



CWDA

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To: All County Social Service Directors and Fiscal Officers

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RE: State Budget Update #4 – Governor Releases May Revision Package

Governor Schwarzenegger released his May Revision budget package at a press conference this afternoon. Overall, the state is experiencing a sharp increase in revenues related to corporate tax, capital gains and stock options, resulting in revenues that far outpace the January estimates for both current year (\$4.8 billion higher) and budget year (\$2.7 billion higher).

The May Revision proposes a \$2.2 billion budget year reserve and the expenditure of \$1.6 billion of the increased revenues to pay down the state's debt (for a total of \$3.2 billion proposed for this purpose in the budget year). The package provides \$2.8 million in additional K-12 school funding in the current and budget years, \$400 million in one-time funding for local hospitals and public health agencies to prepare for disasters such as the avian flu and \$142 million in public safety spending augmentations.

Major provisions in the health and human services budgets are detailed below.

Child Welfare Services

The Governor's January budget included continuing funding for the 11 Pilot County effort and the Child Welfare Services Outcome Improvement Projects (CWSOIP) and added several small augmentations for programs including:

- An initiative aimed at achieving an additional 1,000 adoptions in 2006-07.
- Foster care payments to support placement of parenting foster youth with their minor children (SB 500, enacted in 2005).
- Linking foster youth with an important person in their lives (AB 1412, enacted in 2005).
- Expanding the Kinship Support Services Program.
- Expanding the Transitional Housing Placement Program.

In addition to retaining these augmentations, the May Revision proposes the following:

Title IV-E Waiver – The May Revision provides \$35.5 million (\$10 million General Fund) for first-year costs associated with implementation of the IV-E Waiver in up to 20 counties.

Pilot County Expansion – An augmentation of \$19.6 million (\$11.9 General Fund) is proposed to implement standardized safety assessments statewide (i.e., to the 18 counties that have not

already implemented these assessments), and to expand differential response and permanency and youth services to an additional 15 counties beyond the 11 pilot counties.

Statewide Standardized Training – Total funding of \$19.4 million (\$5.9 General Fund) is added to allow counties to backfill behind social workers and supervisors who attend newly required statewide standardized training.

Dependency Drug Court – The May Revision includes \$2.1 million in General Funds to maintain expenditures of \$1.8 million in 2006-07 for the Dependency Drug Court program expansion initiated in 2004-05 and to provide \$300,000 to evaluate the cost-effectiveness of this pilot project.

Rosales v. Thompson – The May Revision recognizes the change made in the federal Deficit Reduction Act to reverse the previously expanded federal Title IV-E eligibility established by the *Rosales v. Thompson* lawsuit. It is assumed that the cases that entered foster care prior to February 8, 2006 will continue to receive federal funds. The cases that entered foster care after that date will be eligible for non-federal foster care or the CalWORKs program. The net effect is a decrease in federal funding, estimated at \$2.2 million for foster care grants and a small amount of associated administrative costs, resulting in a projected increase in state and county costs of about \$800,000 and \$1.2 million, respectively.

Emergency Response Hot Line – Based on data provided by counties, an additional \$7.5 million in TANF funds has been shifted into Child Welfare Services to replace federal funds lost for emergency response hot line activities.

Pilot Counties and Child Welfare Outcome Improvement Projects Funding Source – The May Revision recognizes that federal matching funds cannot be used for Child Welfare Services improvement activities to the extent envisioned in the Governor's January budget. The issue is addressed by replacing \$3.4 million of anticipated Title IV-E funds with General Funds.

CalWORKs

Revised caseload estimates for the program are 477,964 cases in 2005-06, a 2.5 percent decrease from the prior year and 476,293 cases in 2006-07, a .3 percent decrease from the current year.

CalWORKs Single Allocation – The May Revision proposes total single allocation funding of \$1.493 billion, a decrease of \$21.4 million from the January budget proposal. This is \$212.9 million less than the current year allocation. Specific changes to each component include:

CalWORKs Eligibility – Eligibility funding is increased by \$48.8 million over the January Budget due to revised quarterly reporting/prospective budgeting savings based on the QR/PB time study analysis, for total funding of \$264.8 million. This is a \$17.8 million reduction from the current year allocation.

Employment Services – Employment services funding decreases by \$2 million from the January budget for funding of \$795.3 million, due to an estimated 1.7 percent reduction in the welfare-to-work caseload. This is \$41.7 million less than the current year allocation.

Stage One Child Care – The May Revision decreases Stage One Child Care funding by \$69.7 million from the January budget proposal, for total funding of \$413.6 million. This represents a total decrease of \$140.2 million from the current year allocation. Estimated average monthly caseload decreases by 10,742 from the current year to 54,386.

TANF Reauthorization/CalWORKs Reform – The May Revision contains four provisions aimed at improving participation and engagement in the welfare-to-work program.

Reauthorization Reserve – The May Revision sets aside \$114.6 million to fund changes to CalWORKs due to TANF Reauthorization. Changes will be identified through the existing TANF reauthorization stakeholder process.

“Pay for Performance” Proposal – The May Revision sets aside \$40 million in the TANF reserve as an incentive for counties to focus on three outcome measures: employment rates, work participation rates as modified by state allowable activities and the percentage of CalWORKs recipients with earned income three months after exiting the program. (These are the three measures contained in the original Pay for Performance statute.) Counties that achieve improvement or rank in the top 10 percent of counties on one or more measures would receive incentive funding in the 2007-08 budget.

CalWORKs Participation Improvement Project – The May Revision includes \$20 million to assist counties in efforts to engage CalWORKs recipients and to improve work participation rates as reflected in the Employment Services item above. Specifically, funding would be provided on a competitive basis to counties to reduce recipients in noncompliance or sanction status, or recipients able to participate but not continuously engaged.

Performance Reviews and Best Practices – The May Revision redirects \$1.5 million in research funds to implement a peer review program to identify and disseminate best practices in counties.

Stage 2 Child Care – Funding remains unchanged from the January budget proposal at \$541.8 million, a \$3 million increase over the current year. Estimated average monthly caseload decreases slightly with 82,890 cases for the current year and 81,145 for the budget year.

Regional Market Rate Impact – The May Revision proposes \$20.8 million to increase the regional market rate ceiling based on the recent RMR survey, including \$8.1 million for Stage 1 and \$12.7 million for Stage 2 child care.

Substance Abuse and Mental Health Services – Funding for substance abuse services decreases from the current year by \$745,000 to \$48.1 million. Funding for mental health services increases by \$2.8 million to a total of \$62.8 million.

Tribal TANF – The May Revision proposes \$52.1 million for Tribal TANF grants, \$8.6 million for welfare-to-work services, and \$3.4 million for county administration for total funding of \$64.1 million, an increase of \$7.9 million over the January budget proposal.

Food Stamps

The May Revision increases Food Stamp eligibility funding by \$20.6 million over the January budget, to a total of \$230.8 million. This is a \$22.3 million increase over the current year based on projected caseload growth of 8.5 percent.

Quarterly Reporting/Prospective Budgeting – In contrast to the CalWORKs budget, the May Revision does not change the assumed QR/PB savings related to Food Stamps Administration, which is held at about \$63 million and adjusted slightly for caseload growth. A small amount of

additional funding is possible based on data analysis that was not finalized prior to the release of the May Revision and will be discussed in upcoming budget hearings.

Automation Projects

SAWS

- ISAWS Migration – A reduction of \$890,000 in the current year and \$100,000 in 2006/07 is proposed in ISAWS Migration funding to reflect a four month delay in start date (March 1, 2006 to July 1, 2006).
- C-IV – The May Revision does not propose a change to January budget.
- ISAWS – A reduction of \$781,000 in the 2006/07 budget is characterized as a technical.
- LEADER – An addition of \$330,000 is included without explanation.
- CalWIN – The May Revision does not propose a change to January budget.

CWS/CMS Updated Automation – The May Revision includes funds for moving CWS/CMS to a web-enabled system. It delays developing improved data reporting and remote access.

Child Support Interface – Funding of \$1.5 million (\$557,000 General Fund) is proposed for testing the interface between the new Child Support automated system and the SAWS systems.

Adult Services

Supplemental Security Income/State Supplementary Payment Program (SSI/SSP) – The May Revision rescinds the January budget proposal to suspend the pass-through provision of the April 2007 federal SSI cost-of-living adjustment (COLA) until July 2008. Pass-through of this COLA will be provided beginning April 1, 2007, pursuant to current law. As a result of this action, monthly grant payment levels are estimated to be increased from \$836 to \$849 for individuals and from \$1,472 to \$1,491 for couples on April 1, 2007.

In-Home Supportive Services (IHSS) – The Administration proposes an increase of \$7.8 million in 2005-06 and \$17.2 million in 2006-07 to continue the practice of applying Medi-Cal share-of-cost rules to certain IHSS recipients (resulting in a lower share of cost for these recipients). The May Revision also proposes an increase of \$7.9 million in 2005-06 and \$18.6 million in 2006-07 for 15 counties that increased IHSS wages and/or health benefits since the January Governor's Budget. Finally, the May Revision reflects decreases of \$13.6 million in 2005-06 and \$11.7 million in 2006-07 due to a lower caseload projection, partially offset by increased hours by case, since the Governor's Budget was released in January. State revenue growth was not sufficient to trigger the next \$1 increase in state participation in wages and benefits.

Adult Protective Services (APS) – Funding is held at the same level proposed in January.

Medi-Cal and Healthy Families

County Administration – Total county administrative funding is proposed to increase by \$16.5 million total funds (\$9.5 million General Fund) over the current year. This includes an increase of \$89.4 million total funds (\$45 million General Fund) to the base and a decrease of \$72.9 million (\$35 million General Fund) for individual premises.

Deficit Reduction Act Citizenship Provisions – The Administration is proposing trailer bill language to implement the new federal citizenship verification requirements. The state is still awaiting guidance from the federal government on how to implement the new requirements. The budget

does not provide any funding for county Medi-Cal eligibility costs associated with these requirements, though DHS advises us that they intend to fund county workload by revising the 2006-07 budget as part of the January 2007 budget proposal.

Children's Health Initiatives (CHIs) – The Governor proposes \$23 million in one-time funding to enable counties operating CHIs to eliminate existing waiting lists and expand coverage. The Administration indicates that 10 of the 18 CHI counties reported waiting lists, totaling about 11,000 children, as of May 1, 2006. The amount of funding proposed in the budget would cover an estimated 24,000 children. These funds are in addition to the \$70 million contained in the January budget for outreach, eligibility operations and coverage for uninsured children.

Certified Application Assistants (CAAs) – The January budget proposed to enhance the existing CAA system by providing extra incentive payments to CAAs that increased their assisted applications or renewals of their enrollments by 20 percent over the prior quarter. The May Revise changes this proposal, and would instead provide increased payments (from \$50 to \$75) for CAAs that submit applications using the electronic Health-e-App system. In addition, the May Revise proposes an increased payment for CAAs that help beneficiaries complete their annual redetermination forms (from \$25 to \$50).