SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Ellen Corbett

Senator Bill Monning
Senator Mike Morrell

May 1, 2014
9:30 a.m. or Upon Adjournment of Session
Room 4203, State Capitol

Staff: Samantha Lui

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<u>PLEASE NOTE</u>: Only those items contained in this agenda will be discussed at this hearing. Please see the Senate Daily File for dates and times of subsequent hearings. Issues will be discussed in the order noted in the Agenda unless otherwise directed by the Chair. 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. Thank you.

5175 Department of Child Support Services

1. Overview

The Department of Child Support Services (DCSS) is the single state agency designated to administer the federal Title IV-D mandated Child Support Program (CSP). California's Child Support Program seeks to enhance the well-being of children and families' self-sufficiency by providing professional services to locate parents, establish paternity, and establish and enforce orders for financial and medical support. DCSS estimates that there are over 1.3 million child support cases in California.

2014-15 Budget Overview

Fund Source	2012-13	2013-14	2014-15
General Fund	$298,865,000	$312,964,000	$312,892,000
Federal Trust Fund	$445,713,000	$494,894,000	$494,607,000
Child Support Collections Recovery Fund	$186,120,000	$190,480,000	$190,408,000
Reimbursements	$96,000	$123,000	$123,000
Total Expenditures	**$930,794,000**	**$998,389,000**	**$998,030,000**
Positions	**497.7**	**593.5**	**628.5**

Administration and funding. The Child Support Program is locally administered and funded through federal and state funds, 66 percent and 34 percent, respectively. The program earns federal incentive funds based on the state's performance in the five federal performance measures (to be discussed below). Eligibility for federal Temporary Assistance to Needy Families (TANF) Block Grant funding is ALSO contingent upon continuously providing federally-required child support services.

Service delivery. Local and regional child support agencies deliver services, which are available to all California residents. Families may be referred to CSP through public assistance programs. Non-aided families may apply for services at an office or online, and support is passed directly to the custodial party. After the initial application or referral, the family proceeds to case intake.

Collections. Basic collections represent the ongoing efforts of Local Child Support Agencies (LCSAs) to collect child support payments from parents paying support. Basic collections are collected from the following sources: wage assignments; federal and state tax refund intercepts; unemployment insurance benefit intercepts; lien intercepts; bank levies; and, direct payments from parents paying support. Collections made on behalf of non-assistance families are forwarded directly to custodial parties; while collections for families receiving assistance are retained and serve as recoupment of past welfare costs.

Total Collections Received, by source (FY 2012-13)	
Wage Witholding	$1.5 billion
IRS federal income tax refund	$176 million
FTB state income tax refund	$33 million
Unemployment Insurance Benefits	$92 million
Collections from other IV-D states	$91 million
Non-custodial parents regular payments	$298 million
Other sources* (Liens, workers' compensation, disability insurance benefits offset, California insurance intercepts, and full collections program without wage levies)	$90.3 million

Total child support distributed collections have grown from $2.3 billion (FY 2003-04) to a projected $2.4 billion for the budget year ($1.9 billion non-assistance payments; $477 million assistance payments). According to the Administration, wage withholding continues to be the most effective way to collection child support, constituting 65.94 percent ($1.5 billion) of the total collections received. For more information about total collections received by source, please see the department's chart, above.

Disregard payments to families. In addition to the California Work Opportunity and Responsibility to Kids (CalWORKs) grant, the custodial party receiving support also receives the first $50 of the current month's child support payment collected from the non-custodial parent. Forwarding the disregard portion of the collection to the family, instead of retaining it as revenue, results in reduced collection revenues for state and federal governments.

Automation System. Federal law requires each state to create a single statewide child support automation system that meets federal certification standards. There are two components of the California Child Support Automation System—Child Support Enforcement (CSE) and State Disbursement Unit (SDU).

- Child Support Enforcement. The CSE system 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. In addition, it funds the local electronic data processing maintenance and operation costs.

- State Disbursement Unit. The SDU provides services to collect child support payments from non-custodial parents and to disburse these payments to custodial parties. The SDU complements the CSE system by providing services to collect and distribute child support obligation payments for both the IV-D and non- IV-D populations[1], and to prepare collection payment transactions for processing by the CSE system.

The California Child Support Automation System (CCSAS) has been implemented since 2008, and it received its federal certification as the statewide automation system shortly thereafter. The program's cost was approximately $1.5 billion dollars, and implementation took around eight years. DCSS must maintain the automation system, and is responsible for ensuring that LCSAs can access the system. Ongoing annual costs for the CCSAS are approximately $118.79 million ($103.8 million CSE; $14.97 million SDU).

2013 Federal Performance Measures. Federal incentive payments are based on the state's annual data reliability compliance and its performance in five measures, which were established by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), and the Child Support Performance and Incentive Act of 1998. The five performance measures are:

1. **Statewide Paternity Establishment Percentage (PEP)** measures the number of children born out-of-wedlock for whom paternity was acknowledged or established in the fiscal year compared to the total number of children in the state born out-of-wedlock during the preceding fiscal year.

[1] Title IV-D of the Social Security Act is a federally required program providing parentage and support establishment and support enforcement services.

California measured 98.6 percent for Federal Fiscal Year (FFY) 2013, a decreased of three percentage points from FFY 2012 to FFY 2013. The federal minimum performance level is 50 percent.

2. **Cases with Support Orders Established** measures cases with support orders as compared to total caseload. California measured 89 percent for FFY 2013, an increase of 1.1 percentage points from FFY 2012 to FFY 2013. The federal minimum performance level is 50 percent.

3. **Collections on Current Support** measures the current amount of support collected as compared to the total amount of current support owed. California measured 63.3 percent for FFY 2013, an increase of 1.9 percentage points from FFY 2012 to FFY 2013. The federal minimum performance level is 40 percent.

4. **Cases with Collections on Arrears** measures the number of cases with child support arrearage collections as compared with the number of cases owing arrearages during the federal fiscal year. California measured 65.1 percent for FFY 201, an increase of 1.6 percentage points from FFY 2012 to FFY 2013. The federal minimum performance level is 40 percent.

5. **Cost Effectiveness for California** compares the total amount of distributed collections to the total amount of expenditures for the fiscal year, expressed as distributed collections per dollar of expenditures. California measured $2.54 for FFY 2013, an increase of seven cents from FFY 2012 to FFY 2013. The federal minimum performance level is $2.00.

DCSS estimates that California will be entitled to $40.3 million in federal incentive funds for fiscal year (FY) 2013-14 and the budget year.

<u>Update on Local Child Support Agency Revenue Stabilization</u>. Since July 1, 2009, the state provides $18.7 million ($6.4 million General Fund) for 51 LCSAs to stabilize caseworker staffing, and to avoid a loss in child support collections. To receive an allocation of revenue stabilization funds, DCSS requires that revenue stabilization funds are distributes to counties based on their performance on two key federal performance measures--Collections on Current Support and Cases with Collections on Arrears.

According to 2012-13 data, DCSS found that revenue stabilization funds maintain statewide child support collections. Specifically, the stabilization funds have assisted in retaining:

- $130.7 million in total distributed collections.
- $16.8 million in net total assistance collections.
- $8.0 million GF share of assistance collections.
- $113.9 million in total non-assistance collections.

<u>Staff Comment</u>. The item is informational, and no action is required.

<u>Question</u>

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

2. California Child Support Automation System - Information Technology Contract Staff Reduction

Budget Issue. The Department of Child Support Services (DCSS) requests a shift, starting in the budget year and until FY 16-17, in local assistance funding to state operations for $11.95 million ($4.06 million General Fund), and for position authority for 100 full-time permanent positions to replace 100 contract staff. The resources would continue the maintenance and operations of the federally-mandated California Child Support Automation System (CCSAS) Child Support Enforcement (CSE) system. The Administration notes that this transition will result in a reduction of $699,196 ($237,727 GF) over three years.

DCSS proposes the following timeline for the replacement of contractor staff with permanent state civil staff within multiple sections of the Technology Services Division.

Transition Schedule: Child Support Enforcement System, Maintenance, & Operations Resources

Fiscal Year	Contract Positions	Contract Costs	Civil Service Positions	Civil Service Costs	Annual Savings
2014-15	35	$4,374,068	35	$4,129,888	$244,180
2015-16	38	$4,910,975	38	$4,562,277	$348,698
2016-17	27	$3,365,790	27	$3,259,472	$106,318
Total	100	**$12,650,833**	100	**$11,851,637**	**$699,196**

Background. AB 150 (Aroner), Chapter 479, Statutes of 1999; AB 196 (Keuhl), Chapter 478, Statutes of 1999; and, SB 542 (Burton), Chapter 480, Statutes of 1999, restructured California's child support program and required the state to implement a single statewide automated child support system to comply with federal certification requirements. Three other changes resulted from this legislative package:

1. State level program responsibility was transferred from Department of Social Services to DCSS.
2. Control of child support program moved from the district attorney's office to LCSAs.
3. Design, development, and implementation of the statewide automated child support system was transferred from the Health and Human Services Agency Data Center to the Franchise Tax Board (FTB).

In 2003, the state awarded the CCSAS CSE contract to Business Partner, an alliance of International Business Machines, Accenture, and CGI. 58 county databases were converted to a single statewide system in two phases. The federal government approved the department's CSE system in federal fiscal year 2008. In January 2009, the CCSAS project was transferred from the Franchise Tax Board to DCSS, in anticipation of the Business Partner contract expiration in October 2010. In fiscal year 2011-12, the Legislature approved the department's request to transition 11 contract staff to 11 state civil service positions to support Help Desk activities and services. Currently, 100 IT contract staff support the federally-mandated CSE system. Specifically, contract staff's job functions for maintenance and operations include: development, database administration, technical architecture, testing, performance management, and network support.

Due to hiring restrictions, lack of training capacity for new civil service employees, and budget timeframes, the department decided to contract out on a temporary basis for 100 information technology (IT) staff to support CSE maintenance and operations. In May 2011, DCSS acquired temporary CSE maintenance and operations staff through a multi-year agreement, which expires April 30, 2016. The agreement provides for two 2-year optional extensions; if utilized, the contract would end April 30, 2020.

Further, the proposal correlates with specified goals and outcomes of the DCSS Strategic Plan, the DCSS Information Technology Strategic Plan, and the California Department of Technology Strategic Plan, such as: providing uniformity of statewide practices and procedures; collecting and using accurate and reliable data to DCSS and LCSAs; attracting, developing, and retaining skilled professionals; and, treating program and customer information as a secure asset.

Justification. According to the Administration, failure to approve the budget change proposal would result in continued use of IT contract staff, which would necessitate periodic procurements for vendor contracts. Also, if DCSS is unable to replace existing contract staff with state staff, or extend the contract, it will be at risk of not being able to respond to required legislative system mandates. If DCSS experiences a system failure, the department may not meet the federal mandate to process child support disbursements within 48 hours of receipts. Lastly, failure to meet federal data reliability standards places the state at risk of losing funding for Temporary Assistance for Needy Families (TANF).

Staff Comment & Recommendation - Hold open.

Question

1. Please provide a brief summary of the proposal and justification.

5180 Department of Social Services – State Hearings Division (SHD)

1. Overview

Budget Issue. The Governor's budget proposes $2.8 million and 167.2 authorized positions for the State Hearings Division in the Department of Social Services (DSS).

Background. State hearings, which are adjudicated by Administrative Law Judges (ALJs) employed through DSS, are used to provide due process to recipients of and applicants for many of California's health and human services' programs, including Medi-Cal, CalWORKs, CalFresh, and In-Home Supportive Services, when a recipient disagrees with a decision made by their local county welfare department. The *King v. McMahon* and *Ball v. Swoap* court decisions mandate that DSS provides recipients with timely due process for the adjudication of appeals hearings. Additionally, these court orders impose financial penalties on DSS for failing to adjudicate decisions within specified timeframes. The penalties are paid to the prevailing claimant. Federal mandates require that all requests for hearings be adjudicated within 90 days, or 60 days for CalFresh, of a recipient's request.

Penalty structure. Under the court orders, the minimum daily penalty amount is $5.00 per day, or a minimum of $50, whichever is greater. However, if 95 percent of all decisions are not issued within the required deadlines in a given month, the daily penalty rate for that programmatic category increases by $2.50 over the penalty rate being paid to claimants the previous month. In contrast, if 95 percent of all decisions related to that particular program are issued on time in a given month, the corresponding daily penalty rate decreases by $2.50 from the penalty rate being paid the previous month. The maximum daily rate under the court orders is $100 per day. In January 2014, the penalty rate per day of a late decision was $82.50 for Medi-Cal, $55 for CalWORKs, $12.50 for CalFresh, and $82.50 for IHSS. Penalties levied on the state for untimely SHD adjudication in 2012-13 totaled $5.2 million.

According to DSS, recent processing times, average penalties, and total penalties paid by program are listed below:

Program	Timeliness Requirement (In Days)	Average Processing Time (In Days)	Average Days Late	Average Penalty
CalFresh	60	83.14	23.14	$976.62
CalWORKs	90	113.69	23.69	$1,118.77
IHSS	90	117.51	27.51	$1,585.32
MediCal	90	121.25	31.25	$2,714.25

State Hearing Penalties by Program for the Last 5 Fiscal Years

Total Penalties Paid by Program

FY	CalWORKs	CalFresh	Medi-Cal	IHSS	Total
FY 08/09	$30,063	$6,670	$212,948	$1,430	$251,110
FY 09/10	$179,585	$43,422	$369,305	$158,790	$751,102
FY 10/11	$169,630	$67,988	$215,508	$231,320	$684,445
FY 11/12	$176,133	$59,170	$482,280	$389,158	$1,106,740
FY 12/13	$250,955	$54,948	$3,396,300	$597,618	$4,299,820

Last year, the Governor's budget proposed, and the Legislature approved 41 permanent positions (24 ALJs and 17 support staff) to handle an increased state hearings caseload. DSS indicates that these late decisions are a result of caseload growth and that the amount of penalties has increased since 2006, totaling $1.1 million for 2011-12, and projected to be as high as $1.8 million yearly over the next three years. Since July 1, 2013, the State Hearings Division is currently achieving a 95 percent overall monthly timeliness each month.

The department also notes several contributing factors to the increase in penalties from fiscal years 2008-09 through 2012-13, such as a 26 percent increase in overall workload and inadequate resources from a hiring freeze, furloughs, and retirements. The Medi-Cal spike was associated with CBAS cases and was one-time workload.

Recent Caseload Growth. The department indicates that the state hearings caseload has increased significantly in the past five years, specifically, from approximately 80,000 requests for hearing and 14,000 decisions issued in 2007-08, to 96,000 requests and 18,000 decisions in 2011-12. The Great Recession and corresponding state fiscal crisis led to billions of dollars in reductions to California's health and human services programs, along with corresponding contractions in eligibility for and/or services provided by those programs.

Staff Comment. The item is informational, and no action is required.

Questions.

1. Please briefly provide an overview of the function of the state hearings division and the structure of the timeliness requirements and penalties for not meeting them.

2. Please provide a chart that describes how the 2013-14 budget allocation of 41 positions is anticipated to reduce penalties. When did the penalties start to grow, and how fast?

5180 Department of Social Services – State Hearings Divisions
Health and Human Services, Office of Systems Integration

2. Affordable Care Act Caseload Growth & Case Management System

Budget Issue. The budget proposes $9.8 million ($1.3 million GF) in budget year; $9.8 million ($1.3 million GF) in FY 2015-16; 63 new limited-term positions; and, funding for two existing positions. The proposal is comprised of two components:

1. Affordable Care Act (ACA) Caseload. The department requests the following positions to address Medi-Cal expansion and Covered California referrals:
   - Three Administrative Law Judge (ALJ) II supervisors;
   - Four ALJ II program specialists;
   - 15 ALJ II hearing specialists;
   - 17 ALJs;
   - Seven office technicians (six to ACA caseload, one to DSS);
   - 12 management services technicians;
   - Three staff service analysts/associate government program analysts (SSA/AGPA)
   - Three staff services managers of various levels; and,
   - One associate information systems analyst.

2. Appeals Case Management System. The department requests the following positions to develop, implement, and maintain a new Appeals Case Management System (ACMS):

   - One 3½-year, limited-term staff services manager;
   - Three 3½-year limited-term SSA/AGPAs;
   - One permanent systems software specialist;
   - One 4-year limited-term systems software specialist;
   - One 4-year limited-term senior programmer analyst;
   - One 4-year limited-term staff programmer analyst;
   - One 4-year limited-term associate programmer analyst;
   - One 4-year limited-term department manager; and,
   - One 3½-year limited-term senior information systems analyst.

In addition, the Office of Systems Integration requests $130,000 in one-time expenditure authority to provide procurement and acquisition subject matter expertise to DSS on the State Hearings Division ACMS project.

Background on the Affordable Care Act workload. Effective January 2014, under the Affordable Care Act (ACA), California must expand Medi-Cal over three years. As of April 15, 2014, according to Covered California, more than three million Californians enrolled in health insurance plans or in Medi-Cal. The Administration estimates that new workload from the ACA is projected to increase overall fair hearings workload by 53 percent, or an increase of over 9,400 hearing decisions, beginning in October 2013. The Administration projects the following workload, associated with Medi-Cal expansion and Covered California applications, respectively:

- For Medi-Cal expansion. 13,798 cases will request a state hearing, and 3,450 hearing requests that will result in a full hearing.
- For Covered California. The Health Exchange (excluding MAGI Medi-Cal) expects to process 630,000 applications during the fiscal year, which are projected to generate 24,070 appeals. Around 6,018 (25 percent) are projected to result in a full hearing.

Covered California designated DSS[2], effective October 2013, to adjudicate all appeal hearing requests for Covered California Advance Premium Tax Credits and Cost Sharing Reductions (APTC/CSR), Modified Adjusted Gross Income Medi-Cal (MAGI Medi-Cal), and Small Business Health Options Program (SHOP) cases. Covered California will receive and refer all hearing requests from the public and authorized representatives to the State Hearing Division's Customer Service group, which consists of management service technicians. The management services technician enter requests into the appeals case management system to begin the appeals process.

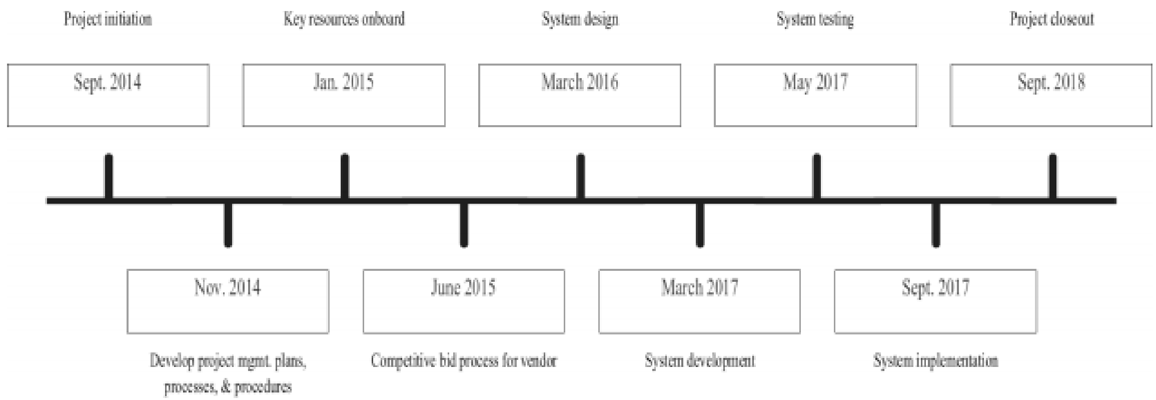
DSS assumes that Covered California will receive around 630,000 applications during 2014-15, which are projected to generate 24,070 appeals. The Administration estimates around 6,018 appeals (25 percent) will result in an actual hearing. Additionally, under the ACA, around 1.4 million individuals will be eligible for expanded Medi-Cal coverage through MAGI. Of those 1.4 million, around 551,912 will enroll, and an estimated 13,798 appeals are expected with 3,449 actual hearings.

Background on the Appeals Case Management System (ACMS). The ACMS mainframe application is housed at the Office of Technology Services and 21 ad-hoc applications hosted at DSS headquarters in Sacramento. The ACMS tracks, schedules, and manages appeal requests from California's 58 counties. Collectively, these systems are known as the State Hearings System (SHS). DSS indicates that the current SHS does not meet existing business requirements and will not be able to handle the anticipated increase of volume, associated with ACA implementation. SHS runs Natural and COBOL programming languages, which the State can no longer support. Due to these factors, DSS notes that there has been a 417 percent increase in state General Fund civil penalties over the prior five-year period for untimely state hearing decisions.

In August 2011, the Office of Management and Budget (OMB) authorized an exception to federal cost allocation funding rules to encourage states to leverage ACA resources to develop informational linkages between their health and social services system, known as "A-87 flexibility." The enhanced federal financial participation for implementation of health care reform and A-87 flexibility are available through December 2015, for development, implementation, and maintenance and operations activities for functionalities implemented by that date.

The department proposes the following ACMS project timeline (see next page):

[2] 10 CCR Section 6600.



<u>Justifications</u>. The Administration provides the following justifications for the budget requests.

<u>ACA Workload</u>. The department outlines the specific job duties of the requested positions, specifically:

- ALJ specialists will assist in the training and development of resource materials for ALJs, carry more caseload, and assist the ALJ Supervisors and Chief Administrative Law Judge in the review of proposed decisions.
- The management services technician (MST) will be the first point of contact with the public and will process hearing requests for the newly-expanded Covered California hearing requests. The MST will also handle telephone inquiries from claimants, authorized representatives, county and program staff; answer questions regarding case status; and, update information in the appeals case management system.
- SSA/AGPA support staff will assist in reducing the number of cases that go from hearing requests to actual hearings, by performing prehearing functions, such as: review all hearing requests; prepare administrative dismissals of invalid hearing requests; confirm need for language interpreter; contact claimants and authorized representatives to assure a case's hearing readiness; assist in the transmission and exchanges of hearing documents; and, prepare postponements and withdrawal of cases, as appropriate.

<u>Appeals Case Management System</u>. According to the Administration, the current State Hearings System (SHS) fails to meet current needs and contributes to the backlog, due to its inability to efficiently schedule hearing requests, inability to update automated correspondence generated from the system, and inability of the scheduling tool to add additional users to the workflow process. As a result, the State Hearings Division must perform resource-intensive workarounds.

To address existing caseload and meet ACA requirements, DSS seeks to address system limitations and to resolve existing HIPAA and language compliance issues. The new SHS will, among others:

- Consolidate the State Hearings Division main case management database and 21 associated downstream systems into one, comprehensive case management system;
- Eliminate multiple manual entries;
- Deploy Interactive Voice Response system to provide 24 hour/7 day a week telephone access to benefit recipients, authorized representatives, and other stakeholders;
- Provide an Appeals Case Decision Writing Module to reduce time per decision;

- Implement secure interface with California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS), Statewide Automation Welfare System (SAWS) Consortia, and Department of Health Care Services (DHCS);
- Provide online web data input, review, or case status by benefit recipients, authorized representatives, and other stakeholders; and,
- Deploy a web-based user dashboard for counties, DHCS, and Covered California that provides the capability to view lists of cases scheduled for hearing, general case status, upload of documents to case files, statements of positions, and the ability to withdraw hearings and notify stakeholders.

LAO Comments. The Legislative Analyst's Office recommends approval of the Governor's proposal for 74 limited-term positions and $11.1 million to address the growth in caseload, as associated with ACA implementation, and in the replacement of SHS with ACMS, based on the following findings:

- ACA caseload projections appear reasonable, given the uncertainty about the impact of the ACA on SHD's caseload. It is appropriate that the requested staff are limited-term.

- New ACA workload cannot be absorbed by SHD. SHD experienced a growth in penalties over the last five years due to a convergence of trends, such as the loss of experienced staff due to the high number of retirements and a 26 percent caseload growth. SHD is unlikely to absorb the additional caseload without jeopardizing due process and increasing the state's penalty exposure.

- Extensive SHS deficiencies compromise SHD. The proposed ACMS project would create a single case management database to consolidate intake, scheduling, and reporting functions.

Staff Comment & Recommendation - Hold open. Last year's budget approved 24 ALJ positions, and the department notes that those positions would continue to reduce caseload, specifically reducing the daily penalty rate to $5-$10 per day for each for CalFresh, CalWORKs, Medi-Cal, and IHSS. This is a separate request to fund anticipated and projected caseload from ACA implementation.

Questions.

1. Please briefly summarize the proposal, including its justification and how the department will seek federal reimbursement for costs associated with increased hearing request workload.

2. How did the department estimate the number of staff positions requested and whether they would be sufficient to allow for timely decisions?

1. Overview

The CWS system includes child abuse prevention, emergency response to allegations of abuse and neglect, supports for family maintenance and reunification, and out-of-home foster care. The total proposed budget for the Realigned CWS and Adoptions programs is $5.1 billion ($2.4 billion federal funds, $1.6 billion 2011 realignment funds, and $1.1 billion county funds). In general, around half of child welfare funds support counties to administer or provide the programs and half support payments to care providers.

Caseload Trends.[3] In 2000, there were approximately 107,998 children in foster care in California. In 2013, the figure dropped to around 53,112 children, not including children under probation department supervision who reside in foster care placements. The department attributes part of the caseload decline to prevention efforts for out-of-home care and back-end efforts for permanency placements.

Children in Foster Care. Research documents how children and youth, who experience foster care and those who emancipate from care, are at risk for challenges related to education, health, and mental health. As of October 2012, 58 percent of foster children had been in care for less than two years, while 16 percent had been in care for longer than five years. Nearly half were identified as Hispanic/Latino, while a quarter identified as White/Caucasian, and another quarter as African-American. Around two percent identified as Asian and/or Pacific Islander, and one percent as and Native American.[4] More than half of children exiting foster care reunify with their parents or other caregivers. The following chart identifies where most children in foster care reside and the rates of monthly payments for their care and supervision:

<table>
<tr><th>Placement Types</th><th>Percent of Children in Foster Care on 1/1/12*</th><th>Range of Basic Monthly Payment Rates</th><th>Potential Supplements for Children who Qualify</th><th>Administration and Social Worker Cost Built into Rate</th></tr>
<tr><td>Kin caregiver**</td><td>33%</td><td rowspan="3">Age 0-4 -- $640
Age 15-19 -- $799</td><td rowspan="3">Age 0-19 -- $200 to $2,000</td><td>$0</td></tr>
<tr><td>Guardian</td><td>11%</td><td>$0</td></tr>
<tr><td>Foster Family Home</td><td>9%</td><td>$0</td></tr>
<tr><td>Foster Family Agency-Certified Home</td><td>26%</td><td>Age 0-4 -- $829
Age 15-20 -- $988</td><td>Age 0-4 -- $189
Age 15-19 -- $189</td><td>Age 0-4 -- $868
Age 15-19 -- $968</td></tr>
<tr><td>Group Home</td><td>10%</td><td>Level 1 -- $2,223
Level 12 -- $9,419</td><td>$0</td><td>$0</td></tr>
</table>

* This column includes both child-welfare and probation-supervised foster children.
** The Kin caregiver population that is not federally eligible for AFDC-FC instead receives a monthly TANF grant of $345 (based on a child-only CalWORKs grant).

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[3] Caseload and characteristics data is from *Child Welfare Services Reports for California*. Retrieved March 27, 2013, April 6, 2013, and April 26, 2014, from the University of California at Berkeley Center for Social Services Research -- http://cssr.berkeley.edu/ucb_childwelfare.

The chart below, based on CWS Outcomes System data collected from January 1, 2013, to December 31, 2013, provides specific numbers of children in CWS and their entry placements to care.[5]

Age Group	Pre-Adopt	Kin	Foster	FFA	Court Specified Home	Group	Shelter	Guardian	SILP	Total
<1 mo	.	687	1,138	1,047	.	7	15	3	.	2,897.
1-11 mo	.	755	700	1,225	3	6	60	21	.	2,770
1-2 yr	.	1,090	756	1,845	2	75	131	45	.	3,944.
3-5 yr	.	1,198	628	2,151	5	106	154	49	.	4,291.
6-10 yr	1	1,394	518	2,397	4	209	211	78	.	4,812.
11-15 yr	1	1,005	321	1,481	3	562	147	95	.	3,615.
16-17 yr	.	268	77	410	.	328	53	55	.	1,191.
18-20 yr	.	.	.	1	.	1	.	1	3	6
Total	2	6,397	4,138	10,557	17	1,294	771	347	3	23,526.

Performance measures & accountability. The federal Administration for Children and Families (ACF) conducts Child & Family Services Reviews (CFSRs) of states' child welfare systems, which include measures of outcomes related to the safety, permanency, and well-being experienced by children and families served. ACF performed its most recent CFSR in California in 2008. The state did not achieve substantial conformity (compliance in 95 percent of cases) with any outcome measures, but did achieve substantial conformity with three of seven systemic factors. According to ACF, challenges included: high caseloads and turnover of social workers; insufficient foster homes; a lack of caregiver support and training; and, a lack of needed services (e.g., mental health and substance abuse). In response, DSS developed a Program Improvement Plan (PIP). The department indicates that the state has now met all of the PIP targets and been released from any potential penalties resulting from the 2008 review.

The Child Welfare System Improvement and Accountability Act also created a statewide accountability system that became effective in 2004. It includes 14 performance indicators monitored at the county-specific level and a process for counties to develop System Improvement Plans (SIPs).

Additionally, the department's Community Care Licensing Division licenses facilities, including childcare centers, family childcare homes, foster family homes, foster family agencies (who in turn certify individual foster families) and group homes, adult residential facilities, and residential care facilities for the elderly. All facilities must meet minimum licensing standards, as specified in California's Health and Safety Code and Title 22 Regulations. DSS conducts pre- and post-licensing inspections for new facilities, including when a previously licensed facility changes hands. In addition, the department must conduct unannounced visits to licensed facilities under a statutorily required timeframe and respond to complaints against licensed facilities. 39 county child welfare agencies, under contract with the department, license foster family homes. Two counties license family child care homes. All counties have authority to approve relative caregivers for children in foster care.

[5] Placement type refers to the facility where a child was initially placed at the placement episode start date during the specified time period.

Ultimately, the department must visit all facilities at least once every five years, which is less frequent than required in most states. In addition, there is a "trigger" by which annually required inspections increase if citations increase by 10 percent from one year to the next. For FY 2012-13, the annual required inspection requirement was met 80 percent of the time, while the annual random inspection requirement was met 94 percent of the time.

The Governor's budget includes $7.5 million ($5.8 million GF) and 71.5 positions for quality enhancement and program improvement measures, including staff training and development; increasing licensing fees and penalties; and, establishing a temporary manager and receivership process. The CCL Quality Enhancement and Program Improvement proposal does not contain any changes to current law, pertaining to increased licensing frequency.[6]

Realignment. The 2011 public safety realignment and subsequent related legislation realigned approximately $1.6 billion for California's Child Welfare Services and adoptions programs (CWS) to the counties. Funding for a limited number of programs and the licensing of children's residential placements was not realigned. In addition, over the last several years, the state increased monthly care and supervision rates paid to group homes, foster family homes, and foster family agency-certified homes, as a result of litigation. The 2011 realignment funding reflects state GF costs for the following programs, which may also receive other matching funds.

CWS Program	Description	Realignment Funds (Formerly GF) in 2011-12
Child Welfare Services	Services to ensure the safety of children, including emergency response to allegations of abuse or neglect	$670 million
Foster Care	Administration of and monthly assistance payments for out-of-home care and supervision	$431 million
Adoption Assistance Program	Monthly assistance payments to families who have adopted children who meet criteria for special needs	$382 million
Adoptions Programs	Adoption-related services and oversight	$64 million[7]
Child Abuse Prevention	Efforts to prevent abuse and neglect	$13 million
	Total	**$1.560 billion**

Total realignment funding for Protective Services -- CWS and Adult Protective Services funding (APS) -- includes:

	2011-12	2012-13	2013-14	2014-15
Funding for Extended Foster Care (AB 12)		$18 million	$20 million	$15 million
Protective Services Growth Funding[8]			$158 million	$137 million
Total Realignment Base Funding for Protective Services (including CWS and APS)	$1.622 billion	$1.640 billion	$1.818 billion	$1.970 billion

[6] The CCL Quality Enhancement and Program Improvement proposal was heard in Senate Budget Subcommittee #3 on March 13, 2014.
[7] These costs do not include $6 million associated with Agency Adoptions.
[8] Growth is reflected here in the year it is anticipated to be distributed to the counties.

Prior to the 2011 realignment, DSS estimated the costs associated with meeting federal and state requirements for the estimated numbers of children and families to be served as part of the annual budget process. Under the 2011 realignment, the total funding for CWS is instead determined by the amount available from designated funding sources (a specified percent of the state sales and use tax and established growth allocations) that are directed to the counties and corresponding matching funds. Both before and after realignment, certain CWS expenditures, including payment rates for care providers that are statutorily established, are provided on an entitlement basis.

Realignment Superstructure. The 2012-13 budget included an ongoing superstructure for the 2011 realignment. The two main accounts are: 1) the Support Services Account, and 2) the Law Enforcement Services Account. The Support Services Account has two Subaccounts: 1) Protective Services, and 2) Behavioral Health. Along with funding for Adult Protective Services, CWS funding is provided from the Protective Services Subaccount. Funding totaling $53.9 million for extended foster care for 18 to 21 year olds will also be provided over three years in the Protective Services Subaccount base.

Under the superstructure, program growth will be distributed on roughly a proportional basis between accounts, and then subaccounts. The Protective Services Subaccount will receive 40 percent of growth funding allocated to the Support Services Account until $200 million identified for CWS base restoration is funded. Counties have authority to transfer a maximum of 10 percent of the lesser subaccount between subaccounts (but not the two main accounts) for up to one year.

Trailer bill provisions in 2012-13 additionally established programmatic flexibility that allows counties, via action by boards of supervisors after publicly noticed discussion, to discontinue some programs or services that were previously funded with only General Fund, including, clothing allowance and specialized care increments added to provider rates and Kinship Support Services Programs.

Roles of the State and Counties. DSS is responsible for oversight, statewide policy and regulation development, technical assistance, and ensuring federal compliance. Prior to realignment, the state was also at risk for the full costs of any federally imposed penalties stemming from federal Child and Family Service Reviews. Under realignment, counties, whose performance contributed to an applicable penalty, must pay a share of the penalty if realignment revenues were adequate to fully fund the 2011 base, and if they did not spend a minimum amount of allocated funding on CWS.

Required Reporting on Realignment. Pursuant to SB 1013 (Budget and Fiscal Review Committee), Chapter 35, Statutes of 2012, DSS must report annually, on April 15, to the Legislature, outcome and expenditure data, as well as impacts of CWS and APS program realignment. Reports must also be posted on the department's website. The 2014 Child Welfare Services Realignment Report[9] found the following:

- Data for immediate and ten-day responses for child investigations is used to assess performance for state and federal standards and for monitoring. Immediate response referrals receive a timely response above 97 percent between 2009 and 2013, while ten-day response referrals have been hovering above 91 percent during the same time period.

- Placement stability, defined as the percentage of children who have been in foster care at least eight days and less than 12 months, and who have had no more than two placements, has

[9] The full report can be accessed here: http://www.cdss.ca.gov/cdssweb/entres/pdf/CWRealignmentReport2014.pdf

improved from 84.9 percent in 2008 to 87.6 percent in 2013. The national standard is 86 percent.

- Since 2009, the percentage of children for whom their first placement is with kin has increased from 16 percent to 24 percent, while the proportion of children placed in group homes from 2009 to 2013 has decreased from 18 percent to 13 percent. Over the past four years, Foster Family Agencies (FFAs) have accounted for approximately 40 percent of initial placements.

- For children entering care between 2008 and 2012, there has been a moderate decrease in the proportion of children who reunified within 12 months from 43.5 percent in 2008 to 38 percent in 2012. The proportion of children re-entering foster care within a year has increased from 11.1 percent in 2008 to 12.7 percent in 2012.

Staff Comment and Recommendation. This is an informational item, and no action is required.

Question

1. What are some factors that may contribute to the declining foster care caseload? What are some expected caseload trends for the future?

2. Please briefly summarize key findings from the 2014 CWS Realignment Report.

2. Katie A. Implementation

Background. The *Katie A. vs. Bonta* case was first filed on July 18, 2002, as a class action suit on behalf of children, who were not given services by both the child protective system and the mental health system in California. The suit sought to improve the provision of mental health and supportive services for children and youth in, or at imminent risk of placement in, foster care in California.

On December 2, 2011, Federal District Court Judge A. Howard Matz issued an order approving a proposed settlement of the case. According to the Department of Health Care Services, "The settlement agreement seeks to accomplish systemic change for mental health services to children and youth within the class by promoting, adopting, and endorsing three new service array approaches for existing Medicaid covered services, consistent with a Core Practice Model (CPM) that creates a coherent and all-inclusive approach to service planning and delivery." The Settlement Agreement also specifies that all children and youth who meet subclass criteria are eligible to receive Intensive Care Coordination (ICC),[10] Intensive Home Based Services (IHBS)[11], and Therapeutic Foster Care (TFC). County mental health plans (MHPs) are required to provide ICC and IHBS services to subclass members. MHPs provide ICC and IHBS and claim federal reimbursement through the Short-Doyle/Medi-Cal (SDMC) claiming system.

The California Department of Social Services and Department of Health Care Services work together with the federal court appointed Special Master, the plaintiffs' counsel, and other stakeholders to develop and implement a plan to accomplish the terms of the settlement agreement.

Settlement Agreements[12]

Los Angeles County (2003)	California (2011)
Establish Advisory Panel	Appoint Special Master
Establish of a class	Identification of class and subclass
Caseload reduction	Core Practice Model
Core practice model	Intensive Care Coordination
Mental health screening, assessment, and service linkage	Child and Family Team
Increased availability of intensive home-based services	Three-year exit
Exit based on results of quality service reviews	

[10] Intensive Care Coordination (ICC) is a service that is responsible for facilitating assessment, care planning, and coordination of services, including urgent services (for children/youth who meet the *Katie A.* Subclass criteria).

[11] Intensive Home-Based Services (IHBS) are individualized, strength-based interventions designed to ameliorate mental health conditions that interfere with a child's functioning. IIHBS are delivered according to an individualized treatment plan developed by the Child and Family Team (CFT). The CFT develops goals and objectives for all life domains in which the child's mental health condition produces impaired functioning, including family life, community life, education, vocation, and independent living, and identifies the specific interventions that will be implemented to meet those goals and objectives.

[12] The summary table is from LA County's 2013 presentation, "Integrating Child Welfare and Mental Health Practice: A Litigation Drive Approach" http://www.uclaisap.org/slides/psattc/cod/2013/T_Katie%20A.pdf

Los Angeles County. LA County's children mental health system includes 78 contracted children's mental health providers, eight directly-operated children's programs, and over 10,000 rendering providers. The county serves over 100,000 clients, up to age 21, annually. In 2013, the county had over 2,200 children enrolled in Wraparound[13]; 1,700 Mental Health Services Act children's slots; and 300 contracted therapeutic foster care (TFC) beds. In fiscal year 2011-12, 70 percent of children with an open child welfare case received mental health services, a 28 percent increase since 2004. Over 300 children received full service partnership services.

As a result of LA County's specific settlement, eligible children and youth are those who are full-scope Medi-Cal, meet medical necessity for treatment, have an open child welfare services case, and meet either of the following criteria:

- Currently in or being considered for: Wraparound, TFC, or other intensive services, therapeutic behavioral services, specialized care rate due to behavioral health needs or crisis stabilization/intervention;
- Currently in, or being considered, for a group home, a psychiatric hospital, or 24 hour mental health treatment facility, or has experienced his/her third or more placement within 24 months due to behavioral health needs.

Intensive care coordination (ICC) and intensive home based services (IHBS) are also provided to subclass members. ICC, through the use of the child and family team, identifies the child and family's needs; individualizes interventions, and engages formal and information support systems. IHBS is delivered by paraprofessionals and provides services on a 1:1 ratio.

Statewide implementation. Since March 2013, the State has engaged in ongoing communication with the counties regarding implementation efforts. DHCS and DSS note that counties are at varying levels of readiness.[14] The statewide analysis revealed areas of noteworthy accomplishment and achievement, as well as possible challenges, both of which will inform and guide the state's activities moving forward.

In a 2013statewide assessment, counties self-assessed their ability to provide ICC and IHBS services. Seventeen percent of counties were in the process of expanding their capacity to meet the need for ICC and IHBS services, and 44 percent of counties were experiencing challenges expanding capacity to provide those services. 20 percent of counties identified areas of technical assistance, such as teaming, documentation, training and coaching, that could improve implementation.

Key themes. According to the departments, several key themes emerge when discussing implementation, including: lack of shared governance structure, inadequate stakeholder involvement, unidentified service capacity needs to provide ICC and IHBS, and training needs. The state holds weekly technical assistance calls and has identified counties that show promising practices that could provide peer-to-peer support. Additionally, DHCS and DSS released information notices and ACL to clarify the state's expectation of counties implementing the core practice model, ICC, and IHBS.

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[13] Los Angeles County Department of Children and Family Services defines Wraparound as, "an integrated, multi-agency, community-based planning process." Enrollment in Wrapround is completed through a network of Interagency Screening Committees located in each of the eight LA County Service Planning Areas. There are 34 Wrapround agencies.

[14] "Executive Summary: Department of Health Care Services and California Department of Social Services, Statewide Analysis of Readiness Assessment Tools and Service Delivery Plans." http://www.dhcs.ca.gov/services/MH/Documents/Analysis_Readiness_Assess_Tools_Svc_Del_Plans.pdf

Reporting. DSS and DHCS must collect and review semi-annual progress reports from California counties. The state has asked county MHPs and CWDs to jointly prepare and submit a semi-annual implementation progress report beginning October 1, 2013. The report will include reporting on mental health service utilization, action plans to address areas identified for improvement, and specific needs for technical assistance or state support.

Early and Periodic Screening, Diagnostic, and Treatment (EPSDT). EPSDT mental health services related to the *Katie A.* settlement are part of the Medi-Cal specialty mental health services (SMHS) “carve-out.” This means SMHS are provided through county MHPs separately from Medi-Cal managed care or fee-for-service plans that provide physical health services. DHCS contracts with MHPs to provide SMHS services and MHPs are funded through realignment and federal funds. Under the *Katie A.* settlement, the services that are to be provided in a more intensive and effective manner including, ICC, IHBS, and TFC. DHCS estimates the cost of these services in FY 2014-15 will be about $53.5 million ($26.8 million federal, and $26.8 million county funds).

State Plan Amendment for TFC. On March 27, 2014, the Department of Health Care Services submitted a State Plan Amendment to the Centers for Medicare and Medicaid Services to include TFC services as a rehabilitative mental health service. If approved by the federal government, TFC would then be available to eligible Medi-Cal children and youth, up to age 21, with intensive or complex emotional and behavioral needs. DHCS is awaiting federal notification.

Staff Comment & Recommendation. This item is informational and is included for discussion. No action is required. Staff notes that the intent of the *Katie A.* settlement is to ensure treatment for all qualified class and subclass members. As such, it is recommended the departments continue shared management and leadership when considering solutions to assist in reducing foster care caseload, increasing permanency, and assisting families in self-reliance.

Questions

1. Please describe statewide *Katie A.* implementation, including barriers to implementation and types of technical requests made by counties.

2. Please provide an update on how counties have been drawing down EPSDT funds.[15]

3. To DHCS: Has the department received any updates from CMS about the proposed State Plan Amendment?

[15] EPSDT is a required benefit for all categorically needy children (e.g., those who have poverty-level income, receive Supplemental Security Income, or receive federal foster care or adoption assistance). EPSDT benefits include periodic screening services, vision, hearing, dental, and necessary health care diagnosis and treatment.

3. Continuum of Care Reform (CCR) - Update

<u>Background</u>. SB 1013 (Budget and Fiscal Review Committee), Chapter 35, Statutes of 2012, authorized the Continuum of Care Reform (CCR) effort to develop recommendations to the state's current rate setting system, and to services and programs that serve children and families in the continuum of Aid to Families with Dependent Children-Foster Care (AFDC-FC) eligible placement settings. Reform recommendations are due October 2014.

According to the department's CWS Realignment Report, for the largest age group category, 13-17 years old, of the 4,737 children, the majority (45 percent) move out of group home placements in less than 12 months, longer stays (12-36 or more months) comprise the remaining 55 percent (2,619). From 2009 to 2013, the total number of children and youth placed in group homes for the same population dropped from 7,033 to 6,188.

<u>Panel</u>. The Subcommittee has invited a panel to provide insight about ongoing CCR discussions and to present various reinvestment proposals. Proposals include additional state funding for foster parent recruitment and retention; services for child victims of commercial sexual exploitation; a pilot project to fund foster youth permanency; relative caregiver funding; and, increasing funding for the FFA social worker wage. The panelists are:

- Jennifer Rodriguez, Executive Director, Youth Law Center
- Frank Mecca, Executive Director, County Welfare Directors Association
- Gail Johnson Vaughan, Mission Focused Solutions
- Brian Blalock, Bingham McCutchen Youth Justice Attorney, Bay Area Legal Aid
- Carroll Schroeder, Executive Director, California Alliance of Child and Family Services
- Vanessa Hernandez, Policy Coordinator, California Youth Connection
- Kyle Sporleder, Legislative Coordinator, California Youth Connection

<u>Staff Comment</u>. This item is informational and is included for discussion. No action is required.

<u>Questions</u>.

1. Please briefly provide an update on the CCR process and key workgroup findings. What recommendations and findings can the Legislature expect to see in the October 2014 report?

2. Have the workgroups discussed how *Katie A.* and CCR can be leveraged to serve eligible children, youth, and families?

3. What are some characteristics that would be appropriate to refer a child or youth to group home care, in contrast to family-based settings? What are some policy recommendations that can facilitate short term, intensive services in family based settings?

4. Sustainability for Continuum of Care Reform Fiscal Audit Alignment

Budget Issue. The department's Foster Care Audits and Rates Branch (FCARB) requests approval for five two-year limited-term general auditor positions to perform federal and state mandated fiscal audits of foster care providers, and to identify fiscal integrity issues that may arise as a result of changes in the rate-setting process within the Continuum of Care Reform (CCR). The total cost of the request, including staff salaries, staff benefits, and operating expenses, is $544,000 ($362,000 GF).

Background. The Department of Social Services (DSS), as the single state agency responsible for the administration of Title IV-E AFDC-FC funds, must perform fiscal audits of non-profit corporations who receive federal and state revenue to provide care and supervision to children placed in group homes or foster family agencies (FFAs).[16] Title IV-E funds are eligible for children in out-of-home care, up to age 19, and under certain conditions, to non-minor dependents, up to age 21. Title IV-E funds must be based solely on providing for the cost of care and supervision to children in foster care. There are over 361 group home programs and 240 FFA programs statewide. As of April 2013, 62,067 children were placed in California's foster care system. Specifically, 6,248 were placed in group home programs, and 15,152 were placed in foster family agencies (FFAs). The group represents around $306 million in local assistance federal funding for group home and FFA programs.

FCARB must also conduct three additional types of audits:

1. Provisional rate audits are conducted on-site for new providers, ongoing group home providers who request rate increases, and new programs of ongoing group home providers to ensure compliance and minimize any overpayments.

2. Financial audit reviews are prepared by independent certified public accountants and submitted by non-profit corporations that operate group home and FFA programs. These reviews assess a non-profit corporation's financial condition, identify certain indicators of financial instability, and determine if there is any evidence of malfeasance. A risk rating is assigned based on this information, and a referral is made to conduct the fiscal audit.

3. Fiscal audits are performed on-site of non-profit corporations to determine a non-profit corporation's financial condition, to determine if there is any evidence of malfeasance, or if expended AFDC-FC funds were allowable and reasonable.

Currently, FCARB has eight auditors. As a result of inadequate audit resources, DSS reports that between fiscal year 2006-07 and 2012-13, it has only been able to conduct fiscal audits of 33 of the 489 non-profit corporations that operate group homes or FFA programs, resulting in approximately $1,415,972 in assessed overpayments in which foster care providers inappropriately expended Title IV-E AFDC-FC funds that were unreasonable, unallowable, or unsupported (see table below). The federal government estimates the level of improper payments in the FC Title IV-E program to be around 4.7 percent.

[16] 45 Code of Federal Regulations Subtitle A Section 92.20 (a)(2)

Fiscal Audits Conducted of Non-Profit Corporations with Disallowed Costs
FY 2006-07 through 2012-13

Program Type	Number	Unallowable Costs	Unsupported Costs	Overpayment Assessed
Group Home (GH)	15	$72,710	$162,262	$234,972
Foster Family Agency (FFA)	14	$47,386	$244,862	$292,248
GH/FFA	4	$96,821	$791,931	$888,752
Totals	**33**	**$216,917**	**$1,199,055**	**$1,415,972**

In addition, between FY 2008-09 through 2012-13, 120 financial audit reports were referred for fiscal audit. To date, those referrals are still generated as this workload remains under-addressed.

DSS provides that it continues to receive public pressure, referrals for fiscal audits, and complaints about possible misuse of Title IV-E AFDC-FC funds, specifically:

- On December 1, 2009, DSS received a complaint, forwarded from former state Senator Hollingsworth from a concerned constituent, about the potential misuse of AFDC-FC funds by a non-profit corporation operating a group home and FFA. A fiscal audit from the period of January 1, 2005 through December 31, 2009, disclosed $831,789 in unallowable or unsupported costs. The non-profit corporation is currently under a repayment agreement to repay the overpayment.
- In November 2010, DSS received a subpoena from the Federal Bureau of Investigation in Los Angeles County for a FFA provider's financial audit report. DSS identified the embezzlement of $750,000 from the FFA. As a result of the review, a fiscal audit review was made but DSS was unable to perform the audit due to a lack of audit resources.

Justification. According to the Administration, approval of auditor positions will enable DSS to preserve the continuity of activities associated with the rate setting system revision under CCR[17]; to assure compliance with federal and state statutes; to reduce fiscal risk of inappropriate spending and misuse of AFDC-FC funds; to identify and collect overpayment of AFDC-FC funds from providers not providing care to children. Further, DSS would be exposed to federal sanctions if California is found to be out of compliance with federal requirements. Lack of staff resources could jeopardize approximately $306 million in Title IV-E local assistance funds received by California for group home and FFA programs.

Staff Comment & Recommendation - Approve, as no concerns have been raised.

Questions.

1. Please briefly summarize the proposal, including the justification and how the five additional positions will assist the department in conducting the remaining fiscal audits?

2. Why are the auditor positions limited-term?

[17]The department anticipates substantial workload associated with CCR implementation, with more auditing capability to address any modified rate-setting methodology and increased efforts associated with performance standards and outcome measures for out-of-home care providers, which is a measurement that is not currently audited in group homes and FFAs.

5. Title IV-E Tribal Share-of-Cost

Budget Issue. The Department of Social Services (DSS) proposes trailer bill language to change the state and tribal sharing ratios for the non-federal share of funding for tribal child welfare services, due to the availability of enhanced tribal Federal Medical Assistance Percentage (FMAP). Provisions of the trailer bill language specify:

1. Effective July 1, 2014, a tribe, consortium of tribes, or tribal organization operating a program, pursuant to an agreement with DSS, must be responsible for the following share-of-costs:

    - For adequate care of each child receiving AFDC-FC, there is no tribal share-of-cost of the non-federal share with an enhanced FMAP of 80 percent or higher. If FMAP is below 80 percent, tribal share-of-cost is 60 percent of the non-federal share.
    - For AFDC-FC program administration costs, 30 percent of the non-federal share.
    - For the provision of specified child welfare services, 30 percent of the non-federal share.
    - For the provision of Title XIX child welfare services, 30 percent of the non-federal share.
    - For wraparound services approved by DSS for eligible children, no tribal share-of-costs with FMAP of 80 percent of higher. If FMAP is below 80 percent, tribal share-of-cost is 60 percent of the non-federal share.
    - For support and care of hard-to-place adoptive children, there is no tribal share-of-costs with an enhanced FMAP of 62.5 percent or higher. If FMAP is below 62.5 percent, tribal share-of-costs is 25 percent of the non-federal share.
    - For monthly visitation of children in group homes, there is no tribal share.
    - For support and care of former dependent children who have been made wards of related guardians, no tribal share-of-cost of the non-federal share with an enhanced FMAP of 60.5 percent or higher. If FMAP is below 60.5 percent, the tribal share is 21 percent of the nonfederal share.
    - For extending aid to eligible non-minor dependents, the tribal share is based on specified sharing ratios.

2. If sharing costs are not specified in the trailer bill language, the tribal share-of-costs must be equal to the county statutory share-of-cost set forth in statutory sharing ratios for each of these programs, effective June 30, 2011.

3. The non-federal costs for programs, services, or administrative costs must be borne by the tribe, consortium of tribes, or tribal organization, and the state – unless, the child is transferred from the tribal program to county jurisdiction, then the county must bear the costs for the child.

Background on Title IV-E. The federal Title IV-E of the Social Security Act also provides that tribal governments may operate their own tribal child welfare systems. State and agreement tribes (Karuk and Yurok) share in the non-federal costs for assistance payments and administrative services. Effective July 1, 2011, a tribe, consortium of tribes, or tribal organization that operates a child welfare program, must be responsible for the following share-of-costs:

- Sixty percent of the non-federal share for each child receiving Aid to Families with Dependent Children—Foster Care (AFDC-FC);
- 30 percent of the non-federal share for AFDC-FC program administrative costs;

- 30 percent of the non-federal share for the provision of specified child welfare services;
- 30 percent of the non-federal share for the provision of Title XIX child welfare services;
- 60 percent of the costs for wraparound services approved by the department for children;
- 25 percent of the nonfederal share for the support and care of hard-to-place adoptive children;
- No tribal share for monthly visitation of children placed in group homes;
- 21 percent of the nonfederal share for the support and care of former dependent children, who have been made wards of related guardians. There is no required tribal share for federally eligible administrative costs. For non-federally eligible administrative costs, the tribal share is 50 percent; and,
- 21 percent of the non-federal share for the cost of extending aid to eligible non-minor dependents who have reached 18 years old and who are under jurisdiction of the tribal program.

Tribes that choose to administer their own tribal child welfare system are eligible for an enhanced FMAP. The state is currently at 50 percent of FMAP.

Currently, the Karuk and Yurok Tribes have reported that they are unable to cover their share of the non-federal costs. The existing appropriation has been unexpended since fiscal year 2007-08 because no tribe has the means to meet its share of the cost requirement.

Caseload projections. From fiscal years 2013-14 to 2014-15, the Karuk Tribe estimates an average of five cases per month for the foster family home (FFH); zero cases per month for group homes, and one case per month for the adoption assistance program (AAP). For FY 2013-15, the Yurok Tribe estimates an average of 12 cases per month for FFH and an average of zero cases per month for group homes and AAP.

Justification. According to the Administration, “the proposal will better enable California tribes to care for their own children, assist them in preserving their culture, and improve the intergovernmental relationship between sovereign tribal nations and the federal government.”

Staff Comment & Recommendation - Approve. Staff recommends the Subcommittee adopt placeholder trailer bill language.

Question

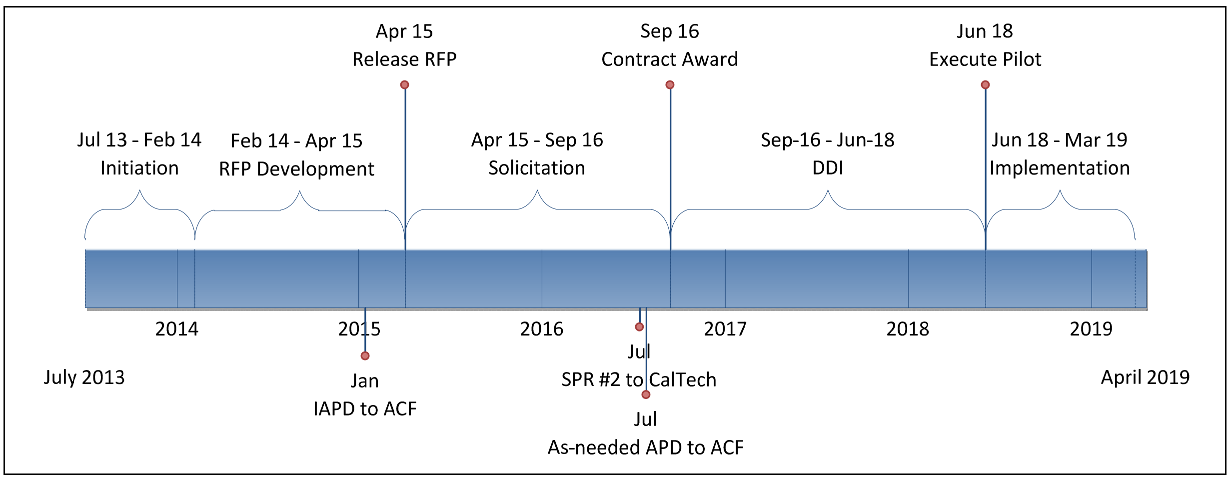
1. Please briefly summarize the proposal and trailer bill language.

5180 Department of Social Services – CWS
Health and Human Services Agency, Office of Systems Information

1. April Letter – CWS New System Project

Budget Issue. The Governor's proposal requests seven five-year limited-term positions, and a five-year extension for nine existing two-year limited-term positions. In addition, the budget requests, in 2013-14, a net decrease in the Office of Systems Integration (OSI) costs for $93,000 and a net decrease in Department of Social Services (DSS) costs of $1.8 million. For budget year, the proposal requests an increase in OSI costs for $2.42 million and a net decrease in DSS costs for $1.2 million.

The proposed new timeline for the CWS New System Project is below:



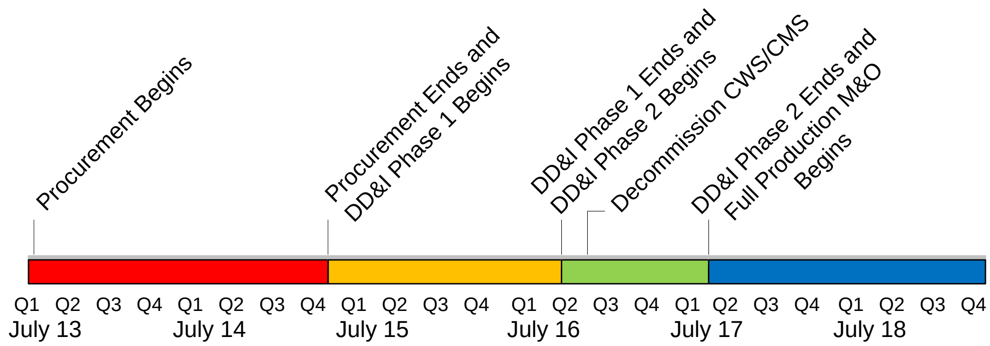
Background. Child Welfare Services/Case Management System (CWS/CMS) was fully implemented and transitioned to its operational phase in 1998. DSS has overall responsibility for the system, including providing project and program direction to OSI. OSI provides information technology expertise and is responsible for implementation and day-to-day operations of the system. The current contract for CWS/CMS runs through November 2016, with potential extensions of up to three years.

Last year, the Governor's budget proposed, and the Legislature approved $10.3 million ($4.6 million GF) for planning activities associated with development of the Child Welfare Services-New System (CWS-NS) project. Of this total, $4.3 million ($1.9 million GF) would support staffing at OSI and DSS. According to the Office of Systems Integration (OSI), the anticipated total one-time costs up through the design and development of the system, which is expected to finish in 2017, are $351.1 million ($154.9 million GF). Compared to continuing to operate the current and making necessary changes, however, the Administration estimated that the state will realize savings by completing the CWS-NS system because of its reduced maintenance and operations costs.

As of April 1, 2014, the approved Special Project Report reflects a 19-month delay for CWS-NS. Specifically, the planning and procurement process added 14 months: nine months because the department was unable to fill necessary state positions, due to the two-year, limited-term nature of the positions; and an additional five months to complete the request for proposal, among other items. Also, the design, development, and implementation (DDI) phase added five months for additional testing.

The previous timeline for the project was:

Table 1 – CWS-NS Project Timeline



<u>Staff Comment & Recommendation</u> - Hold open. Staff recommends the item remain open for further discussion.

<u>Questions</u>.

1. Please summarize how the Spring Finance Letter amends the CWS-NS timeline and costs.

2. Please briefly explain how the delay occurred and how this proposal ties in the concurrent Community Care Licensing trailer bill and budget request.

3. Have total project costs for CWS-NS increased? If so, by how much?

5180 Department of Social Services – CalFresh

1. Overview

CalFresh is California's name for the national Supplemental Nutrition Assistance Program (SNAP). As the largest food assistance program in the nation, SNAP aims to prevent hunger and to improve nutrition and health by helping low-income households buy the food they need for a nutritionally adequate diet. Californians are expected to receive a total of $7.8 billion (all federal funds) in CalFresh benefits in 2012-13, rising to $8.8 billion in 2013-14. According to the U.S. Department of Agriculture's Economic Research Service, every $5 in new SNAP/CalFresh benefits generates as much as $9 of economic activity (gross domestic product), which represents a multiplier effect of 1.79.

A Snapshot

- In 2013, approximately 1.9 million households (4.2 million people) received CalFresh benefits.
- This is estimated to represent only around half the eligible population.
- More than half of recipients are children.
- Average monthly benefit per household is $335.

CalFresh benefits are provided on electronic benefit transfer (EBT) cards, and participants may use them to purchase food at participating retailers, including most grocery stores, convenience stores, and farmers' markets.[18] In an average month in 2012-13, approximately $630 million in CalFresh food assistance was disbursed to around 4.2 million Californians. The average monthly allotment received during this period was $332 per household ($151 per person). Since 1997, California has also funded the California Food Assistance Program (CFAP), a corresponding program for legal permanent non-citizens, who are ineligible for federal nutrition assistance due to their immigration status.

CalFresh food benefits are funded nearly exclusively by the federal government. According to the LAO, in 2012-13, this amounted to $7.6 billion, with $62 million (less than one percent), from the state General Fund. Administrative costs are shared between the federal (50 percent), state (35 percent), and county (15 percent) governments. In 2012-13, the administrative expenses amounted to $842 million federal funds, $596 million General Fund, and $250 million county funds, totaling to $1.7 billion. According to the U.S. Department of Agriculture's Economic Research Service, every $5 in new SNAP/CalFresh benefits generates as much as $9 of economic activity.

Since 1997, the state has also funded the California Food Assistance Program (CFAP), a corresponding program for legal immigrants who are not eligible for federal nutrition assistance. The proposed CFAP budget includes $65.6 million GF for food benefits, with an expected average monthly caseload of around 19,000 households (with about 47,000 recipients).

Eligibility and Benefits. CalFresh households, except those with an aged or disabled member or where all members receive cash assistance, must meet gross and net income tests. Most CalFresh recipients must have gross incomes at or below 130 percent of the federal poverty level (which translates to approximately $2,008 per month for a family of three) and net incomes of no more than 100 percent of the federal poverty level ($1,545 per month for a family of three) after specified adjustments. The average monthly benefit per household is around $339 ($151 per person).

[18] Non-allowable items under CalFresh include: alcoholic beverages, tobacco products, medicines, vitamins, or any non-food items, like pet food, soap, household supplies, or cosmetics.

Performance Measures. According to the Food and Nutrition Service (FNS) 2012 report for FFY 2010-2011, 270,704 fraud investigations were completed in California, around 34 percent of the nation's total 797,828 investigations. 36,241 of the state's total investigations, or 13.3 percent, prevented fraud at intake. 146,550 of the 149,152 post-certification investigations, or 98 percent, yielded negative results, meaning that the investigation did not result in an administrative disqualification hearing or prosecution.[19]

Accuracy or error rates are measured through state and federal review of a sample of cases to determine how frequently benefits were over- or under-issued. States are subject to federal sanctions when their error rates exceed six percent for two consecutive years. As of September 2011, California's error rate was 4.1 percent. California was sanctioned $11.8 million, $114.3 million, and $60.8 million in 2000, 2001, and 2002, respectively.

Efforts to Improve Participation. The participation rate for the working poor population was 65 percent nationally. California's overall participation rate was the lowest in the nation at an estimated 55 percent.[20] California's participation rate for the working poor population was also the lowest in the nation at an estimated 42 percent.[21]

Reasons sometimes offered for California's poor performance with respect to CalFresh participation have included, among others, a lack of knowledge regarding eligibility among individuals who are eligible, frustration with application processes, concerns about stigma associated with receiving assistance, and misconceptions in immigrant communities about the impacts of accessing benefits.

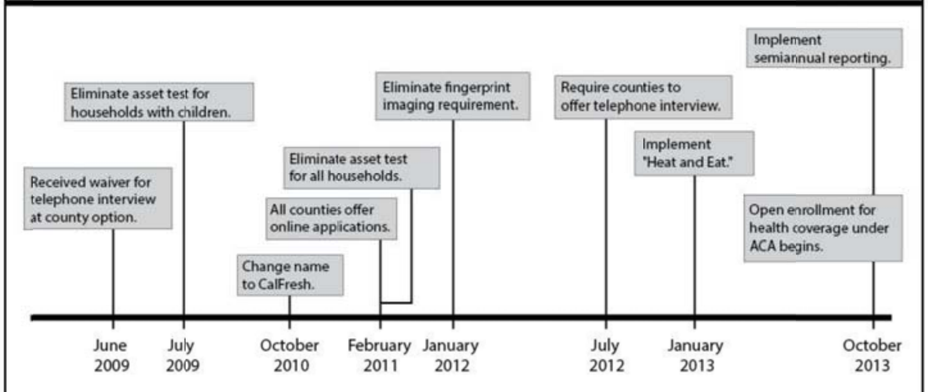
Several recently enacted program changes seek to improve CalFresh program participation. Some of those program changes include:

1. Elimination of fingerprint imaging requirement. AB 6 (Fuentes), Chapter 501, Statutes of 2011 eliminated the fingerprinting requirement, which was intended to prevent duplicate receipt of aid. However, fingerprint imaging created the perception of stigma and other measures were already in place to prevent duplicative receipt.
2. "Heat and Eat." Federal law authorizes households to deduct certain utility expenses through the Low Income Home Energy Assistance Program (LIHEAP). As of January 1, 2013, all CalFresh households receive an annual $0.10 cash LIHEAP benefit to allow for a simplified deduction of utility expenses in the CalFresh benefit determination formula.
3. Semiannual reporting. Evidence suggested that a number of CalFresh households may leave the caseload after failing to correctly submit regular reports, only to reapply a few months later. AB 6 also amended the reporting requirement from three quarterly reports in a certification period to one report in a certification period.
4. Face-to-face interview waiver. All counties offer telephone interview in lieu of a face-to-face interview for intake and recertification appointments for CalFresh only clients.

[19] *Id.*
[20] DSS has noted that the federal government does not count the state's "cash-out" policy for SSI/SSP recipients (whereby those individuals receive a small food assistance benefit through SSP and are not eligible for additional CalFresh benefits) in its participation rate. The Department estimates that the state's participation rate could be a few percentage points higher if many those individuals who would otherwise be eligible for CalFresh were counted as participating. The state would still have the lowest participation rate in the nation.
[21] While California's caseload has doubled in recent years, this does not necessarily alter the state's participation rate in a significant way because the number of eligible households and individuals has also risen steeply.

Figure 1

Timeline of Recent CalFresh Changes



ACA = Patient Protection and Affordable Care Act.

Figure prepared by the Legislative Analyst's Office, 2013.

DSS indicates that California continues to make significant program changes to increase access to the CalFresh program. Several of these changes were included in recently enacted legislation or administrative decisions to streamline application and other administrative policies. In addition to other recent forums for county/state dialogue about CalFresh efficiency and increased participation, and partly in response to a request from this Subcommittee last year, the Director of DSS has also asked each county to undertake a goal-setting process with respect to increased participation.

Staff Comment & Recommendation. Staff recommends that the Subcommittee ask the department to provide an update on its goals for increased participation in CalFresh statewide, including the impact on the number of eligible families and the state's participation rates, as attributed to legislative and policy changes.

Questions:

1. Why does California continue to have low CalFresh participation rates?

2. How can the state better ensure that more eligible low-income Californians receive federally-funded CalFresh food benefits? What opportunities have been leveraged to reach more Californians during ACA implementation?

2. 2014 Federal Farm Bill

Background. Every five years, Congress passes legislation, known as the "Farm Bill," which contains provisions governing federal policy for agriculture, nutrition, conservation, and forestry. On February 7, 2014, President Obama was signed the Agricultural Act (Act) of 2014,[22] enacting sweeping changes to federal nutrition programs, including $8.6 billion cuts from the Supplemental Nutrition Assistance Program. Specifically, the federal Farm Bill will:

- Clarify certain SNAP eligibility rules, in that lottery winners and specified college students are not eligible for SNAP.
- Strengthen SNAP program integrity and combat benefits trafficking.
- Test strategies to connect more SNAP participants to employment, including a pilot project to spark state innovation.
- Improve access to healthy food options by requiring stores to stock more perishable foods and testing new ways for clients to make purchases with their SNAP benefit card.

Implications. According to DSS, several provisions would impact California, including

- LIHEAP payments made to households, in order to get the automatic Standard Utility Allowance, must be greater than $20 annually.
- No funds appropriated by the Farm Bill may be used for recruitment activities, designed to persuade an individual to apply for SNAP.
- Quality control tolerance level for excluding errors for federal fiscal year 2014 is $37. This will be a retroactive change. For each fiscal year thereafter, the amount will be adjusted by the percentage that the thrifty food plan is adjusted.
- Excessive requests for replacement EBT cards may be declined, unless the household provides an explanation for the loss.
- The promotion of "physical activity" is now permitted as use of the federal Nutrition Education funding.

Heat and Eat. Federal law authorizes households to deduct certain utility expenses through the Low Income Home Energy Assistance Program (LIHEAP). As of January 1, 2013, all CalFresh households receive an annual $0.10 cash LIHEAP benefit to allow for a simplified deduction of utility expenses in the CalFresh benefit determination formula, pursuant to AB 6 (Fuentes), Chapter 501, Statutes of 2011, and to automatically allow for a Standard Utility Allowance (SUA) deduction.

Early estimates from the Western Center on Law Poverty (WCLP) note that as many as 300,000 households will receive lower monthly benefits (a decrease of $60) and 1,000 cases could become ineligible for CalFresh benefits if California ends LIHEAP. As a result, WCLP estimates that California could lose up to $275 million in federal CalFresh benefits in 2013-2014.

Staff Comment & Recommendation. This item is informational and included for discussion.

Questions.

1. To DSS/LAO: Please provide an overview of the Farm Bill's provisions that would impact California.

2. How does the department plan to engage populations to increase participation, without being in conflict with the Act's prohibition to recruit individuals to apply for SNAP?

[22] H.R. 2642 (Stabenow), P.L. 113-79

3. SB 103 - Emergency Drought Budget Bill

Budget Issue. In January 2014, Governor Brown declared an emergency drought. SB 103 (Budget and Fiscal Review), Chapter 2, Statutes of 2014, enacted the $687 million drought relief package. SB 103 includes provisions that provide up to $25 million General Fund to the Department of Social Services (DSS) for drought food assistance.

Background. The CalFresh program is intended to help families prevent hunger, with emergency food programs as a safety net resource. To be eligible for food programs, a recipient must have income below 150 percent of federal poverty level, be a local resident, and use the food received in their personal home.
California operates several emergency food assistance programs:

- The Emergency Food Assistance Program (EFAP) provides United States Department of Agriculture (USDA) commodities to a network of food banks for distribution to eligible individuals and households within their service area. In order to be eligible for USDA commodities, a recipient or household must reside in the geographical area being served and meet established income guidelines. DSS is responsible for EFAP oversight and ensures that USDA commodities are provided and distributed to eligible individuals and households in all 58 California counties. For FFY 2014, USDA allocated $66.5 million to California for commodities and administrative costs ($35.2 million to order and receive a broad array of USDA food; $24.7 million in anticipated specific bonus/surplus food; $6.5 million for administrative costs).

- AB 152 (Fuentes), Chapter 503, Statutes of 2011 established State Emergency Food Assistance Program (SEFAP), which provides a tax credit to California growers for the cost of fresh fruit or vegetables donated to California food banks.

The Drought Food Assistance Program (DFAP) is the temporary program developed in response to the Governor's Drought Emergency Declaration, and seeks to provide food assistance to drough-affected communities with high levels of unemployment.

Distribution timeline. The Department of Finance has approved a $5.1 million initial request from DSS. According to DSS, DFAP food will begin distribution in May. DFAP food initially will be provided by the California Emergency Foodlink, the non-profit CDSS contractor which normally purchases and distributes USDA food statewide. Counties that will receive DFAP are those with unemployment rates that were above the state-wide average in 2013, and which have a higher share of agricultural workers than California as a whole. For 2013, the average unemployment rate for California was 8.9 percent, and the share of workers employed in agriculture was 2.64 percent. Receiving counties include Amador, Butte, Colusa, Fresno, Glenn, Kern, Kings, Lake, Lassen, Madera, Merced, Modoc, Monterey, San Benito, San Joaquin, Santa Cruz, Sierra, Siskiyou, Stanislaus, Sutter, Tehama, Tulare, Yolo, and Yuba.[23]

Eligibility and content. Household DFAP eligibility is based on a self-certification process, whereby recipients identify themselves as the head of a household in an affected community where the

[23] According to DSS, this list is subject to change, as more information about drought impacts becomes available, including the results of a University of California, Davis, study that is currently underway.

household's unemployment or underemployment is directly related to the drought. DFAP food boxes are prepackaged, weigh approximately 25 pounds, and designed to provide food for a household of four people for about five days. Contents include, among others, spaghetti, pinto beans, apple sauce, green beans, corn, and tomato sauce.

Outreach. The department envisions that participating food banks will inform affected households of the location and availability of DFAP food distributions. Food banks are expected to collaborate with other local community organizations that may be engaged with these families. Eligible households with longer-term needs also will be offered information and assistance in applying for CalFresh.

Staff Comment & Recommendation. The item is informational and is included for discussion. No action is required. Staff recommends that the Subcommittee request the department to provide an update on the distribution, data collection on families who indicated interest in signing-up for CalFresh, and future plans for distribution.

Questions.

1. Please briefly provide an overview of the drought emergency food assistance, the food banks' role in food distribution, and who is eligible for DFAP.

2. How did the department determine which counties would receive food boxes? Has there been any change to the list of counties that will receive DFAP boxes?

3. When does the department anticipate the U.C. Davis study to be completed?

4. Please briefly explain how food banks will conduct outreach to eligible households.

5180 Department of Social Services - CalWORKs

1. Overview

California Work Opportunities and Responsibilities to Kids (CalWORKs), the state's version of the federal Temporary Assistance for Needy Families (TANF) program, provides cash assistance and welfare-to-work services to eligible low-income families with children. In the last several years, CalWORKs has sustained very significant reductions (summarized below), as well as programmatic restructuring. Total CalWORKs expenditures are $6.9 billion (all funds, State General Fund is $504 million) in 2014-15. The amount budgeted includes $5.3 billion for CalWORKs program expenditures (including grants, services, and child care) and $1.6 billion in non-CalWORKs programs. California receives an annual $3.7 billion TANF federal block grant. To receive TANF funds, California must provide an MOE of $2.9 billion annually. State-only programs funded with state General Fund are countable towards the MOE requirement.

Demographics of CalWORKs Recipients[24]**.** Around three-quarters of all CalWORKs recipients are children. Nearly half of those children are under the age of six. The vast majority (92 percent) of heads of CalWORKs recipient households are women. Two-thirds are single and have never married. Nearly half have an 11th grade or less level of education, and ten to 28 percent are estimated to have learning disabilities. Around 80 percent of these adults report experiencing domestic abuse at some point.

Caseload and Spending Trends. Prior to federal welfare reform in the mid-1990s, California's welfare program aided more than 900,000 families. By 2000, the caseload had declined to 500,000 families. During the recent recession the caseload grew; but at an estimated 563,500 families in 2012-13, it is not anywhere close to the levels of the early 1990s. Most recently, the caseload declined 1.8 percent in 2011-12, and from there is expected to increase slightly in 2012-13 and 2013-14 (to a projected 572,000 families). According to the California Budget Project, welfare assistance represented 6.8 percent of the state's overall budget (including federal, state, and local resources) in 1996-97, compared with 2.9 percent in 2011-12.

Background on Welfare-to-Work Program. Adults eligible for CalWORKs are subject to a lifetime limit of 48 months of assistance. Unless exempt for reasons such as disability or caregiving for an ill family member, they must participate in work and other welfare-to-work (e.g., educational) activities. Depending on family composition, these activities are required for 20, 30, or 35 hours per week. The program also offers related services, such as childcare and transportation. Beginning January 1, 2013, there are new restrictions regarding what counts as an eligible work activity that will result in some adults losing all assistance after 24 months.

Child-Only Caseload. In more than half of CalWORKs cases (called "child-only" cases), the state provides cash assistance on behalf of children only and does not provide adults with cash aid or welfare-to-work services. There is no time limit on aid for minors. The maximum grant for two children is currently $516 monthly. In most child-only cases, a parent is in the household, but ineligible for assistance due to receipt of Supplemental Security Income, sanction for non-participation in welfare-to-

[24] Context information comes from sample data collected by the Department of Social Services (DSS) and from studies in single or multiple counties, as summarized in *Understanding CalWORKs: A Primer for Service Providers and Policymakers*, by Kate Karpilow and Diane Reed. Published in April 2010; available online.

work, time limits, a previous felony drug conviction, or immigration status. In the remaining cases, no parent is present, and the child is residing with a relative or other adult with legal guardianship or custody.

Statewide Automated Welfare System (SAWS) Background. 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, CalFresh (Food Stamps), Foster Care, Medi-Cal, Refugee Assistance, and County Medical Services. The Los Angeles Eligibility, Automated Determination, Evaluation & Reporting (LEADER) system currently serves Los Angeles (LA) County, while a consortium called C-IV serves 39 additional counties and another called Cal-WIN serves the remaining 18 (though each system houses information for roughly one-third of the statewide caseload). Including project management expenditures, as well as the Welfare Data Tracking Implementation Project (WDTIP) system, the total proposed budget for SAWS in 2013-14 includes $291.7 million ($151.0 million TANF/GF)

Trailer bill language related to the 2011-12 budget directed OSI to migrate the 39 counties currently in the C-IV consortium to the new Leader Replacement System (LRS), which would replace both LEADER and C-IV, so that the state would have a two-consortia SAWS system. In 2012-13, the budget additionally included a requirement for a “cost reasonableness assessment” or study conducted by contracted experts who collect data on the costs of other public and private sector efforts and extrapolate to determine whether the proposed costs for the C-IV migration project are within the realm of reasonableness. In 2012-13, the Legislature also adopted Supplemental Reporting Language directing the Administration to conduct regularly scheduled briefings with legislative staff, and to offer updates during budget Subcommittee hearings, as efforts to develop LRS and migrate C-IV continue. OSI estimates the following timing for the Migration project (to be updated after a migration strategy is chosen):

C-IV/LRS Migration Major Tasks	Start Date
C-IV Migration Planning	11/1/2012 – 4/30/2017
LRS Stabilization/C-IV Migration Preparation	5/1/2017– 4/30/2018
Migrate C-IV Counties	5/1/2018 –10/2019

Federal Context and Work Participation Rate. Federal funding for CalWORKs is part of the Temporary Assistance for Needy Families (TANF) block grant program. TANF currently requires states to meet a work participation rate (WPR) for all aided families, or face a penalty of a portion of their block grant. States can, however, reduce or eliminate penalties by disputing them, demonstrating reasonable cause or extraordinary circumstances, or planning for corrective compliance. It is also important to note that federal formulas for calculating a state’s WPR have been the subject of much criticism. For example, they do not give credit for a significant number of families who are partially, but not fully, meeting hourly requirements. California did not meet its federal WPR requirements for 2007, 2008, or 2009. The state is appealing penalties of $47.7 million and $113 million for 2008 and 2009, and it remains unclear whether, or when, those penalties might be enforced. The table below shows California’s penalty status for FFYs 2008, 2009, 2010, and 2011 for the All Families WPR. California did meet federal requirements for the two-parent WPR.

Summary of WPR Requirements and TANF Penalties

FFY:	2008	2009	2010	2011
Required Rate: All Families	50%	50%	50%	50%
Caseload Reduction Credit[1]	21%	21%	21%	21%
Adjusted WPR target	29%	29%	29%	29%
California Actual WPR	25.1%	26.8%	26.2%	27.8%
Potential Penalty Amount	$47.7 million	$113.6 million	$179.7 million	$246.1 million

[1/] *Due to the American Recovery and Reinvestment Act, California received the 2008 Caseload Reduction Credit for all three years displayed.*

The Work Incentive Nutritional Supplement (WINS) program, which provides a state-funded benefit of $10 monthly to families receiving CalFresh who are meeting TANF work requirement, began on January 1, 2014. It is expected to help improve the state's WPR because those state funds will be counted toward the state's TANF Maintenance of Effort (MOE) requirement and because the beneficiary families count in the state's WPR.

Recent Reductions and Changes in CalWORKs are summarized below:

GRANT REDUCTIONS	GF savings[25] (in 000s), if available	Effective Period
Suspension of annual cost-of-living adjustment (COLA) (enacted in 2008-09 budget)	$163,000	Ongoing
Suspension of COLA *and* 4% grant cut (2009-10)	$226,000	Ongoing
Elimination of statutory basis for future COLAs (2009-10)		Ongoing
Additional 8% grant cut (2011-12)	$314,000	Ongoing
Changes to earned income disregard that mean faster reductions to grants or exits from aid due to earnings (2011-12)	$83,000	7/1/11 through 10/1/13

TIME LIMIT REDUCTIONS	GF savings[26] (in 000s), if available	Effective Period
Reduction of adults' lifetime time limit from 60 to 48 months (2011-12)	$104,000	Ongoing
Creation of a 24-month time limit with more flexible welfare-to-work activities before it has been reached and stricter requirements afterward (up to 48 total months) (2012-13)		Ongoing, with fiscal effect starting 2014-15

[25] Savings figures on this page are annual in the first full-year of implementation. On an ongoing basis, exact savings will vary with caseload and other policy changes.
[26] Savings figures on this page are annual in the first full-year of implementation. On an ongoing basis, exact savings will vary with caseload and other policy changes.

REDUCTIONS TO WELFARE-TO-WORK SERVICES	**GF savings[27] (in 000s), if available**	**Effective Period**
Exemption from welfare-to-work services for parents of one child from 12 to 24 months old or 2 or more children under age 6 (savings from not providing services) (2009-10)	$375,000	7/1/09 through 1/1/13 (with phase-out of policy then lasting 2 years)
Suspension of CalLearn intensive case management for teen parents (2011-12)	$43,600	7/1/11 through 7/1/12, with funding phased back in during 2012-13
Once in a lifetime welfare-to-work exemption for parents with children under 24 months old (2012-13)		Ongoing, beginning 1/1/13

Policy considerations. The Legislature is also faced with other policy considerations in the CalWORKs programs:

- Grants. The average CalWORKs grant for recipient families is $467 monthly (up to a maximum of $638, or 40 percent of the federal poverty level for a family of three in a high-cost county with no other income. Last year, the Legislature, in budget legislation, enacted a statutory mechanism to increase the CalWORKs grant payments when a dedicated revenue stream is estimated to be sufficient to cover the cost of such an increase. A five percent increase has taken effect in March 2014. The LAO estimates that CalWORKs grants could be increased, on average, around 2 percent each year.
- Earned income disregard. Since 1997, CalWORKs has allowed families to keep the first $225 of their pre-tax earnings, without an impact on reducing the CalWORKs grant amount. Advocates have noted that this amount has not been increase since its inception.
- Maximum family grant (MFG) stipulates that a family's maximum aid payment will not be increased for any child born into a family that has received CalWORKs for ten months prior to the birth of a child. There is proposed legislation in the current session seeking to amend the MFG.

Staff Comment & Recommendation. This item is informational, and no action is required.

Question

1. Please briefly summarize the CalWORKs program, including average grant amounts, recent legislative and policy changes, and caseload trends.

[27] Savings figures on this page are annual in the first full-year of implementation. On an ongoing basis, exact savings will vary with caseload and other policy changes.

2. SB 1041: Implementation Update

SB 1041 (Budget and Fiscal Review Committee), Chapter 47, Statutes of 2012, made significant changes to CalWORKs welfare-to-work rules, including:

- Creation of a 24-month time limit with more flexible welfare-to-work activities[28] before the time limit has been reached and stricter requirements afterward (up to 48 total months),
- A two-year phase-out of temporary exemptions from welfare-to-work requirements for parents of one child from 12 to 24 months old or 2 or more children under age 6, along with a new, once in a lifetime exemption for parents with children under 24 months, and
- Changes to conform state law to the number of hours of work participation (20, 30, or 35, depending on family composition) required to comply with federal work requirements.

DSS must contract with an independent, research-based institution for an evaluation and written report regarding the enacted changes, and provide the report must to the Legislature by October 1, 2017. In the interim, the department must annually update the Legislature regarding implementation of the enacted changes.

Also, SB 1041 created a differentiation between welfare-to-work participation rules that apply before expiration of a 24-month time limit, which are more flexible than prior law in how they count education and treatment-related activities, and stricter rules that now apply after that time period, which can sometimes include more than 24 calendar months because of how months are counted. As a result of the rules that then apply, some adults are expected to lose assistance after 24 months. In preliminary estimates, based on RADEP 2012 and WDTIP data, the department projected that around 168,660 recipients may be affected by the new 24- month clock by July 2015.

SB 1041 also allows for extensions of up to six months, after a review at least every six months, of the more flexible rules for up to 20 percent of participants.

Background on Early Engagement. SB 1041 required DSS to convene stakeholder workgroups to inform the implementation of these changes, as well three strategies intended to help recipients engage with the WTW component, specifically:

1. Subsidized Employment. Under subsidized employment, counties form partnerships with employers, non-profits, and public agencies. Wages are fully or partially subsidized. The department estimates that subsidized employment will create around 8,250 new jobs in budget year. $39.3 million was allocated last fiscal year to 57 counties. Currently, 20 ESE county plans have been submitted for the DSS website: three plans already posted, nine plans prepared for posting, and eight plans ready for review calls with counties.

Key Dates for Subsidized Employment

- **July 1, 2013:** Effective date.
- **SFY 2013-14:** Program roll-out.
- **SFY 2014-15:** Full implementation anticipated.
- **April 1, 2015:** Information on outcomes due to the Legislature.

Electronic county data reporting begins spring 2014 for fiscal year

[28] In the first 24 months, the flexible activities could include: employment, vocational education; job search; job readiness; job skills training; adult basic education; secondary school; or barrier removal activities.

2013-14. Data points will include: number of CalWORKs recipients who entered subsidized employment; number of CalWORKs recipients who find unsubsidized employment; earnings of the program participants before and after the subsidy; and impact on the Work Participation Rate. The department must provide an outcomes report to the Legislature, no later than April 1, 2015.

2. Family Stabilization. Family stabilization (FS) is intended to increase client success during the flexible WTW 24-Month Time Clock period by ensuring a basic level of stability: intensive case management and barrier removal services. Clients must have a "Stabilization Plan" with no minimum hourly participation requirements, and six months of clock-stopping is available, if good cause is determined.

According to DSS, for FY 2013-14, $10.8 million was allocated to counties for FS, and in the budget year, $26 million has been estimated in the Governor's Budget.

Counties have flexibility to determine the services that will be provided and individual program components in order to best meet the needs of each county and the clients the county serves. Below is a chart of the summary of family stabilization plans received.

Key Dates for Family Stabilization

- **November 27, 2013:** FS allocation to counties.
- **February 4, 2014:** Implementation guidelines and expenditure claiming instructions released.
- **March 2014:** Counties to submit FS plans and release of the FS Request and Determination forms.
- **April 2014:** Release of draft FS Data Reporting Form.

<table>
<tr><th colspan="3">Summary of Family Stabilization Plans Received*
Total number of FS Plans received as of April 15, 2014: 47</th></tr>
<tr><th>Services</th><th># of Counties</th><th>Examples</th></tr>
<tr><td>Homelessness</td><td>31</td><td>• Transitional housing
• Emergency homeless assistance/shelter
• Relocation assistance
• Subsidized rent</td></tr>
<tr><td>Mental Health</td><td>44</td><td rowspan="3">• Co-locating staff
• Multi-disciplinary team
• Partner with county behavioral health department
• Specialized units
• Rehabilitative services
• Children's mental health services</td></tr>
<tr><td>Substance Abuse</td><td>44</td></tr>
<tr><td>Domestic Abuse</td><td>44</td></tr>
<tr><td>Weekly Client Contact</td><td>40</td><td>• Home visits
• Phone calls</td></tr>
<tr><td colspan="2">Other</td><td>• CWS Linkages Families
• Life skills workshops
• Legal Services
• Nutrition education
• Literacy
• Financial Planning</td></tr>
</table>

3. Online CalWORKs Appraisal Tool (OCAT). OCAT is a standardized statewide WTW appraisal tool, which will provide an in-depth assessment of client strengths and barriers, including: employment history, interests, and skills; educational history; housing status and stability; language barriers; physical and behavioral health, including, but not limited to, mental health and substance abuse issues; child health and well-being. The department is currently holding stakeholder meetings, and pilot testing will begin in July 2014. The department estimates that OCAT will be available statewide September 2014.

Re-engagement. To date, DSS has received 26 county strategy plans that cover how they intend to "re-engage" parents in approximately 15,000 families whose young-child exemptions are ending over the two-year time period identified by SB 1041. Beginning re-engagement dates vary throughout those counties. Strategies as to which groupings of clients will be re-engaged[29] and in what order al so vary by county. In December 2012, approximately 68,000 clients were identified as being part of the population that needed to be reengaged. As of April 2014, all 58 counties have begun reengagement, and 23 of those counties have completed reengagement. Approximately 50,000 clients have been reengaged as of December 30, 2013, with 18,000 clients remaining to be reengaged.

Key Dates for Re-engagement

- **January 1, 2013:** End of short-term young child exemption.
- **December 28, 2013:** Counties required to submit reengagement sequencing plans.
- **January 1, 2015:** All clients must be reengaged.

Concerns Raised by Advocates. Advocates have been parties to the stakeholder discussions and have provided feedback on the state guidance. At the same time, however, they have expressed strong concerns with front-line implementation of the changes thus far. Anecdotally, they indicate that they are not yet observing the intended impacts of the increase in flexibility regarding activities or decrease in the required participation hours in a number of counties. Additionally, the Western Center on Law and Poverty writes that advocates have received reports that recipients are given incorrect information about the new 24-month clock. For example, "A common story advocates heard was that education was no longer permitted and that recipients had to meet federal work participation requirements."

Workgroup Discussions. Stakeholder discussions in the workgroup with the Administration have focused in particular on a few programmatic concepts, including:

- The need to utilize information from more robust appraisals and/or assessments of clients' needs;
- The need for there to be more than one welfare-to-work track for participants (e.g., differentiating between those who are ready for work experience, those who need education and skill development, and those who have major barriers to be addressed);
- The need for more intensive case management services or other supports to allow families who have multiple barriers and/or are particularly in crisis to get stabilized; and
- A desire for expanded uses of subsidized employment opportunities.

Staff Comment & Recommendations. Given the volume of recent reductions and restructuring, the CalWORKs program is in a state of flux. Successive reductions and changes to grants, time limits, and work participation rules have resulted in additional layers of complexity. Staff notes that some recipients' 24-hour clock is ticking without all of the early engagement opportunities in full implementation.

[29] Clients who met this exemption in December 2012 are not required to participate until they are reengaged by the county.

Questions.

1. Please provide an overview of the key changes enacted by SB 1041 and how the department is monitoring and implementing those changes.

2. What is the effect of the 24-month limit on families in WTW for budget year, BY +1, and BY +2?

3. What is the current status of early engagement, and when does the department expect all the pieces to be in place?

4. What kinds of measurable data elements might provide insight into the degree to which the changes in activities flexibility and hours have their intended impacts on the ground?

3. Welfare-to-Work Performance Oversight

Budget Issue. The Department of Social Services (DSS) requests eight positions and $980,000 to support the county peer review process, quality control reviews for the Temporary Assistance to Needy Families (TANF) program, and field monitoring visits to monitor the implementation of recent CalWORKs changes. Specifically, the eight positions are as follows:

- Two staff services managers;
- Two research analysts; and,
- Four associate governmental program analysts in CalWORKs Employment Bureau.

Background. In response to the federal Deficit Reduction Act (DRA) of 2005 and TANF Reauthorization of 2006, state law required and established the county peer review (CPR) program to assist counties meet the work participation rate (WPR). Counties receive recommendations and insight on strategies including: establishing early intervention for clients near non-compliance; enhancing client access, behavioral health and domestic violence counseling; and, increasing operational efficiency between workers.

Four of the positions are intended to establish a CPR process, with counties helping the state to develop the process and county visit tools, collaborate in the county reviews, and provide ongoing expertise regarding county systems and practices. Of the remaining four positions, one position is intended to assist with oversight of the Work Incentive Nutritional Supplement (WINS) program, where a new $10 per month supplemental food benefit would be provided to working families who are receiving Supplemental Nutritional Assistance Program (food stamp) benefits that are not receiving CalWORKs assistance. Two positions are intended to provide support and evaluation of the Early Engagement changes as required in Senate Bill 1041 (Budget and Fiscal Review), Chapter 47, Statutes of 2012. The last of the total eight positions is requested to manage the entire performance oversight effort.

Justification. According to the Administration, the requested staff is needed to meet statutory requirements, improve California’s WPR, monitor county implementation, evaluate program changes (i.e., look at trends by county over time and monitor program changes related to SB 1041 and AB 74), and uncover best practices. Also, the positions will enable full implementation of the CPR program, WINS, and major changes in SB 1041 and AB 74. Potential outcomes include increasing the number of CalWORKs recipients who meet the hourly work participation requirements, improved federal WPR, and reduction of potential federal financial penalties.

Staff Comment & Recommendation - Hold open.

Question.

1. Please briefly summarize the proposal and the need for the requested positions.

4. Proposal to Eliminate Temporary Assistance Program (TAP)

Budget Issue. The department proposes trailer bill language to eliminate the Temporary Assistance Program. Specifically, the trailer bill's provisions repeal:

1. The requirement that the Department of Social Services (DSS), effective October 1, 2014, administer TAP for current and future California Work Opportunity and Responsibility to Kids (CalWORKs) recipients who meet exemption criteria for work participation activities, and are not single parents who have a child under the age of one year old.
2. The authorization that eligible CalWORKs recipients have the option of receiving grant payments, child care, and transportation services from TAP.
3. The requirement that DSS enroll CalWORKs recipients and applicants into the program, unless recipients or applicants provide written indication that they would not like to receive assistance from TAP.
4. Language that specifies state General Fund resources for grant payments, child care, transportation, and eligibility determination activities for families receiving TAP benefits.
5. Intent language that specifies that TAP recipients have and maintain access to the hardship exemption and services necessary to begin and increase participation in welfare-to-work activities.

Background. AB 1808 (Budget Committee), Chapter 75, Statutes of 2006, required DSS to establish, by April 1, 2007, a voluntary, state-funded TAP that would provide the same benefits as the CalWORKs program, without federal restrictions or requirements. Under TAP, DSS must provide cash assistance and other benefits to current and future CalWORKs recipients, exempt from state work participation requirements but included in the state's work participation rate (WPR) for the federal Temporary Assistance to Needy Families (TANF) program. The state is authorized to move exempt recipients out of the TANF program and into TAP. Due to existing federal child support distribution rules, administrative complexity in the aid code and benefit type changes for the TAP population, implementation was suspended annually.

Justification. According to the Administration, DSS proposes to eliminate TAP because it is no longer necessary as a strategy to increase the state's work participation rate (WPR). The 2013 Budget Act provided non-MOE General Fund resources for the assistance and administration of safety net cases. Once fully implemented, the department estimates that the shift to non-MOE funding will increase the state's WPR by 5.3 percentage points. Additionally, DSS notes that implementation of TAP could result in adverse impacts to some recipients' grant payments and families' benefits in CalFresh or Medi-Cal, and could create unequal treatment between TAP program recipients and CalWORKs recipients (i.e., TAP families receive 100 percent of child support, while CalWORKs families do not).

Staff Comment & Recommendation. Staff recommends the Subcommittee hold open the item pending further discussion.

Questions

1. Please briefly summarize the proposal and its justification.

2. What have been the barriers to implementing TAP?