COUNTY WELFARE DIRECTORS ASSOCIATION OF CALIFORNIA
925 L Street, Suite 350, Sacramento, CA 95814
(916) 443-1749

January 9, 2015

To: All County Social Service Directors and Fiscal Officers

From: CWDA Staff

Pages: 12

RE: State Budget Update #1 – ERRATA – Governor's Proposed 2015-16 Budget

Governor Brown released his proposed 2015-16 budget this morning. Following is as much detail as have been able to obtain today. We will continue to keep you informed as we learn more.

OVERALL BUDGET PICTURE

California's budget outlook for 2015-16 continues to show the promise begun in 2014-15. Our economy is expected to see continued improvement over the next several years and revenue growth is exceeding last year's projections. GF revenues are projected to be $109.7 billion in 2014-15 and $114.6 billion in 2015-16, a 4.5 percent increase over the updated 2014-15 revenues. Compared to GF revenues adopted for the budget last June, GF revenues are forecast to be $4.1 billion higher over 2013-14, 2014-15, and 2015-16. About half of these additional revenues are required to satisfy Proposition 98, the K-14 funding guarantee. The other half would be placed in the Rainy Day Fund and used to pay down debt per the terms of Proposition 2, the ballot measure passed in November 2014 that strengthens the budget reserve requirements and pays down debt in years of strong capital gains tax revenue growth.

The Governor's Budget proposes total GF expenditures of $113.2 billion and a regular reserve for liquidation and economic uncertainties of $1.5 billion. The Proposition 2 Rainy Day Fund is proposed to contain $2.8 billion, of which $1.6 billion was placed in the account in 2014-15 and $1.2 billion is added in 2015-16.

HEALTH AND HUMAN SERVICES

1991 Realignment

1991 Realignment is funded through two sources: state sales taxes and Vehicle License Fees (VLF). The Governor's proposed budget estimates that 1991 Realignment sales tax revenues will increase by 4.41 percent in 2014-15 and 5.95 percent in 2015-16. VLF revenues for 1991 Realignment are estimated to increase by 2.57 percent in 2014-15 and 2.88 percent in 2015-16.

AB 85 Changes

With implementation of the ACA, county costs and responsibilities for indigent health care are expected to decrease as more individuals gain access to health care coverage through the Medi-

Cal expansion. Those costs will shift to the State. Assembly Bill 85 (AB 85, Chapter 24, Statutes of 2013) changed the 1991 Realignment structure to enable counties' indigent health care savings to be captured and redirected to pay for CalWORKs GF assistance costs, thereby freeing up GF that can be used to pay for the state's Medi-Cal expansion costs.

To do this, AB 85 established a new subaccount at the state level within 1991 Realignment, the Family Support Subaccount. The amount of counties' indigent health care savings is being redirected from counties' 1991 Realignment Health Subaccounts and moved to the new Family Support Subaccount at the state level. Funds are then being allocated to counties from the Family Support Subaccount in lieu of GF for CalWORKs assistance payments. The distribution of the funds from the Family Support Subaccount to counties is based on counties' CalWORKs GF expenditures.

To determine the indigent health care savings resulting from the Medi-Cal expansion, counties either chose a reduction of 60 percent of their health realignment funds, including their maintenance of effort, or a formula that accounts for actual revenues and costs associated with the county's indigent care program. Counties participating in the County Medical Services Program (CMSP) are subject to an alternative savings calculation similar to the first option (the 60 percent reduction). County savings are estimated to be $724.9 million in 2014-15 and $698.2 million in 2015-16.

<u>Child Poverty and Family Supplemental Support Subaccount</u> – In addition to the Family Support Subaccount, AB 85 created another subaccount at the state level, the Child Poverty and Family Supplemental Support Subaccount. Funding in this subaccount is used to fund CalWORKs assistance grant increases, beginning with the five percent increase effective March 1, 2014 and including the additional five percent increase effective April 1, 2015 that was adopted in the current year budget. To provide funding for this subaccount, AB 85 changed the 1991 Realignment general growth formulas, capping general growth for health to 18.4545 percent of available general growth revenues and eliminating general growth funding for social services (the general growth distribution to mental health was not changed). General growth funding provided to the Child Poverty and Family Supplemental Support Subaccount rolls into the funding base of the subaccount.

With the Governor's Budget in January and the May Revision, the Administration provides estimates of the total amount of funding that will be in the subaccount. If that amount is not sufficient to fully fund the costs of all the CalWORKs assistance grant increases already provided, the GF makes up the difference. If there is more funding in the subaccount than is needed to fund all of the CalWORKs assistance grant increases, then an additional grant increase is triggered that equals an increase that the available funding is estimated to support.

The proposed budget assumes that there will be $170.3 million available in 2014-15 and $243.9 million in 2015-16 in the Child Support and Family Supplemental Support Subaccount. These estimated amounts for 2014-15 and 2015-16 are currently not enough to support another CalWORKs assistance grant increase beyond the two existing five percent increases, which have estimated full-year costs of $340.5 million. There is an additional $73.3 million GF provided in the proposed 2015-16 budget to cover the shortfall.

<u>2011 Realignment</u>
The 2011 Realignment is funded through two sources: a state sales tax of 1.0625 percent and 0.5 percent of VLF. The proposed 2015-16 budget projects the growth rate of the sales tax portion (the portion that is used to fund the realigned social services and behavioral health

programs) of 2011 Realignment revenue to be 6.04 percent higher in 2014-15 than the amount of revenues received for 2013-14 and 6.72 percent higher in 2015-16 than the amount of revenue estimated to be received for 2014-15. The estimated 2014-15 sales tax revenues for 2011 Realignment included in the proposed budget are about the same as was adopted in the current year budget.

The proposed budget estimates that the overall sales tax growth rates will translate into growth funding for the Support Services Account of an estimated $316.0 million in 2014-15 (of which $153.5 million is for the Protective Services Subaccount) and $281.8 million in 2015-16 (of which $126.8 million is for the Protective Services Subaccount). Adding in these growth funds, the total amount for the Protective Services Subaccount is estimated to grow by 8.99 percent in 2014-15 and another 5.97 percent in 2015-16.

Medi-Cal Administration

ACA Implementation Funding – The budget includes a $150 million ($48.8 million GF) augmentation in the current year for increased workload associated with higher-than-expected caseload and the ongoing need for manual work due to CalHEERS computer system problems. This is the amount of funding that CWDA had requested for the current year.

For the budget year, the Administration has proposed to continue the $240 million ($120 million GF) augmentation counties received in 2013-14 and 2014-15 for implementation of the ACA. While the $150 million current year augmentation is not displayed as continuing into the budget year, the normal process for building the budget-year Medi-Cal administration number is for DHCS and DOF to look at updated information in the spring and add the budget year number to the May Revision. We have every reason to expect the departments to consult with us in good faith during the spring estimating process, as they have been doing since the ACA's passage and before.

The Governor's Budget summary also mentions that once the eligibility system stabilizes, the state will work to develop a new budget methodology for county administration, an effort that CWDA and counties will be involved with pursuant to previously enacted legislation.

Medi-Cal administration base funding remains unchanged in 2015-16 at $1.3 billion ($651 million GF).

Enhanced Federal Funding – The budget includes substantial projected savings to the GF as a result of the federal government's approval of California's request to begin drawing down federal funds for administrative activities at an enhanced, 75 percent federal/25 percent state matching rate allowed for in the Affordable Care Act, rather than the historical 50/50 split. The request was approved on September 29, 2014 and is retroactive to April 2014. As a result of this change, the budget projects savings of $371 million in 2014-15 and $271 million in 2015-16. This is based on an assumption that 70 percent of county administrative activities is eligible for the enhanced matching rate, which includes application processing, on-going case maintenance, and redetermination costs.

Medi-Cal

The total proposed Medi-Cal budget for 2015-16 is $95.5 billion ($18.6 billion GF). This includes $16.3 billion total funds for the optional and mandatory Medi-Cal expansions enacted as part of the Affordable Care Act implementation.

Caseload – The Governor's Budget assumes that caseload will increase 2.1 percent from 2014‑15 to 2015‑16, growing from 11.9 million to 12.2 million recipients, representing nearly 1 in 3 Californians. The increase is primarily attributed to the continued implementation of federal health care reform.

Annual Open Enrollment Period for Managed Care Plans - The Governor's Budget proposes to institute an annual 90‑day time period when certain non-disabled Medi-Cal beneficiaries enrolled in managed care plans can change their health plan, similar to the Covered California open enrollment period. This would not affect the ability of new applicants to enroll in Medi-Cal and choose a managed care plan at any time throughout the year. The proposal is assumed to save $1.6 million GF in the budget year.

Specialized Programs - Several state health programs including the Medi‑Cal Access Program, California Children's Services, the Genetically Handicapped Persons Program, and Every Woman Counts currently provide health services that do not qualify as comprehensive coverage. Due to the Affordable Care Act, individuals can receive comprehensive health coverage that typically covers the services provided in these programs. The Governor's Budget proposes to require individuals in these programs to seek comprehensive coverage offered through Covered California or Medi-Cal in order to maintain eligibility for these programs.

1115 Medicaid Waiver – The budget notes that the Administration will be submitting a new 1115 waiver request to take effect upon expiration of the current "Bridge to Reform" waiver, which is due to end in October 2015. The May Revision will include fiscal assumptions related to the waiver proposal, which is now being developed with stakeholder input, including CWDA.

CalWORKs

Caseload – The overall CalWORKs caseload has been declining since 2011-12, and this trend is projected to continue into 2015-16. The caseload is projected to decline from the 2014-15 level by 1.9 percent in 2015-16. The total caseload in 2015-16, adjusting for the decline as well as the impacts of various legislative and policy changes, is projected at 533,335.

However, the Employment Services caseload continues to increase, a result of the legislative and policy changes that have been made in recent years. The Employment Services caseload is expected to increase by 3.8 percent from the previous fiscal year, resulting in a caseload projected at 240,451 in 2015-16.

MAP Increase – A five percent Maximum Aid Payment increase is included with an effective date of April 1, 2015. This grant increase is funded through 2011 Realignment (the Child Poverty and Family Supplemental Support Subaccount) and GF.

CalWORKs Administration – Due to the projected decline in overall caseload, the amount of funding proposed for CalWORKs Administration in 2015-16 is $876.2 million, a decrease of $5.06 million from the amount appropriated in 2014-15.

Employment Services – The actual employment services caseload increased to higher than had been projected in the second half of 2013-14, and therefore the base caseload in 2014-15 will increase by 7.7 percent from the prior year. In 2015-16, the employment services caseload is projected to increase by 2.2 percent from 2045-15.

Funding for employment services is proposed at $1.07 billion in 2015-16. This reflects an increase of $83.7 million above the 2014-15 appropriation.

Subsidized Employment – AB 98 subsidized employment funding is proposed at $4.9 million in 2015-16, which reflects a decrease of $1.5 million from the 2014-15 appropriation. This decrease is attributed to the shift of some placements from AB 98 into Expanded Subsidized Employment. It is expected that there will be 2,732 AB 98 placements in 2015-16.

Expanded Subsidized Employment – Funding for Expanded Subsidized Employment funding is flat, remaining exactly the same in 2015-16 as in 2014-15, at $134 million. The projected number of slots also remains the same between the two years, at 8,250 per month.

Family Stabilization – Funding for Family Stabilization is proposed at $30.3 million in 2015-16, which is an increase of $3.5 million over the amount allocated in 2014-15. This modest increase is due solely to the projected increase in the employment services caseload.

Housing Support Program – Funding for the Housing Support Program continues in 2015-16, but remains flat at a proposed $20 million.

Mental Health & Substance Abuse – Funding for MH/SA is proposed to remain flat in 2015-16 at $126.6 million, the same as was appropriated in 2015-15.

Child Care

Stage One – The Stage One child care caseload had been on a downward trend, but recent data indicates that this trend is reversing. However, it is increasing at a rate slower than had been previously estimated. After adjusting for legislative and policy impacts, the 2015-16 Stage One caseload is projected to be 40,847.

Funding for Stage One reflects a both a lower projected caseload and a lower projected cost per case. The cost per case had previously been increased due to the reengagement of formerly exempt cases, which were assumed to have younger children and therefore higher costs. Reengagement is assumed to be complete, and this adjustment has been removed. The proposed funding for 2015-16 is $357.1 million, which is a decrease of nearly $9 million from the 2014-15 allocation.

Stage Two – The Stage Two child care caseload is also projected to decrease in 2015-16. There is an offsetting increase in the cost per case, resulting in a proposed funding level of $348.6 million. This is a decrease of $11.6 million of non-Proposition 98 GF.

Stage Three – The Stage Three child care funding amount is proposed at $263.5 million in 2015-16, reflecting an increase of $38.6 million non-Proposition 98 GF. This increase is due to both an increased caseload and an increased cost per case.

CalFresh

Caseload – The CalFresh caseload is expected to continue its growth in 2015-16. After adjustments for the impacts of legislative and policy changes, the Non-Assistance CalFresh caseload is projected to be 2,007,309 in 2015-16, reflecting an increase of 8.6 percent over 2014-15. However, this is a lower projection than was previously held; while the caseload continues to grow, it is doing so at a slower rate than was previously estimated.

CalFresh Match Waiver – The Governor's Budget assumes the first 25 percent reduction to the Match Waiver in 2015-16 pursuant to the phase-out agreement adopted in the current year budget.

Change Reporting – There is one important policy change proposed in the 2015-16 budget: the elimination of change reporting in CalFresh. It is proposed to be eliminated over a twelve month period beginning in October 2015, at the recipient's recertification month, with full implementation by October 2016. It is estimated that this will result in a savings of $8 million in 2015-16.

Workforce Development

The 2015-16 Budget proposes a framework for enhancing California's workforce, as well as $1.2 billion in funding to build on investments made in recent years. This framework is intended to be responsive to labor market demands and focused on current and emerging in-demand jobs, encourage careers with advancement opportunity, and to provide credentials desired by employers. General objectives of this framework include high-quality employment-related training and instruction, improved employer engagement, alignment and coordination among workforce programs through regional planning and business-sector input and with post-secondary education, development of career pathways programs, and enhancement of apprenticeship programs, particularly in emerging and transitioning occupations.

Furthermore, the recent passage of the Workforce Innovation and Opportunity Act (WIOA) has provided an opportunity to improve and focus workforce development, which closely aligns with the goals of the framework described above.

CWDA will provide more detailed information on these proposals and their implications for our work as soon as we can.

In-Home Supportive Services

The Governor's budget provides $8.2 billion ($2.5 billion GF) for the IHSS program, reflecting a 14.4 percent increase over the 2014-15 level. The IHSS caseload in 2014-15 is anticipated to grow by 3.8 percent from the prior fiscal year to 446,053, and is projected to increase again by 3.7 percent in 2015-16 to 462,648 recipients. While the 2015-16 projections are increasing at a slower rate compared to prior years, the Administration estimates approximately one percent of newly eligible individuals under the Affordable Care Act (ACA) will utilize IHSS services, resulting in 19,679 newly eligible IHSS cases per month in 2014-15 and 20,126 cases per month in 2015-16.

According to the Administration, this 6.4 percent growth reflects expected increases in negotiated wages and benefits, the impact of the State's minimum wage increase to $9.00 per hour effective July 1, 2014, and the impact of limiting payment of overtime. Additional details on the overtime proposal are provided below.

Wages, Benefits and County MOE – The budget continues to reflect the state's share of cost in the IHSS program due to implementation of the County MOE. Prior to the IHSS MOE, counties had a 35 percent share towards non-federal costs of this program. The County MOE is adjusted annually based on locally negotiated and annualized wages and benefits, county share of the Community First Choice Option (CFCO), and a 3.5 percent annual inflation factor which implemented in 2014-15. The County MOE base was established at $925.8 million in 2011-12. The proposed budget makes the following annualized adjustments to the county MOE:

- For 2012-13, increases county MOE expenditures by $18.9 million
- For 2013-14, increases county MOE expenditures by $9.2 million
- For 2014-15, increases county MOE expenditures by $37.4 million
- For 2015-16, increases county MOE expenditures by $38.3 million.

Please refer to additional discussion of the County MOE under the CCI report below.

Restoration of 7 Percent Across the Board Cut – The Governor's Budget proposes to restore the 7 percent across the board cut in service hours that was implemented due to the Oster Settlement Agreement in 2013-14. This restoration would implement on July 1, 2015 and would be funded by a new Children's Health and Human Services Special Fund which receives revenues from Managed Care Plan taxes. The budget provides $483.1 million ($215.6 million GF) for this restoration.

The restoration of the 7 percent cut is contingent on approval by the federal government of the new tax on managed care organizations (MCOs) that the Administration is proposing. The MCO tax currently in place expires in 2016. The federal government has indicated that the current tax is likely impermissible under federal Medicaid regulations because it only applies narrowly to Medi-Cal managed care plans and will not be allowed to be extended after 2016. The Administration is proposing a new managed care tax that complies with federal law. If this new tax is approved, the 7 percent across-the-board cut will be restored.

Federal Labor Standards Act (FLSA) Regulations – In September 2013, the US Department of Labor (DOL) implemented a final rule requiring the payment of minimum wage, overtime, travel time, and wait time during medical appointments for domestic service employees, which included IHSS providers. State law was passed to conform to the new DOL regulations by capping provider hours to 66 hours per month per provider, and instituting a cap of 7 hours of travel time. However, in late December 2014, a federal district court ruled that a portion of the regulations exceeded DOL authority and delayed implementation. The budget continues to reflect implementation of FLSA and enforcement of state law which includes restrictions on overtime. These restrictions become effective April 1, 2015.

The proposed budget estimates additional state costs for services, travel time and medical wait time. It also estimates county administrative costs necessary to implement the new state requirements. However, there is no added cost to counties to implement FLSA provisions due to the County IHSS MOE that is in effect. The following are estimated in the State Budget:

- ***IHSS Service Costs for Overtime, Travel Time, Medical Wait Time:*** In 2014-15, the cost is estimated to be $353 million ($157.2 million GF) and in 2015-16, the cost is estimated to be $704.2 million ($312.6 million GF). In addition, the budget provides $2.1 million ($985,000) in 2014-15, and $4.4 million ($2.0 million GF) in anticipation of approval of new federal waiver under 1915(i) to allow parent provider to perform personal tasks in excess of the workweek restrictions. There are approximately 750 parent provide cases.

- ***County Administration:*** The State Budget estimates various local implementation activities including the mailing of notifications to current IHSS providers, outreach and technical assistance for social workers to respond to questions, assisting new recipients and providers with workweek agreements, review and consideration of exception requests from recipients, enforcement through the violation process, and adding providers to the public authority registries. The budget estimates these administrative costs will be incurred largely during the initial implementation and thus proposes $50.4 million ($25.3 million GF) in 2014-15 and $3.3 million ($1.6 million GF).

- ***Study on FLSA impact:*** The budget sets aside $250,000 to complete the study required by WIC 1230.41(b).

Administration – The budget identifies $319.1 million ($160.2 million GF) for IHSS Administration. However, IHSS Administration funding is part of the IHSS MOE; therefore actual IHSS Administration expenditures will depend on county budgeting decisions.

Coordinated Care Initiative

The Budget continues to implement the Coordinated Care Initiative, which provides for a coordinated medical, behavioral health, long-term supports and services and home and community based services all coordinated through managed care plans. The budget makes no changes in the current County IHSS role in CCI with respect to eligibility determination, assessment of hours, and program administration. The budget does however indicate several unexpected changes in the program which threaten its continued viability:

- Participation by counties has changed since CCI enactment. Originally, eight counties were intended to operate CCI (Alameda, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo and Santa Clara). Alameda will no longer participate in the demonstration project. Six counties have begun passive enrollment and the seventh, Orange County, will begin in July 2015.
- The federal government reduced the amount of savings California is allowed to retain, from 50 percent to 25 to 30 percent.
- The 4 percent tax on managed care organizations will not be continued beyond June 30, 2016 due to recent federal guidance that indicates the tax is inconsistent with federal Medicaid regulations. As discussed earlier, however, the Administration is proposing a new managed care tax that is supposed to be consistent with federal law for approval.
- As of November 2014 there was an approximate 69 percent opt-out rate, much higher than initial projections of 33 percent. The opt-out rate is higher among IHSS recipients, at 80 percent, though participation in CCI varies widely by county.

The budget also seems to attribute increases in the state's IHSS costs due to implementation of FLSA as a factor in the overall increase in the CCI program and notes that, although the CCI is expected to generate savings in 2015-16 of $176.1 million, these savings are primarily attributed to the funds generated from the tax on managed care. Without the tax, the CCI would cost the State $396.8 million in 2015-16 (although as discussed earlier, the Administration is proposing a new tax consistent with federal law). The Administration indicates that absent any changes by January 2016, the CCI would cease operating effective January 2017. Note statute that established the CCI requires a determination by Department of Finance that the CCI is cost-effective and requires an analysis every January if it continues to be cost effective, and automatically terminates the program if costs exceed savings. Because the County IHSS MOE and collective bargaining are tied to the continuation of the CCI, collective bargaining and county share-of-cost in the IHSS program could also revert in January 2017.

Statewide Authority: Under the CCI, upon completion of enrollment of CCI participants the collective bargaining for IHSS wages and benefits will transition from the county to the California IHSS Statewide Authority. CDSS and the California Department of Human Resources (CDHR) are jointly providing support to the Statewide Authority. The budget anticipates the Statewide Authority will implement February 1, 2015 and estimates $707,000 in 2014-15 and $991,000 in

CDHR in staffing costs. There has been no formal announcement made on the transition date for collective bargaining, but it was previously estimated that San Mateo County would be the first county to transition collective bargaining potentially on or after February 2015, followed by San Diego, Riverside, and San Bernardino Counties possibly as early as July 2015.

<u>CCI Care Coordination Teams</u> – The budget proposes $1.5 million ($3.3 million GF) in 2015-16 to support social worker participation on care coordination teams and to address new service and administrative costs for recipients who exit from long term residential settings, such as nursing homes, to receive IHSS services. The proposed budget makes some adjustments due to Alameda County not participating, delayed participation by Orange County, and other changes.

<u>Supplemental Security Income/State Supplemental Payment (SSI/SSP)</u>
The Governor's Budget proposes to pass through an annual federal cost-of-living adjustment (COLA) based on the Consumer Price Index to the SSI portion of the grant, which is projected to equal a 1.7 percent increase in 2015, and a projected 1.5 percent increase in 2016. This would result in maximum SSI/SSP monthly grant level increases of $11 and $16 for individuals and couples, respectively, effective January 2015. As of January 2015, the maximum SSI/SSP grant levels $881 per month for individuals and $1,483 per month for couples. Cash Assistance Program for Immigrants (CAPI) benefits are equivalent to SSI/SSP benefits, less $10 per month for individuals and $20 per month for couples. There is no proposed increase proposed to the state SSP portion of the grant.

<u>Adult Protective Services</u>
There are no changes in the APS program proposed by the State Budget. This program continues to be supported largely by 2011 Realignment revenues. State funding for APS training remains at $176,000 ($88,000 GF).

<u>Child Welfare – Foster Care – Adoption Assistance</u>
The Governor's Budget revised its estimate of the foster care caseload 2014-15 and is now predicting a 0.3 percent increase in the caseload from the prior fiscal year, to 43,843 foster care cases. For 2015-16, the budget projects a 0.1 percent decrease in the caseload, to 43,798 cases. Note that this includes placement with foster family homes, foster family agencies, and group homes, and excludes relatives receiving CalWORKs. The Adoption Assistance Program (AAP) caseload pace of growth is projected to be modest – in 2014-15 caseload AAP is projected to increase by 0.3 percent, to 84,647 cases, and increasing by 0.2 percent in 2015-16.

<u>Continuum of Care Reform</u> – The Administration released its long-anticipated Continuum of Care Reform report and recommendations. The recommendations are intended to transition from the use of group homes to more home and family-based settings with the necessary services and supports to youth and families regardless of placement setting. The report contains seventeen recommendations and initial funding to begin implementation of these reform efforts, including:

- ***Foster Parent Recruitment, Retention and Support:*** Provides $2.2 million ($1.1 GF) for counties not in the Title IV-E Waiver (49 counties) to support local efforts to recruit, retain and support foster families including relative and NREFM caregivers.
- ***Foster Family Agency Social Worker Rate Increase:*** Proposes $3.9 million ($2.3 million GF) for counties not in the Title IV-E waiver to provide a 30 percent rate increase to foster family agency social workers.
- ***Title IV-E Waiver Counties:*** Provides $3.5 million (total funds, no federal matching) for both the FFA rate increase and for recruitment, retention and support activities.

- ***Foster Parent Training:*** Provides $691,000 GF for foster parent training.

CWDA Staff will analyze the CCR recommendations and provide additional information in the near future.

Fiscal Penalty for Relative Reviews – The proposed budget includes one-time costs of $50 million GF to for a federal Title IVE disallowance due to the outcome of a federal audit conducted in Los Angeles County for a noncompliance issue from 2000 to 2001. That audit found 100 cases out of 11,931 relative home placements reviewed were out of compliance with federal regulations that require same-same standards for relative and other foster home criminal background check processes. However, the State continues its appeal to the federal government on this issue. At the time of the audit, the state was already substantially in compliance and the state has been in full compliance the federal rule for many years.

Cost of Living Adjustments to Foster Care Rates – The State Budget is projecting a 2.8 percent increase to foster care rates based on CNI changes. However, this amount is subject to change and the actual amount will be specified in the May Revise.

Approved Relative Caregivers Funding Option Program (ARC) – This optional program allows counties to pay related caregivers of non-federally eligible children in foster care at a rate equal to the basic family foster care rate, beginning January 1, 2015. This program requires relatives to apply to the CalWORKs program in order to draw down the CalWORKs grant, with the remainder of the ARC grant to be supplemented by state funds. The program operates on a calendar year basis, and authorizing legislation provided $30 million in annual funding for the program that is adjusted annually based on any CNI adjustments to foster care rates. However, the state is required to establish a final baseline caseload and cost for the program (known as "true up") by October 1, 2015. The proposed budget includes $15 million for 2014-15, and $30 million for 2015-16. See CDSS ACL 14-89 for additional details on the ARC program.

Commercially Sexually Exploited Children (CSEC) – The State Budget continues funding to support county efforts in developing local protocols, providing youth training and services for child sex trafficking victims, including $6.5 million ($5 million GF) in 2014-15 and $17 million ($14 million GF) in 2015-16.

New Legislation:

- ***After 18 Supervised Independent Living Placement Living Supplement:*** Provides $60,000 ($40,000) to implement recent legislation recently passed to provide a $200 per month infant supplement to non-minor dependents living in a SILP who complete a parenting support plan. Also provides $4,000 ($2,000) for county administration. This payment would begin July 1, 2015.
- ***After 18 Terminated Adoptions and Guardianships:*** Provides $112,000 ($74,000 GF) to implement AB 2454 (Statues of 2014) which allows non-minor dependents to re-enter care if his/her former caregiver is no longer providing support.
- ***Sibling Visitation:*** Provides $8.5 million ($6.8 million GF) to support visitation between siblings as required by SB 1099 (Statues of 2014).

Preventing Sex Trafficking and Strengthening Families Act (PL 113-183) – This federal law was signed by the President on September 29, 2014 and includes several provisions relating to child welfare, foster care and child sex trafficking. Several new provisions will result in new mandated local activities which, under Proposition 30, the state and counties each have a 50 percent share of nonfederal cost. The proposed budget provides $2.4 million ($788,000 GF) to non-waiver counties, and $2.1 million ($1.1 million GF) to the Title IV-E Waiver counties, assuming no federal match in funding.

- ***Another Planned Permanent Living Arrangement:*** The federal law limits the availability of this option to those children who are 16 years of age or older and requires states to document to the court procedures related to distribution of child support collected for youth with an APPLA plan.
- ***Youth Supports in Case Planning:*** Requires social workers to consult with youth in the development of case plans and gives youth the option of choosing two members of their case p planning team who are not the social worker or foster parent. Requires social worker to explain rights to youth in developmentally-appropriate manner and to obtain signed acknowledgement that the youth understands these rights.
- ***Reasonable and Prudent Parent Standard:*** Requires foster caregivers us utilize reasonable and prudent parent standards when determining when to permit foster children to participate in extracurricular, enrichment, cultural and social activities. Requires the State to document the steps taken to ensure this occurs.
- ***Commercially Sexually Exploited Children (CSEC):*** Requires child welfare agencies to identify, document and determine appropriate services for children in foster care who are victims of child sex trafficking or who are at risk of becoming victims, and requires agencies to inform law enforcement and other agencies of CSEC and missing children.

Funding for Dependency Attorneys – While the Governor's Budget does not include specific funding to reduce caseloads for the attorneys who represent abused and neglected children and their parents in dependency cases, it notes that the current caseloads for these attorneys stand at an average 248 cases per attorney, well above the recommended 188 cases per attorney. The Administration states that it will work with the Judicial Council to develop a caseload-based allocation methodology and "explore ways to reduce the number of cases per attorney."

Interagency Child Abuse and Neglect Reporting (ICAN) – A test claim was filed with the Commission on State Mandates in 2001 alleging that expansions to the reporting provisions of the Child Abuse and Neglect Reporting Act constituted a reimbursable, unfunded state mandate for local law enforcement, probation and child welfare agencies. The Commission ruled in favor of the claimant and required claimants to file reimbursement requests by no later than July 15, 2014 for costs incurred between July 1, 1999 and June 30, 2013. The budget proposed to eliminate the ICAN mandate and instead provide $4 million GF to support an optional grant program for counties to report instances of suspected child abuse or neglect to local law enforcement agencies.

Community Care Licensing

The Governor's Budget proposes $3 million GF and 28.5 positions to address the backlog of complaint cases and to expand training and technical assistance. Beginning January 2017, DSS will begin increasing inspection frequency to every three years for all facilities, every two years by 2018 for all facility types except child care, and annually by 2019 for adult day care and RCFEs. Ongoing staff costs are projected at $14 million.

Automation

The key automation projects appear to be funded at the levels needed to proceed as expected. Future budget updates will provide additional information as it becomes available.

Approved Relative Caregivers (ARC) – The proposal reflects increased current year funding to support ARC automation for CalWIN, C-IV, the LEADER Replacement System (LRS), and Electronic Benefits Transfer (EBT).

CMIPS II – Funding of $4 million is proposed in 2015-16 for CMIPS II FLSA ongoing costs for Cúram licenses for additional county and state staff, and increased timesheet processing costs.

CWS – New System – Funding for the CWS – New System has been increased to $16.6 million in 2015-16 to reflect revisions to the project schedule in order to improve the quality of the request for proposals (RFP) that is being developed. This includes adding sufficient time for quality assurance as well as for draft RFP reviews by multiple stakeholders including counties, vendors, probation, the courts and interface partners.

County Expense Claim Reporting Information System (CECRIS) – 2015-16 funds for CECRIS have increased to $1.7 million to reflect the procurement activities planned to occur during the budget year.

Electronic Benefits Transfer (EBT) 3 Transition and Development – The current EBT Services Contract expires in March 2018, and the transition to the new EBT contract, known as EBT 3, is expected to begin in early 2016. New premise funds of $1.7 million are budgeted for 2015-16 to support the transition.

The complete summary of the Governor's proposed 2015-16 budget can be found at the following link:

http://www.ebudget.ca.gov/2015-16/BudgetSummary/BSS/BSS.html