

**AGENDA
SUBCOMMITTEE No. 1
ON HEALTH AND HUMAN SERVICES**

ASSEMBLYMEMBER JERRY HILL, CHAIR

**WEDNESDAY, FEBRUARY 10, 2010
STATE CAPITOL, ROOM 4202
(PLEASE NOTE THE ROOM CHANGE)
1:30 P.M.**

***OVERVIEW OF THE GOVERNOR'S
SPECIAL SESSION BUDGET PROPOSALS FOR HUMAN SERVICES***

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5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: CALWORKS – GRANT REDUCTION AND CHILD CARE REIMBURSEMENT RATES

GRANT REDUCTION

The Governor's budget proposes to reduce maximum CalWORKs grants by 15.7 percent, effective June 1, 2010.

Grants are funded with a combination of TANF (federal block grant)/State Maintenance of Effort (MOE) and County Funds (2.5 percent). \$61.1 million of proposed savings are from transferring TANF to offset GF in the Student Aid Commission and Department of Developmental Services (DDS).

ARRA. GF savings in 2010-11 vary by whether the federal government extends the ARRA Emergency Contingency Fund (ECF) past September 30, 2010. Under ECF, the state receives a 4:1 match.

If ECF is extended, this proposal results in \$129.9 million GF savings and the foregoing of \$506.5 million federal funds in 2010-11. Under current federal law (no ECF extension), GF savings from this proposal increase to \$481.7 million in 2010-11, and the state would forego \$154.8 million in federal funds.

Impact. CalWORKs provides temporary cash assistance, education, training, and employment programs to families who are unable to meet basic needs (shelter, food, clothing) on their own. This proposal would impact all 558,664 families (1.4 million individuals). In 8,400 cases, families would lose all CalWORKs assistance.

The average monthly grant for a family of three in high-cost counties would be reduced from \$694 to \$585. As a result, maximum CalWORKs and food stamp grants would equal 73 percent of the Federal Poverty Level (FPL) in high-cost and 71 percent in low-cost counties (compared to 78 percent and 77 percent currently).

Recent Grant Cuts. The 2009-10 Budget package deleted the July 2009 COLA and reduced grants by 4 percent, bringing the monthly grant down from a maximum in a high-cost county of \$723 to \$694. The monthly grant was \$694 twenty years ago in 1989.

Overall CalWORKs Budget. The 2009-10 Budget appropriated \$2.0 billion GF for CalWORKs. The TANF block grant was \$3.8 billion (not including ECF funds). Around \$1 billion TANF/MOE funds were used for non-welfare spending.

Work Participation Rate (WPR). DSS estimates that this proposal will result in a .9 percent loss of our 2010 WPR (growing to a 2.7 percent annual loss). Our 2007 WPR was 22.3 percent (compared with the required 32.3 percent).

**CalWORKs Maximum Monthly Grant and Food Stamps –
Family of Three Under Current Law and the Governor's Proposal**

	Current Law – As Reduced in 2009-10 Budget	Governor's Proposal for June 2010
High-Cost Counties		
Grant	\$694	\$585
Food Stamps	\$498	\$526
Totals	\$1,192	\$1,111
<i>= Percent of Poverty</i>	<i>= 78% fpl</i>	<i>= 73% fpl</i>
Low-Cost Counties		
Grant	\$661	\$557
Food Stamps	\$508	\$526
Totals	\$1,169	\$1,083
<i>= Percent of Poverty</i>	<i>= 77% fpl</i>	<i>= 71% fpl</i>

Federal Poverty Level. Congress has taken action to keep the 2009 poverty guidelines in effect until March 1, 2010.

The 2009 Poverty Guidelines for the 48 Contiguous States and the District of Columbia	
Persons in family	Poverty guideline
1	\$10,830
2	14,570
3	18,310
4	22,050
5	25,790
6	29,530
7	33,270
8	37,010
For families with more than 8 persons, add \$3,740 for each additional person.	

**CHILD CARE REIMBURSEMENT
RATES**

California offers subsidized child care to parents participating in CalWORKs (Stage 1); families transitioning off of aid (Stages 2 and 3); and others with exceptional need. DSS administers Stage 1; CDE administers Stages 2 and 3.

The Governor's budget proposes to reduce, effective July 1, 2010, the level at which the state reimburses child care providers. As a result, licensed providers would be reimbursed at no more than the 75th percentile of the 2005 Regional Market Rate (RMR), instead of the current ceiling of the 85th percentile. License-exempt providers would be reimbursed at up to 70 percent of the newly established RMR ceiling, instead of the current of 90 percent.

Savings in 2010-11 would be \$3 million for licensed providers of Stage 1 care (45 percent of caregivers) and \$52 million for license-exempt providers (55 percent of caregivers).

Context. The 2009-10 Budget appropriated \$539.4 million for Stage 1 child care. This includes the impact of a temporary \$215.3 million reduction (the majority of a \$376.8 million cut to the counties' single allocation for CalWORKs child care and employment services). Prior to the reduction, Stage 1 would have served an estimated 78,488 children this year. With the reduction, the anticipated number is 51,236.

Impact. Specific rate reductions would vary by provider and region. For example, maximum rates for a preschool-age child in Los Angeles County would drop from \$744 to \$660 (or 11 percent) monthly for a child care center and \$615 to \$445 for a license-exempt provider.

Stakeholders have historically testified that rate reductions would make it very difficult for providers to stay in business or continue to accept clients receiving subsidies, and thus for parents to access child care.

STAFF COMMENT

The Special Session proposals to reduce CalWORKs grants by 15.7 percent and reduce the level of reimbursement for child care providers raise serious questions about potential adverse impact for families and communities. The reduced grant levels require scrutiny on how the reduction will impact living conditions for children, particularly for the segment of the caseload that will lose benefits as a result of their limited, but too-high earnings. Equally threatening to the ability for families to successfully make the transition from welfare to work is the child care reduction, with unknown consequences given the shifts that will need to be made to lower-cost providers of care.

ISSUE 2: CALWORKS RECENT NONCITIZEN ENTRANTS PROGRAM, CFAP, AND CAPI**RECENT NONCITIZEN ENTRANTS PROGRAM**

The Governor's budget proposes to eliminate the CalWORKs Recent Noncitizen Entrants (RNE) Program, effective June 1, 2010. Funding for the RNE Program is countable toward the state's TANF MOE requirement.

ARRA. GF savings in 2010-11 again vary by whether the federal government extends the ARRA ECF. If ECF is extended, this proposal would result in \$22.5 million GF savings, and a loss of \$36.3 million of those federal funds. If ECF is not extended, the proposal instead results in \$47.6 million GF savings in 2010-11; and the state would forego \$11.1 million in federal funds.

The savings estimate also assumes the impact of the proposed 15.7 percent grant cut.

Eligibility. Since 1996, the federal government has excluded most legal immigrants entering the United States from receiving TANF benefits for their first five years in the country. Exemptions exist for certain immigrants, including refugees, veterans, and asylees.

California has continued to aid certain noncitizens who became federally ineligible, including legal permanent residents, battered noncitizens, individuals permanently residing under color of law, conditional entrants, and parolees (defined differently than in criminal justice contexts, this can mean a humanitarian visa, re-entering the US with permission, or the release of an inmate). An informal survey of a few large counties indicated that legal permanent residents comprise the vast majority of their caseloads.

Impact. Approximately 24,000 individuals would lose temporary cash assistance and education, training, and employment services. Some may apply for and receive a lower amount of assistance from county-funded General Assistance (GA). Counties also project that increased child welfare and foster care costs could result.

CFAP AND CAPI

The Governor's budget proposes to eliminate the California Food Assistance Program (CFAP) and Cash Assistance Program for Immigrants (CAPI), effective June 1, 2010.

CFAP and CAPI are state-funded programs that provide benefits to legal immigrants who do not qualify for federal food stamps and SSI/SSP funding, respectively.

California created CFAP and CAPI in 1997 and 1998 after federal law began excluding these individuals. Since that time, federal law has changed to re-include some, but not all, individuals originally covered under the state programs (e.g., non-citizens with disabilities for CFAP).

CFAP Impact. CFAP provides food benefits to legal non-citizens over 18 and under 65 years of age. DSS estimates the average monthly number of 2009-10 recipients as 32,278 (12,617 households). The average monthly benefit is \$112 per person.

CAPI Impact. CAPI benefits are the equivalent of SSI/SSP program benefits, less \$10 per individual and \$20 per couple. The average monthly number of CAPI recipients in 2009-10 is 9,029. Some CAPI recipients may become eligible for GA.

STAFF COMMENT

These elimination proposals for programs that serve the legal immigrant population require serious attention to human and community impact. The purpose of and need for these safety net programs, and the consequences of their proposed elimination, should be considered during the regular subcommittee process to allow for additional review and discussion.

ISSUE 3: IHSS SERVICE AND WAGE REDUCTIONS**IHSS SERVICE REDUCTIONS**

The Governor's budget proposes to eliminate, effective June 1, 2010, all services for recipients with a functional index (FI) score of less than 4.

Estimated savings do not include the effect of 2009-10 restrictions in program eligibility that would have taken effect September 1, 2009, but were enjoined by a federal court.

ARRA. GF savings vary by whether the federal government extends enhanced ARRA Federal Medical Assistance Percentage (FMAP) rates (61.6 versus 50 percent) past December 31, 2010. During ARRA, program costs are shared 62/25/13 at Federal/State/County levels.

If ARRA is extended, proposed 2010-11 GF savings are \$651 million. The state would forego about \$2.4 billion federal funds. If ARRA is not extended, GF savings would increase to \$1.1 billion, while federal funds foregone would be approximately \$1.7 billion.

Impact. The Administration is relying on a favorable court decision or increased federal flexibility to allow implementation of this proposal to eliminate eligibility for 426,733 individuals (87 percent of the caseload). According to the LAO, this proposal would likely lead to offsetting costs that more than outweigh potential savings.

FI Ranks and Scores. County social workers determine recipients' levels of dependence upon assistance across a spectrum of daily living activities and assign a ranking to each activity. These rankings vary from 1-5, with 5 being the most acute (the function cannot be performed with or without human assistance). FI scores are a weighted average of rankings. Recipients can appeal their rankings or score or request a reassessment if their condition changes.

Prior Changes and Litigation. ABx4 4 (a 2009-10 budget trail bill) eliminated eligibility, effective September 1, 2009, for domestic and related services to individuals with the lowest needs for each service (approximately 85,000), and eliminated all services for individuals with an FI score under 2 (around 39,000). However, a federal district court enjoined these provisions from taking effect. The Administration is appealing in the 9th Circuit.

IHSS WAGE REDUCTIONS

The Governor's budget proposes, effective June 1, 2010, to reduce the state's participation in IHSS wages from the current ceiling of \$12.10 per hour to a ceiling of the

minimum wage of \$8.00 per hour, plus \$.60 in benefits costs. The non-federal share of costs is split 65/35 between the state and counties, up to the level of participation under state law.

Estimated savings do not include the effect of a July 1, 2009 reduction in state participation to \$10.10 (\$9.50 + \$.60 for wages) that was enacted in February, 2009, but enjoined by the courts.

ARRA. GF savings in 2010-11 vary by whether the federal government extends enhanced ARRA Federal Medical Assistance Percentage (FMAP) rates (61.6 percent versus 50 percent) past December 31, 2010. If FMAP is not extended, the state share of IHSS costs would rise and GF savings from this proposal would also increase.

The Administration is relying on a favorable court decision or increased federal flexibility to allow implementation of this proposal.

Impact. There are approximately 385,000 IHSS service providers providing services to 460,000 program recipients. IHSS providers organize and collectively bargain for wages and benefits on a county-by-county basis.

As of October 1, 2009, IHSS wages were above \$8.60/hour in 45 California counties. In 24 counties, the wages were at or above \$10.10/hour. To the extent that counties continue to pay wages above \$8.60, they would have to backfill decreased state funds.

Prior Changes and Litigation. Under state law in 2008-09, the state participated in wages of up to \$12.10 per hour. Budget bill provisions from February 2009 reduced the state's contribution to participation in wages up to \$9.50 per hour plus \$.60 for benefits (for a total of \$10.10), effective July 1, 2009. However, a federal district court issued a preliminary injunction against this reduction. The Administration is appealing in the 9th Circuit.

LAO - IHSS CASELOAD

The LAO proposes that the Legislature recognize \$35 million GF savings in the 2009-10 budget for IHSS services. DSS estimates that the IHSS caseload will grow from 429,786 recipients in 2008-09 to 460,041 in 2009-10.

According to the LAO's examination of caseload data, the IHSS caseload is significantly below the Governor's current estimate for the first six months of 2009-10. Taking into account the most recent actual monthly data, the LAO believes the total caseload is overstated by 2.5 percent in 2009-10. They therefore find that the program is over-budgeted by \$35 million GF (\$137 million all funds).

The LAO also estimates that the 2010-11 caseload is overstated and will report at May Revision if additional budget year adjustments may be warranted.

STAFF COMMENT

The magnitude of these reduction proposals in IHSS requires additional time and legislative deliberation. As the LAO raises in their recent report on IHSS, reducing the program could result in an unknown shift of costs to other state programs. The budget does not include additional funding for long-term care costs that are also likely to increase for former IHSS recipients who then, in its absence, require out-of-home care. Additionally, with litigation still pending for the service level and state participation in wage reductions adopted in the 2009 budget process, decisions on these proposals are premature.

ISSUE 4: SSI/SSP GRANT REDUCTION

The Governor's budget proposes to reduce, effective June 1, 2010, Supplemental Security Income/State Supplementary Payment (SSI/SSP) grants to individual recipients. The proposed SSP grant would be set at the federally required MOE level of the 1983 payment standard. Savings include those resulting from grant reductions in the Cash Assistance Program for Immigrants and California Veterans Cash Benefit, as these grant levels tie to those for SSI/SSP. Approximately 109,000 Non-medical Out-of-Home Care, Restaurant Meal Allowance, and Title XIX Medical Facilities recipients are excluded from this reduction, as is traditional practice. The federal MOE limits reductions states can make to SSP benefit levels without penalty. If a state reduced SSP benefits below the MOE, it would lose federal Medi-Cal funding.

Impact. Maximum grants for around one million aged, blind or disabled individual SSI/SSP recipients would be reduced from \$845 to \$830 monthly (92 percent of Federal Poverty Level (FPL)). 8,776 recipients would become ineligible, some of whom may seek services from DDS.

Recent Changes. In the February, 2009 special session, a 2009 federal cost-of-living adjustment was rescinded effective May 1, 2009, and grants were reduced 2.3 percent (\$20 for individuals and \$35 for couples) effective July 1, 2009. Grants were further reduced, effective October 1, 2009, by \$5 for individuals and \$82 for couples. Couples' maximum grants of \$1,407 per month are now at the MOE floor (around 116 percent of FPL). The SSI portion of grants will not receive a 2010 federal COLA. An estimated 2 percent of the federal COLA will, however, take effect January, 2011. The state must pass those funds through to recipients. As a result of ABx4 8 (2009-10 trailer bill), no state SSP COLAs will be automatically granted.

SSI/SSP Maximum Monthly Grants: Governor's Proposal

	Current Levels	Governor's Budget	
		June 2010	January 2011
Individuals			
SSI	\$674	\$674	\$687
SSP	171	156	156
Totals	\$845	\$830	\$843
Percent of Poverty	94%	92%	93%
Couples			
SSI	\$1,011	\$1,011	\$1,031
SSP	396	396	396
Totals	\$1,407	\$1,407	\$1,427
Percent of Poverty	116%	116%	118%

STAFF COMMENT

In 2009, there were roughly 956,000 SSI/SSP households in California, representing about 1.25 million recipients. Given the magnitude of this aged, blind, and disabled caseload and the discussions, and uncertainty, around options such as the Food Stamp Cash-Out, this proposal should be deferred to consideration in the regular session.

ISSUE 5: FEDERAL FUNDING FOR FOSTER CARE

As part of its proposals for \$6.9 billion in additional federal funds, the Governor's budget proposes to recognize, effective June 1, 2010, savings from expanded eligibility for federal financial participation in the costs of foster care.

For children who are federally eligible, the ratio of federal/non-federal foster care costs is determined by the state's FMAP. Savings from this proposal in 2010-11 thus vary by whether the enhanced ARRA FMAP is extended past December 31, 2010. Non-federal foster care costs are shared at a ratio of 40/60 by the state/counties.

About 71 percent of the state's approximately 60,000 children in foster care are currently eligible for federal financial participation (through Title IV-E of the Social Security Act) in the costs of their care. To be eligible for IV-E benefits, children must come from families who meet the income tests that applied to the 1996 Aid to Families with Dependent Children (AFDC) program (which no longer exists). As a result of this outdated and frozen standard, a decreasing number of children are eligible over time.

Until recently, AFDC eligibility standards were also applied to the Adoption Assistance Program (AAP). However, the federal Fostering Connections to Success Act of 2008 "de-linked" federal AAP from the old AFDC requirements. Increased eligibility is phased in over nine years beginning in 2010.

STAFF COMMENT

This proposal's dependence on presumed federal funds and action should be weighed as it is considered by the Legislature.

ISSUE 6: REDIRECTION OF COUNTY SAVINGS

The Governor's budget proposes, effective July 1, 2010, to "redirect" \$505.5 million of an estimated \$675 million in county savings from the above described IHSS and CalWORKs reductions, as well as the presumed extension of FMAP under ARRA, to a higher county share of costs for child welfare services (CWS), foster care, and AAP. GF savings are from the resulting lowering of the state's share of costs.

Comparison of sharing ratios. Nonfederal costs would become:

- CWS – 30/70 state/county (instead of 70/30)
- AAP – 41/59 state/county (instead of 75/25)
- Foster Care – 25/75 state/county (instead of 40/60)

Interaction with Prior Realignment. In 1991, the state realigned control and funding of several social services programs to local governments. Revenue from sales taxes and vehicle license fees was dedicated to the programs. This base funding has not, however, kept pace with costs. The 1991 statutes include a "poison pill" that makes realignment inoperative if it results in a reimbursable mandate of more than \$1 million.

Mandate Questions. Mandate laws include an exception for when local costs are fully offset by other savings. However, according to the LAO, it is very infrequently used and not well-established. The LAO also states that it is difficult to determine whether the Governor's proposal would create a new reimbursable state mandate on counties. The caseload for each affected program varies significantly by county, so individual county's savings and costs may not balance out. In addition, the amounts would vary each year.

STAFF COMMENT

This proposal relies on profound action in other major human service programs. Therefore, its consideration is premature until other areas of the budget are resolved.

4250 CALIFORNIA CHILDREN AND FAMILIES COMMISSION (PROP. 10) 5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: REDIRECTION OF PROPOSITION 10 FUNDS VIA JUNE 2010 BALLOT

The Governor's budget proposes to redirect \$550 million of California Children and Families Commissions funds in 2010-11. Up to \$308 million is from a one-time sweep of state commission reserves. The rest is around 50 percent of the state and local commissions' ongoing revenues (proposed to be redirected for 5 years).

The funds would be used to offset GF spending in other high-priority state programs that serve children under the age of 5. Within DSS, \$350 million of the redirected funds would be used for Child Welfare Services, Foster Care and Adoption programs (\$183 million), CalWORKs child care (\$73 million), SSI/SSP (\$65 million), and the Kinship Guardianship Assistance Program (\$29 million).

First 5. Established by Proposition 10 in 1998, the state commission (which receives 20 percent of revenues from a \$.50/pack tobacco tax) and county commissions (which receive the remaining 80 percent) operate "First 5" programs. Proposition 10 revenues for 2010-11 are estimated to be \$484.4 million.

Local commission activities vary across the state, but generally include programs focused on family functioning (such as adult education), child development (including preschool), and child health (including health coverage and home visitation).

STAFF COMMENT

The proposed redirection of Proposition 10 special funds to offset GF costs would require voter approval. A similar ballot measure (Proposition 1D from the May 19, 2009 Special Election) was defeated by a 66 percent "no" vote.