and has determined that its information security program is lacking and puts department data at risk. Both the California State Auditor and the Multi-State Information Sharing and Analysis Center's Nationwide Cyber Security Review identified a lack of sufficient staffing resources to meet workload demands, and the California Military Department's Cyber Network Defense team identified several vulnerabilities.

DOR's case management system contains confidential and sensitive information, including social security numbers, on over 100,000 active consumers, as well as information in over 500,000 records that include both open and closed cases. The two requested positions would maintain the safety and security of this personal and private information and save the state from costly data breaches.

**Staff Comment and Recommendation.** Hold open. No concerns have been raised to subcommittee staff at this time. Staff notes that this proposal is one of twelve such requests put forth by the Administration in the Governor's budget this year.

**Questions.**

1. Please summarize the proposal.
2. Please discuss current staffing and duties of DOR's Information Security Office.