

DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, CA 95814



May 14, 2007

TO: ALL COUNTY WELFARE DIRECTORS

FROM: ERIC FUJII
Deputy Director
Administration Division

SUBJECT: **HIGHLIGHTS OF THE FISCAL YEAR (FY) 2007-08 MAY REVISION**

The purpose of this letter is to provide information on the major program funding adjustments that are included in the California Department of Social Services (CDSS) FY 2007-08 May Revision.

Local Assistance

California Work Opportunity and Responsibility to Kids (CalWORKs)/Assistance Payment Funding

The budget provides \$4.926 billion (all funds) for the CalWORKs Program. This includes \$2.642 billion for CalWORKs Assistance Payments, \$1.099 billion for CalWORKs Services, \$465.6 million for CalWORKs Administration, \$532.3 million for Stage One Child Care/Health and Safety Requirements, and \$187.4 million for the Kinship Guardianship Assistance Payment (Kin-Gap) Program.

Major features in the CalWORKs/Assistance Payment budget include the following:

CalWORKs Assistance

- The budget assumes an average monthly caseload of 404,278 for FY 2007-08. The caseload is projected to decrease 12.3 percent primarily due to proposed changes to the CalWORKs Program which include: a full family sanction policy for cases in sanction status more than 90 days; a modification of the Safety Net program which provides benefits beyond the 60-month time-limit for cases that meet the federal work participation rate; and time-limits for certain child-only cases which provides for consistent child-only benefits.
- The budget assumes implementation of a full family sanction policy for noncompliant cases that have been sanctioned over 90 days with the affect to recipients beginning November 2007 and assumes a twelve-month phase-in. A net grant savings of \$24.7 million represents the savings associated with the discontinuance of approximately 10,000 cases that will not cure their sanction offset by the grant cost

to return the adult to the assistance unit in approximately 15,000 cases by the end of FY 2007-08. At full implementation, approximately 24,000 cases will cure their sanction, either before or after imposition of the full family sanction, and 15,000 cases will not comply and will be discontinued. The net services, administration, and child care costs of \$26.7 million represent additional costs for those cases that will cure their sanction offset by the administrative savings for discontinued cases.

- The budget assumes the implementation of a modified Safety Net program with the affect to recipients beginning November 2007. This program modification will result in the discontinuance of approximately 36,000 cases that will not fully meet the federal work requirements which will result in grant savings of \$143.4 million. The savings for services and administration is \$15.7 million. It is assumed approximately 16,000 cases will fully meet the work participation requirements and will continue to be aided in the Safety Net.
- The budget assumes the implementation of a 60-month time-limit for certain child-only cases with the discontinuance of cases beginning November 2007. This affects child-only cases where the unaided adult is an undocumented non-citizen, a drug felon, or a fleeing felon. The discontinuance of approximately 37,200 child-only cases that will reach the 60-month time-limit is projected to result in savings of \$147 million in grants and \$10 million in administration.
- Based on current law, the proposed suspension of the Maximum Aid Payment (MAP) Cost of Living Adjustment (COLA) for FY 2007-08 results in cost avoidance of approximately \$124 million.
- Implementation of the Assembly Bill (AB) 1808 provisions ended durational sanctions allowing adults to immediately cure their sanction status if they meet the Welfare to Work requirements. The grant costs associated with adding the adult back into the assistance unit are \$5.8 million.
- The budget reflects the impact of the minimum wage increase authorized pursuant to AB 1835. The minimum wage increased from \$6.75 to \$7.50 an hour effective January 1, 2007 and further increases to \$8.00 an hour effective January 1, 2008. The increase in earned income results in a grant savings of \$32.7 million and administrative savings of \$149,000.
- Senate Bill (SB) 1569 extends CalWORKs benefits to certain undocumented citizens who are victims of violent offenses resulting in grant costs of \$1.7 million. The net cost for services, administration, and child care is \$1.9 million.
- The total General Fund budget for Tribal Temporary Assistance for Needy Families (TANF) is \$89 million for grants, services, and administration.

CalWORKs Services and Administration

- Funding for CalWORKs Basic Services is \$577.3 million in FY 2007-08.

- Funding of \$108.4 million is budgeted for CalWORKs Mental Health and Substance Abuse Services and \$2.1 million for Indian Health Clinics Mental Health and Substance Abuse Services.
- The budget reflects \$40 million in Pay for Performance incentives to be paid to performing counties in FY 2007-08.
- The budget assumes a continuing augmentation of \$230 million in CalWORKs funding to support strategies focused on improving CalWORKs work participation, early engagement, and engagement among sanctioned cases. This includes the \$140 million continued augmentation for CalWORKs administration and the \$90 million continued augmentation for CalWORKs services.
- Funding for CalWORKs Basic Administration is \$605.5 million in FY 2007-08.
- The budget reflects a \$16 million reduction in the County Single Allocation funding which can be backfilled with previously earned fraud incentives that were allocated but not spent.

CalWORKs Child Care

- Stage One Child Care is fully-funded at \$526.7 million in FY 2007-08. The total funding includes child care costs associated with Welfare Reform/Work Participation, TANF Reauthorization (AB 1808), Full Family Sanction, Undocumented Citizens (SB 1569), and Homeless Assistance (AB 1808).
- The transfer of TANF funds to Title XX for Stage One is increased to \$198.1 million. The transfer to Title XX is maximized to reduce any federal penalties received for not meeting the federal work participation requirements.
- The budget reflects \$296 million of Stage Two Child Care funding which utilizes Proposition 98 funds in lieu of TANF funds.
- A Child Care Holdback totaling \$52.3 million is included for Stage One and Stage Two Child Care.

TANF Reauthorization

- AB 1808 reflects changes in response to the federal Deficit Reduction Act (DRA) of 2005, which reauthorized the TANF program. This proposal assumes an increase in the work participation rate of four percent in Federal Fiscal Year (FFY) 2007 and an additional six percent increase by the end of FFY 2008 for a total of ten percent. The grant savings associated with these changes is \$35.6 million. Inclusive of the \$90 million augmentation previously discussed, services and child care costs of \$135 million and automation reprogramming costs of \$2.6 million result in a net fiscal impact of \$102 million.

General TANF/Maintenance of Effort (MOE)

- A total of \$161.5 million in excess MOE has been identified from the California Department of Education (CDE) Child Care (\$25.5 million), After School (\$128 million) and CalGrant (\$8 million) programs. Counting excess MOE dollars above the 80 percent MOE level earns the State an additional caseload reduction credit. This enables the State to move closer to meeting the work participation rate in an effort to avoid or reduce any federal penalties.
- The budget provides a TANF reserve of \$88 million.

Kin-GAP

- Total funding for the Kin-GAP program is \$187.4 million which includes \$125.8 million for the Kin-GAP Basic component and \$54.9 million for the Enhanced Kin-GAP component.
- Kin-GAP Basic now reflects the basic grant costs for all cases.
- Enhanced Kin-GAP reflects funding for the clothing allowance and specialized care increment for all cases.
- Caseload is projected to increase to 19,990 in FY 2007-08, an increase of 20.2 percent.

Foster Care Program

- Total funding for Foster Care payments in FY 2007-08 is \$1.6 billion.
- The average monthly Foster Care caseload will grow slightly in FY 2007-08 to 73,798, an increase of less than one percent.
- Savings of \$15.5 million are included for implementation of the Dual Agency Rate proposal which provides a capped rate of \$2,006 for children who are both foster care and dual agency recipients.
- Total funding of \$8.5 million (\$3.4 million General Fund) was included in FY 2006-07 for repayment of the retroactive foster care overpayments and includes a county share of \$5.1 million. In FY 2007-08, \$2.3 million (\$0.9 million General Fund) is included for repayment of the prospective costs, and includes a county share of \$1.4 million.
- A total of \$505.6 million is being shifted for the Title IV-E Waiver adjustment to Item 153.

Adoption Assistance Program (AAP)

- Total funding for AAP in FY 2007-08 is \$736.9 million.
- The average monthly AAP caseload will grow to 76,626 in FY 2007-08, an increase of 6 percent.
- Savings of \$9.4 million are included for implementation of the Dual Agency rate proposal which also impacts AAP payments.

Food Bank Funding

The Governor has authorized the Department of Finance to transfer \$4.6 million to CDSS for allocation in FY 2006-07 to local food banks for the purchase and distribution of food in the counties that have been declared as disaster areas due to recent weather conditions that affected the farming-related business. The budget includes an additional \$4.5 million in FY 2007-08 to fund the necessary transportation and storage of an additional 1,315 truckloads of commodities expected to be received from the federal government between June 2007 and July 2008.

Emergency Freeze Response

Funding has been included in the budget for the costs associated with the 18 counties that have been declared as disaster areas due to recent weather conditions that have devastated many farming-related businesses. County eligibility workers were instructed to be on-hand at designated One-Stop Centers to provide direct assistance to individuals and families to apply for CalWORKs cash aid and/or Food Stamp benefits. The total overtime cost is approximately \$223,000 of which, the Office of Emergency Services will reimburse counties up to 75 percent of allowable emergency-related costs. The budget reflects the remaining 25 percent (\$55,000) of the total cost for any overtime, travel expenses, and the backfilling of non-budgeted workers. In addition, costs associated with the projected increased caseload in CalWORKs, Food Stamp and California Food Assistance Program (CFAP) is included.

California Food Assistance Program

- The budget reflects total funding of \$27.4 million General Fund in FY 2007-08. The average monthly persons are projected to be 21,000 in FY 2007-08.

Supplemental Security Income/State Supplementary Payment (SSI/SSP)/In-Home Supportive Services (IHSS)

SSI/SSP

- In addition to the \$5.4 billion in federal funds, \$3.6 billion in General Fund is budgeted for SSI/SSP in FY 2007-08.
- The average monthly caseload for SSI/SSP will grow to 1,250,399 in FY 2007-08, an increase of 1.8 percent.
- The budget reflects \$36 million in federal funds to pass through the January 2008 1.2 percent federal COLA.
- The budget reflects a decrease in General Fund of \$184.7 million due to suspending the January 2008 3.7 percent State COLA.

- The budget includes \$113.2 million General Fund for the Cash Assistance Program for Immigrants (CAPI). Of this amount, \$20.4 million is for Base CAPI and \$91.8 million is for Extended CAPI.
- The budget includes \$1.0 million General Fund for 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 T visa.

IHSS

- The budget includes \$4.3 billion (\$1.5 billion General Fund) for IHSS Services.
- The budget includes \$25 million (\$13.2 million General Fund) for Case Management Information and Payrolling System (CMIPS) II contract reprocurement.
- The budget includes Quality Assurance savings of \$43.3 million General Fund.
- As a result of the IHSS Plus Waiver that allows the State to claim additional MediCal funds for IHSS Residual cases, General Fund savings of \$90.4 million are included in the budget.
- The budget assumes that the IHSS caseload will grow to 389,130, an increase of 5.1 percent.
- The budget includes \$116 million General Fund for IHSS administrative activities.
- The budget includes \$34.3 million General Fund to buy down the IHSS share of cost (SOC) from the income eligible recipients' SSI/SSP level to the MediCal SOC level. Per direction from the federal Centers for Medicare and Medicaid Services, the "Income Eligible Shift" premise is discontinued in FY 2007-08 and costs for the SOC buy-out are shifted to the new "Eligibility Income Adjustment" premise.
- The budget proposes to limit the State share in wages and benefits to the level in effect when the trailer bill is signed.

County Administration and Automation Projects

Food Stamps Administration

Basic funding for Non-Assistance Food Stamp Administration is \$583.7 million (\$203 million General Fund) in FY 2007-08.

Semi-Annual Reporting

The Governor's budget assumes that a semi-annual reporting system for the CalWORKs and Food Stamp programs will be implemented effective January 2009. The budget includes a total of \$18.7 million (\$3.7 million General Fund) for automation reprogramming

costs in FY 2007-08 in anticipation of the January 2009 implementation. The costs are shared between the Food Stamp Program (\$10.4 million [\$3.6 million General Fund]) and CalWORKs (\$8.3 million).

Automation Projects

- The budget reflects \$8.3 million (\$2.4 million General Fund) in costs associated with the *Be Vu v. Mitchell* court case, which reflects the necessary automation changes and costs associated with the manual completion of translated forms as required in the settlement agreement.
- Projected automation costs associated with the CalWORKs program changes associated with TANF Reauthorization are \$5.5 million. This amount also includes \$3 million for automation costs associated with additional Medi-Cal citizenship verification as required by the DRA of 2005.
- Total funding for automation projects is \$273.8 million (\$102.7 million General Fund) in FY 2007-08.

Social Service Programs

Children's Services

- Total funding for Children's Services amounts to \$2.2 billion (\$721 million General Fund) in FY 2007-08. This includes the impact of the Title IV-E Child Welfare Waiver Demonstration Capped Allocation Project.
- The budget includes \$0.4 million total funds (\$0.2 million General Fund) to provide start-up funding to allow tribes to establish their own Child Welfare Services (CWS) Program. The costs are based on caseload and costs for the Karuk Tribe of California, which has recently signed an agreement with the State.
- The budget reflects the impact of shifting costs from Title IV-E to TANF and other fund sources to comply with federal cost plan requirements that CWS/Case Management System (CMS) costs for system support staff, staff development, and ongoing maintenance and operations must be cost allocated to benefiting programs.
- A total of \$8.6 million has been added to the budget for settlement of the Gomez v. Saenz lawsuit that requires due process hearings and validation activities associated with perpetrator's names referred to the Child Abuse Central Index (CACI) list.
- The budget reflects the same funding level of \$29.3 million (\$18.9 million General Fund) in FY 2007-08 for the Transitional Housing programs that was included in the Governor's budget.
- SB 1667 allows a foster child's caregiver to attend status review hearings and submit relevant information to the court in writing using a Caregiver Information Form. The budget reflects \$0.2 million total funds (\$0.1 million General Fund) associated

with providing a child's caregiver the form and information regarding filing the form with the court.

- AB 1774 clarifies and expands for whom and how a child welfare agency obtains State and federal level criminal history information in certain situations including assessing the parent's suitability to reunify with their child, provided that the parent's consent to fingerprint has been obtained. The budget includes \$1.6 million total funds (\$1.1 million General Fund) for costs associated with conducting criminal records checks.
- AB 2985 requires County Welfare Departments to request consumer credit reports for every foster child upon his/her 16th birthday to determine if identity theft has occurred. If negative information or identity theft is found, the social worker must refer the child to an approved credit counseling organization from a list developed by CDSS in consultation with the County Welfare Directors Association and other stakeholders. The budget reflects \$2.1 million total funds (\$1.5 million General Fund) for the cost of the credit reports for those youth that will not qualify for a free report, the cost for the social worker to request the report, and follow-up on those cases in which issues are found.

Adoptions Services

- The budget includes \$110.9 million (\$61.6 million General Fund) for the Adoptions Program.
- The budget reflects \$1.8 million (\$1.0 million General Fund) to implement AB 2488, disclosure of sibling contact information. Effective January 1, 2007, the age of consent to disclose contact information between adoptees and their siblings is lowered from 21 to 18 years of age.
- The budget includes \$0.3 million total funds (\$0.2 million General Fund) to meet the new 60-day home study time frame requirement of the Safe and Timely Interstate Placement of the Foster Care Act of 2006. Social workers must complete a study of a home environment in order to assess the safety and suitability of placing a child and develop a report of their findings within the 60-day time period.

Child Abuse Prevention

- The budget includes \$25.6 million to fund child abuse prevention programs.

County Services Block Grant

- The budget includes \$123.8 million (\$61.3 million General Fund) for the County Services Block Grant. Of this amount, a total of \$35.3 million is for Adult Protective Services (APS) services and \$88.3 million is for APS training.

Community Care Licensing (CCL)

- A total of \$123.8 million has been included in the budget for CCL to fund county visits for foster family and family child care homes and court cases.

Special Programs

- The budget includes \$24.7 million for specialized services programs, access assistance/deaf programs, and refugee programs.

Title IV-E Waiver

- The budget reflects \$988.1 million (\$306.6 million General Fund) for the Title IV-E Child Welfare Waiver Demonstration Capped Allocation Project (CAP) that allows Title IV-E funds, which are restricted to pay for board and care costs and child welfare services administration, to be used for services and supports in order to avoid the over reliance on out-of-home care and reunify families more expeditiously.
- The purpose of the Waiver is to test a "capped allocation" strategy which would block grant a portion of the federal Title IV-E and State General Fund administrative and assistance costs. The budget has been broken out to show funding for the two participating counties, Alameda and Los Angeles, that would have been included in budget Items 101, 141, and 151 absent the CAP, as well as the adjustment for growth provided through the CAP to the participating counties.

As required by AB 1808, the May Revision includes a description and summary of the county cost-of-doing-business survey. The information is displayed on page 577 of the Estimate Methodology Section.

For further information, you may wish to contact me at (916) 657-3266, or Kären Cagle, Chief, Estimates and Research Services Branch at (916) 657-1668.