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**CWDA**

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To: All County Social Service Directors and Fiscal Officers

From: CWDA Staff

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**RE: State Budget Update #1 – Overview**

Governor Schwarzenegger released his proposed 2007-08 budget at a press conference this afternoon. Following is our preliminary assessment of the proposals. We will provide updates as we learn more details about the budget.

There appear to be no cost-of-doing-business increases for county-administered human services programs, except for the Medi-Cal program. Caseload increases have been funded.

### **Overall Budget Picture**

The budget projects \$103.1 billion in General Fund revenues for 2007-08, an increase of \$1 billion over 2006-07. Total statewide expenditures are proposed at \$143.4 billion.

### **CalWORKs**

Revised average monthly caseload estimates for the program are 467,467 cases in 2006-07 and 412,574 cases in 2007-08. The 2007-08 estimate reflects a projected decrease of 55,385 cases due to the proposed policy changes.

CalWORKs Proposed Policy Changes – The budget proposes a number of significant policy changes to the CalWORKs program. The proposals would:

- Impose a full-family sanction after 90 days of noncompliance, effective November 1, 2007, for assumed costs of \$11.4 million in the budget year and \$81 million ongoing. This proposal assumes that 75 percent of sanctioned families would reengage for an estimated 9 percentage point increase in the work participation rate.
- Eliminate safety-net benefits for timed-out families not meeting federal work participation requirements, for assumed savings of \$175.8 million. This proposal assumes a 4 percentage point increase in the work participation rate due to working safety-net families meeting the participation rate.
- Impose 60-month time limit for child-only cases (children of undocumented parents, drug felons or fleeing felons) for assumed savings of \$159.4 million. This proposal would have no impact on work participation rates as these cases are not currently counted in the calculation. This change is proposed to be effective November 1, 2007.

- Semi-annual reporting for CalWORKs and Food Stamps effective January 2009. This proposal does not assume any budgetary impact for 2007-08.
- Suspend the statutory COLA for savings of \$140.3 million.

CalWORKs Single Allocation – The budget proposes to fund CalWORKs at the current-year level, with adjustments for projected caseload changes and the assumed impacts of the work participation requirement policy changes. The \$40 million reduction linked to performance incentives in the current year is restored. However, the single allocation is reduced by \$16 million and it is assumed that counties will use unspent fraud incentives to fill the gap.

CalWORKs Administration – The budget proposes \$612.5 million for basic eligibility operations, including continuing the \$140 million current-year base restoration. This amount is a slight increase over the current year.

Employment Services – The budget proposes \$878.8 million, including continuing the \$90 million augmentation from the current year and increasing it by \$1.6 million. This amount would maintain basic funding at the current-year level, with increases related to the proposed policy changes described above.

“Pay for Performance” Proposal – The budget proposes \$40 million in incentive funds to counties that meet program outcomes during 2006-07. In addition, the budget assumes grant savings due to increasing work participation of \$1.6 million.

State Oversight – The budget proposes 20 state staff to monitor county data and perform quality assurance functions related to the federal TANF reauthorization requirements. Seven additional positions would be created to hold regular performance outcome meetings with counties to highlight good practices and identify obstacles and conduct the county/state peer reviews required by AB 1808, Statutes of 2006. In addition, \$250,000 is budgeted to contract with a consultant to design and implement a statewide performance indicator system.

Quarterly Reporting/Prospective Budgeting – The budget assumes net administrative savings of \$54.8 million, a \$588,000 reduction from the current year. This amount includes increased administrative costs of \$189.6 million offset by savings of \$244.4 million.

CalWORKs Grants – The budget assumes suspension of the 4.21 percent annual cost-of-living adjustment for CalWORKs recipients effective July 1, 2007, for savings of \$140.3 million.

Substance Abuse and Mental Health – The budget proposes a \$2.5 million decrease from the current year for total funding of \$108.4 million, including \$48.3 million for substance abuse and \$60.1 million for mental health. The reduction is based on updated caseload and utilization information.

Tribal TANF – Total funding is proposed at \$92.1 million, including \$83.9 million for grants, \$2.6 million for welfare-to-work services and \$5.5 million for administration. This is a \$22.4 million increase over the current year to reflect full implementation for tribes that began implementation mid-year, as well as additional expansions.

TANF Reserve – The budget includes a \$100 million TANF reserve.

**Child Care**

Stage 1 – The budget proposes total funding of \$501.2 million, an \$88.3 million increase over the current year. This amount primarily reflects an assumed increase in caseload based on the proposed policy changes. Absent the policy changes, there is an estimated \$2.2 million reduction to services and a \$3.4 million increase to administration.

In addition, a number of changes are proposed in the use of various funding sources for Child Care to reduce the probability of TANF related penalties associated with failure to meet federal work participation requirements.

Reserve. The child care reserve for 2007-08 totals \$50.1 million.

### **Food Stamps**

Current-year funding for Food Stamps administration is increased by \$44 million (\$22 million federal, \$22 million county) to reflect projected county overmatch. The budget proposes total basic funding of \$585.7 million (\$293.8 million federal, \$204.4 million GF, \$87.5 million county) for the budget year to reflect projected caseload growth and the continued county overmatch.

### **Child Welfare Services**

Basic child welfare services funding increases from \$994 million in the current year to \$1.04 billion in the budget year, an increase of \$45.7 million total funds (\$2.9 million GF).

Child Welfare Improvements – The budget continues funding for CWS Outcome Improvement of \$97.5 million total funds (\$61.3 million GF) and the CWS Outcome Improvement Project County System Improvement Activities at \$16 million (\$12.7 million GF), of which approximately \$2 million for County Probation Department SIP related activities.

Child Welfare Budgeting Methodology – The current-year budget required the department to establish a workgroup to develop recommendations for a new budget methodology in child welfare. The workgroup is expected to issue its report in February, and the budget contains a placeholder in anticipation of the report. The discussion of funding will be deferred to the May Revise.

Transitional Housing for Foster Youth – The budget provides an augmentation of \$11 million GF to expand participation in the Transitional Housing Program Plus (THP Plus for 18 to 24 year olds) in the current year. The Transitional Housing Program for youth still in care is increased by \$1 million GF in the current year. The budget year includes the same amounts as the revised current year and will be updated in the May Revise. The department indicates that it is the intent of the budget to fully fund all approved county THP Plus plans.

KinGAP and Enhanced KinGAP – The budget assumes implementation of the Enhanced KinGAP program to provide specialized care and clothing allowances to eligible relative caregivers, retroactively effective to October 1, 2006.

Tribal Child Welfare – The budget provides start-up funding for three years to allow a tribe to establish its own child welfare program. The Karuk Tribe is currently negotiating an agreement with the state, which is expected to be completed in the budget year. The budget includes \$429,000 total funds (\$150,000 state GF and \$64,000 county funds) for this purpose.

### **Support for Legislative Mandates**

- SB 1667: \$300,000 total funds (\$100,000 GF) to reflect costs associated with providing foster caregivers with forms and information to attend status reviewing hearings and to submit relevant information to the courts.
- AB 1774: \$1.8 million total funds (\$1.1 million GF) to conduct criminal records checks and assess a parent's suitability to reunify with their child.
- AB 2985: \$1.2 million total funds (\$700,000 GF) to cover the cost of credit reports for foster youth who do not qualify for a free report and costs to social workers to conduct related activities.
- AB 2488: \$1.8 million total funds (\$1.0 million GF) to implement legislation relating to the disclosure of sibling contact information for adoptees.

Safe and Timely Interstate Placements – The budget provides \$563,000 total funds (\$246,000 GF) to meet the new federal requirement to complete home studies within 60 days.

Title IV-E Waiver – The budget reflects delayed implementation of the Title IV-E waiver in two participating counties (Los Angeles and Alameda) and provides \$11 million in GF to those counties for current year and budget year to reflect 2 percent growth in administrative costs.

EA TANF Fund Shift. The 2006-07 budget provided \$56.4 million in GF instead of TANF funds to support CWS Hotline activities. The 2007-08 budget proposes to reverse this fund shift, creating GF savings of \$56.4 million.

### **In-Home Supportive Services**

The budget revises the monthly caseload projected from 374,000 to 395,100 recipients, an increase of 5.4 percent over the 2006-07 projected level. Funding for IHSS services is projected to increase by 8 percent, to \$4.4 billion (\$1.4 billion GF). Administration costs in IHSS have also been adjusted for caseload growth, increasing by 3.2 percent over the 2006-07 appropriation to \$116 million GF in 2007-08. The budget notes that IHSS expenditures continue to grow at a rate that is much higher than caseload growth and attributes this largely to increased costs per case because of wage and benefit increases.

Provider Wages and Benefits – The budget freezes the state's participation in wages and benefits for IHSS providers in counties with Public Authorities or Non-Profit Consortia. Wages and benefits would be held to the levels in effect as of January 10, 2007. However, the department has indicated that it intends to include state participation for any requests for wage increases that were submitted for approval prior to this date, and are still being processed by the department. The department indicates that any approved contracts that contain future wage increases will not be eligible for state participation at the higher wage after January 10, 2007, unless the department has already received the county's request for approval. This is proposed to be a permanent change in the state's wage participation policy. Note that absent this proposed policy change, the statutory "trigger" would have been met to increase state participation in wages and benefits to \$12.10.

Waiver Implementation – The budget continues to reflect savings as a result of the waiver implementation in the IHSS Residual Program, as the state is able to claim additional Medi-Cal funds for IHSS Residual cases. These savings are estimated to be \$86.9 million GF (\$194,000 county funds) in 2007-08, or \$5.5 million in increased savings from 2006-07. The budget continues to buy down the share-of-cost for income-eligible recipients at a cost of \$32.7 million State General Fund.

IHSS Quality Assurance – The budget maintains funding for county Quality Assurance activities at the existing level. The budget also reflects a change in the projected savings attributable to Quality Assurance activities in the current year and makes a similar adjustment for the budget year, in recognition that the level of expected savings have not materialized. Thus, the budget assumes total savings of \$282 million (\$92 million GF) as a result of Quality Assurance activities in the 2007-08 fiscal year, a \$45 million increase in State General Fund savings attributable in part to caseload growth and increases in expenditures.

Conlon II Implementation – The budget does not reflect IHSS staff activities to implement the requirements of the Conlon II decision. CDSS officials note that this will be addressed in the May Revise.

Heat Wave – The budget includes \$1 million total funds (\$400,000 GF) for one-time costs to implement the Governor's directive to contact all IHSS recipients and evaluate their safety and well-being during the summer 2006 heat wave. Note that this is a placeholder for the current year only and a methodology to distribute these funds will be developed.

### **SSI/SSP**

The budget includes \$216.7 million GF to pass through the January 2008 federal and state cost-of-living adjustments of 1.2 percent and 4.21 percent, respectively.

### **Cash Assistance Program for Immigrants (CAPI)**

Total funding for CAPI equals \$129.5 million GF, including an additional \$46 million for cases becoming eligible for Extended CAPI due to exceeding the 10-year sponsor deeming period.

Pursuant to the implementation of SB 1569 (Kuehl, Statutes of 2006), the budget also includes \$1.1 million GF for CAPI services to undocumented immigrants who are victims of human trafficking, violent crimes and/or domestic violence and who have applied or are in the process of applying for a U or a T visa. Funding for assistance to immigrants meeting the SB 1569 criteria also is provided in the CalWORKs, the California Food Assistance Program (CFAP), Refugee Cash Assistance (RCA) and Refugee Employment Social Services (RESS) programs.

### **Automation Projects**

Equipment Refresh -- All funding requested for replacement of old computer equipment was eliminated from all projects.

### **SAWS Consortia**

- C-IV – The budget proposes another mid-year cut of \$128,000 in the C-IV JPA administrative support costs and eliminates \$134,000 to fund the same items from the 2007-08 budget.
- CalWIN – Placeholder funding at the 2006-07 level is included, allowing the state time to consider the consortium's proposed budget for 2007-08. In the meantime, the current-year budget was reduced by \$4.6 million to reflect printing cost reductions, offset by some increased costs in producing client correspondence.
- LEADER – Requested funding was provided, with the exception of amounts requested to cover increases in the cost of doing business and equipment replacement.
- ISAWS – The budget proposes minor funding changes for both current year and budget year. There is a proposed increase of \$275,000 in the current year and then a reduction of

\$372,000, apparently to reflect an adjustment in cost of state staff. This results in a 2007-08 proposed appropriation that is \$97,000 below the current-year appropriation.

- ISAWS Migration is funded at the requested level.

### SAWS System Changes

Funding is proposed for the system changes associated with the following two policy changes:

- Be Vu v. Mitchell Lawsuit – This lawsuit requires that Food Stamp client forms be translated into eight additional languages. A total of \$10 million is proposed to fund both necessary automation changes and manual processes that must be performed in the interim.
- CalWORKs Program Changes – The Governor’s budget proposes to appropriate \$2.5 million to fund automation changes needed to implement the Governor’s proposed changes to the CalWORKs program.
- Medi-Cal Citizenship Verification – An additional \$3 million is proposed to make the changes needed in the SAWS systems necessitated by the new citizenship verification required by the Deficit Reduction Act.

### CWS/CMS

- Current System – Continued funding for CWS/CMS system maintenance and operations is included along with resources for increasing remote access to the system.
- New System – Funding is provided to complete the Request for Proposals.

Other Systems – Funding needed to support all other automation projects (CMIPS, CMIPS II, EBT, SFIS, and WDTIP) are included in the Governor’s proposed budget.

### **Adult Protective Services**

The budget includes \$35 million (\$10.9 million GF) for the County Services Block Grant and \$88.3 million (\$50.1 million GF) for APS, virtually the same as last year.

### **Community Care Licensing**

The budget assumes that the percentage of foster family homes and family child care homes subject to annual unannounced visits must be increased from 20 percent to 30 percent due to statutory requirements that more homes be visited if the number of citations increases by a certain amount. This leads to a modest current-year increase in funding for both types of facilities. Foster family home funding increases from \$13.2 million to \$13.7 million, while family child care home funding increases from \$1.8 million to \$2.07 million.

For the budget year, however, foster family home licensing decreases to \$13.5 million due to a projected caseload drop. Family child care home licensing increases to \$2.15 million.

At the state level, the budget proposes 65 new staff at CCLD to conduct inspection visits as well as follow-up visits to ensure that licensees have complied with orders issued by the state. The budget also includes \$1.7 million total funds to implement a Licensing Reform Automation Project to automate scheduling of initial and follow-up visits, improve access to licensee data and allow licensing analysts to work more effectively in the field.

### **Medi-Cal Program and Administration**

Proposed base funding for county eligibility operations is level from the current year at slightly over \$1.1 billion total funds (\$553.6 million GF). The budget continues to provide \$24.3 million for the

current-year cost-of-doing-business increase and proposes a 2007-08 cost-of-doing-business increase estimated at \$36.9 million total funds (\$18.4 million GF), based on a California Necessities Index increase of 3.26 percent. Key areas of interest include:

- Citizenship Requirements – The budget includes \$600,000 and 4.7 positions at DHS to focus on implementing the new requirements. No funding is provided for county workload increases due to the new citizenship requirements; the budget notes that “due to pending federal guidance, the Governor’s Budget does not include costs for county level activities nor for any Medi-Cal caseload changes.” We anticipate that there will be discussion of the citizenship requirements during budget hearings and would expect to see a funding estimate in the May Revision, if not before.
- Health Care Proposal – The budget does not reflect the Governor’s health care proposal released on January 8. The Administration has indicated that it assumes the health care discussion will be separate, and therefore did not make changes to the budget at this time.
- Self-Certification Pilot – SB 437 (Escutia, Statutes of 2006) established a pilot program to be implemented in two counties by July 2007 to test the self-certification of assets and income by applicants and beneficiaries. DHS will be soliciting applications from counties that fit the selection criteria in SB 437. The budget includes \$6.9 million (\$3.4 million GF) for implementation in the chosen counties.