



CDSS

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ARNOLD SCHWARZENEGGER
GOVERNOR

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TO: ALL COUNTY WELFARE DIRECTORS

FROM: ERIC FUJII
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SUBJECT: **HIGHLIGHTS OF FISCAL YEAR (FY) 2010-11 GOVERNOR’S BUDGET**

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) Fiscal Year (FY) 2010-11 Governor’s Budget. Governor Schwarzenegger released the Governor’s Budget on January 8, 2010.

Local Assistance

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

The Budget provides \$5.372 billion (all funds) for the CalWORKs Program. This includes \$3.167 billion for CalWORKs Assistance Payments, \$1.056 billion for CalWORKs Services, \$591 million for CalWORKs Administration, \$443 million for Stage One Child Care/Health and Safety Requirements, and \$115 million for the Kinship Guardianship Assistance Program (Kin-Gap).

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

CalWORKs Assistance

- ◆ The average monthly final caseload is estimated to increase from 543,566 cases in FY 2009-10 to 576,418 in FY 2010-11, an increase of 6.0 percent. The FY 2010-11 caseload includes approximately 57,000 in the CalWORKs Safety Net.
- ◆ As a result of the implementation of an additional 15.7 percent reduction to CalWORKs grants, effective June 1, 2010, the Budget reflects grant savings (total

funds) in the Current Year (CY) of \$48.1 million and in the Budget Year (BY) of \$601.2 million.

- ◆ The Budget reflects the elimination of the state funded CalWORKS Program for recent legal noncitizens that have been in the country less than five years. This proposal is effective June 1, 2010, and is projected to result in grant savings (total funds) of \$3.5 million in the CY and \$44.2 million in the BY. It is anticipated that approximately 24,000 noncitizen recipients will lose eligibility.
- ◆ The American Recovery and Reinvestment Act (ARRA) of 2009 allows for Temporary Assistance for Needy Families (TANF) Emergency Contingency Funds (ECF) associated with increased costs for subsidized employment (SE). As a result of increased SE funding for CalWORKs it is anticipated that grant savings will be achieved. The CY reflects grant savings of \$27 million, a \$36 million decrease over the Appropriation due to a reduction in the number of projected SE slots. The BY reflects grant savings of \$7 million, the ARRA ECF for SE ends on September 30, 2010.
- ◆ The budget reflects increased grant costs associated with counties not being able to provide services to all Welfare to Work recipients as a result of budget reductions in employment services and child care. The Budget assumes that approximately 12,000 families/cases could lose employment services/child care as a result of these reductions. The projected grant costs for the BY is approximately \$5.1 million.
- ◆ The Budget reflects the impact of providing exemptions from work participation and time limits due to lack of supportive services or if families have young children (i.e. 12-23 months or if two or more children under the age of six). For cases that have young children, the Budget also reflects the impact of restoring the adult portion of the grant in cases that otherwise would have been sanctioned for non-compliance with work requirements. The projected grant costs for the BY is approximately \$21.6 million.
- ◆ The Budget assumes that the federal government will extend TANF ECF for basic assistance through FY 2010-11. The amount of ECF that the state will be eligible to receive will be net of the impact of the CalWORKs reduction proposals. The ECF will continue to be used to offset the general fund cost associated with increased basic assistance costs.

CalWORKs Services

- ◆ Funding for CalWORKs Employment Services in both the CY and BY was held to the FY 2009-10 Appropriation. The total amount, including Employment Services Basic and the \$161.5 million reduction required by the FY 2009-10 Budget is approximately \$807 million.

- ◆ As a result of the elimination of the Recent Noncitizen Entrants Program, the Budget reflects employment services savings in the BY of \$7.7 million.
- ◆ The Budget reflects additional employment services funding in the amount of \$46.7 million in the BY to allow counties to ramp up for the long term reforms. The Budget reflects the shift of funds from CalWORKs Child Care to Employment Services.
- ◆ In order to fully fund the base year costs for ARRA subsidized employment, the Budget reflects an additional \$3.1 million for county efforts in FY 2009-10.
- ◆ The Budget reflects state funding of \$4.5 million in FY 2010-11 to resume the Assembly Bill (AB) 98 SE program in September 2010. Due to implementation of the ARRA SE Program, AB 98 activities were suspended through September 30, 2010. The Budget assumes that AB 98 activities will resume at a level consistent with the pre ARRA period and is capped at the amount Appropriated in FY 2008-09 (CDSS is proposing trailer bill language to Cap AB 98 state funding).
- ◆ Services for Substance Abuse (SA) and Mental Health (MH) programs were held to the Appropriation for FY 2009-10. For BY the projections have been updated for current expenditure trends and reflect a decrease from \$54.3 million to \$48.3 million for SA, and an increase from \$70.3 million to \$72 million for MH.

CalWORKs Administration

- ◆ Funding for CalWORKs Basic Administration was held to the Appropriation in the CY and reflects an increase of \$16.1 million due to caseload growth.
- ◆ Implementation of an additional 15.7 percent grant reduction will result in administrative savings in the BY of approximately \$3.3 million as a result of a projected 8,400 cases losing CalWORKs eligibility.
- ◆ Elimination of the CalWORKs Recent Noncitizen Program results in an administrative savings of \$4.2 million in the BY.
- ◆ The Budget includes funding of approximately \$239,000 in CY and \$1.6 million in BY to notify clients of the short-term and long-term CalWORKs reform and to allow counties to perform a manual review of child-only cases as necessitated by the long term reforms which impose a new time limit on certain child only cases.
- ◆ It is projected that the county expenditures for the administration of the Food Stamp program will exceed the total county maintenance of effort (MOE) requirement in the BY. Therefore, there is no county MOE in the CalWORKs program assumed in the BY.

CalWORKs Child Care

- ◆ Funding for Stage One Child Care Basic services and administration is held to the FY 2009-10 Appropriation in both CY and BY. The total amount, including Child Care Services Basic and the \$215.3 million reduction required by the FY 2009-10 Budget is \$539.4 million.
- ◆ The Child Care Reserve of \$32.8 million in FY 2010-11, which represents the five percent holdback of the estimated need for Stage One, is now proposed to be reflected in the Stage One Child Care Basic funding.
- ◆ As the FY 2010-11 Stage One Child Care costs were held to the Appropriation, based on current child care projections counties were budgeted more than sufficient funding to meet estimated child care costs, therefore, \$46.7 million has been shifted to CalWORKs Employment Services from Stage One Child Care services to allow counties to ramp up for long-term CalWORKs reforms.
- ◆ The Budget reflects a savings of \$54.8 million in FY 2010-11 associated with updating the Regional Market Rate (RMR) ceilings to the 75th percentile of the 2005 regional market rate survey and lowering the licensed-exempt providers reimbursement rate ceilings to 70 percent of the newly established RMR ceiling for Family Child Care Homes, effective July 1, 2010.
- ◆ Proposition 10 funds in the amount of \$73 million will be used in lieu of state general funds (GF) to fund the Stage One Child Care services in FY 2010-11.
- ◆ As part of the Budget reduction proposals, funding for Stage Three Child Care services will be reduced by \$122.9 million in FY 2010-11. This reduction is assumed to have no impact to the CDSS budget or to county allocations. It is the intent of the Administration in FY 2010-11 to examine the Stage Three Child Care program and develop reform proposals to provide efficient, equitable child care services to California's neediest families.

General TANF

- ◆ The Budget reflects the transfer of \$18.3 million in TANF to the California Student Aid Commission (CSAC) for Cal-Grants and an additional \$42.7 million in TANF Title XX to the Department of Developmental Services.
- ◆ The Budget reflects approximately \$391.3 million in ECF for increased basic assistance in the CY and \$171 million in the BY. The BY projection reflects the net effect of the CalWORKs budget reductions and the extension of ARRA through June 30, 2011.

- ◆ TANF ECF for increased SE is projected to be \$158.5 million in the CY (a reduction from the \$274.7 million included in the Appropriation due to revised county projections) and \$41.3 million in the BY (through September 2010).
- ◆ Currently the budget reflects no TANF ECF for short term non-recurrent expenditures as the details on the implementation and the funding level for this program are still being developed.

California Food Assistance Program (CFAP)

- ◆ The Budget reflects the elimination of the CFAP program effective June 1, 2010, resulting in savings of \$56.2 million, which includes \$3 million in county administrative funds. As a result of this proposal it is anticipated that 37,000 CFAP recipients will lose eligibility.

Kin-GAP

- ◆ Total funding for Kin-GAP is \$115.3 million in FY 2010-11 and reflects a slight increase over FY 2009-10.
- ◆ Average monthly caseload is projected to increase from 14,307 in FY 2009-10 to 14,670 in FY 2010-11, an increase of 2.5 percent.
- ◆ The Budget includes the implementation of the Subsidized Relative Guardianship program, effective October 1, 2010. This program will allow federal participation for new Kin-GAP cases, resulting in a GF savings of \$1.6 million in FY 2010-11.

Children's Programs

- ◆ The FY 2010-11 Budget contains \$4.2 billion in funding for Children's Services. This includes \$2.3 billion for Child Welfare Services (CWS) including Adoptions and Child Abuse Prevention, \$1.0 billion for Foster Care (FC), and \$0.9 billion for the Adoption Assistance Program (AAP). In addition, the budget contains funding of 1.1 billion for the Title IV-E Waiver counties.
- ◆ The impact of increasing the Federal Medical Assistance Percentage (FMAP) rate from 50 percent to 56.2 percent for the FC and Adoption Assistance Program (AAP), due to the enactment of the ARRA of 2009, will result in a total GF savings of \$54 million (FC 58 counties - \$20 million; AAP - \$34 million). The Budget proposes to extend the ARRA benefit an additional six months until June 30, 2011. This extension must be approved by the federal government.
- ◆ The budget proposes to revise sharing ratios under Children's programs, resulting in a redirection of county savings associated with In-Home Supportive Services (IHSS) service reduction, extension of ARRA for FC/AAP and IHSS programs, 15.7 percent CalWORKs Maximum Aid Payment reduction and elimination of the CalWORKs

recent non-citizen program. GF savings for 58 counties totals \$505.5 million. The FC ratios would change from 40/60 to 25 state/75 county, and accounts for \$93 million of the total GF savings. The AAP ratios would change from 75/25 to 41 state/59 county, and accounts for \$154.5 million of the total GF savings. The CWS ratios would change from 70/30 to 30 state/70 county, and accounts for \$258 million of the total GF savings.

CWS Program

- ◆ The Budget includes \$0.6 million GF to provide tokens to enable access to the CWS/Case Management System (CMS) system for additional probation officers and training on the use of the system.
- ◆ As part of California's Child Welfare Program Improvement Plan, the Budget includes \$0.1 million GF for the Foster and Adoptive Family Recruitment Campaign to increase the number of quality foster and adoptive families.
- ◆ The Budget includes \$1.5 million in federal incentive funds awarded to California for increasing the number of adoptions over the base year of Federal Fiscal Year (FY) 2007. These Adoption Incentives will be used to improve permanency outcomes for children.
- ◆ The Budget suspends the implementation of the Foster Youth Identity Theft (AB 2895) premise due to budget constraints.
- ◆ Due to lower than anticipated revenues, the Budget includes a continuation of the CWS Reduction of \$60.9 million GF.

Foster Care Program

- ◆ The Budget Year average monthly caseload is projected to decrease by 4.0 percent from 61,785 to 59,307.
- ◆ The Budget includes a 10 percent reduction to basic rates for group homes, foster family agencies and seriously emotionally disturbed children of approximately \$24 million GF. However a Preliminary Injunction issued by the United States District Court for the Northern District of California prohibiting reductions to group home rates for federally eligible children was issued on November 13, 2009, in the case of California Alliance of Child and Family Services v. John Wagner, et.al. On December 14, 2009, the Court issued an amended Preliminary Injunction to include all children, regardless of federal eligibility. The loss of savings as a result of this ruling is not yet reflected in the Governor's Budget and will be captured in the May 2010 revision.

- ◆ The Budget reflects \$87 million GF savings associated with making all Aid to Families with Dependent Children (AFDC)-FC children placed in foster care eligible for federal reimbursement including those children currently in the state foster care program.

Title IV-E Waiver

The Budget reflects \$1.1 billion (\$162.9 million GF) 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 CWS 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 intent of the CAP is to test a "capped allocation" strategy which would block grant a portion of the federal Title IV-E and state GF Administrative and Assistance costs.

- ◆ Due to lower than anticipated revenues, the Budget includes a continuation of the CWS Reduction of \$19.1 million GF.
- ◆ The Budget includes a 10 percent reduction to basic rates for group homes and foster family agencies of approximately \$10.6 million GF. However a Preliminary Injunction issued by the United States District Court for the Northern District of California prohibiting reductions to group home rates for federally eligible children was issued on November 13, 2009 in the case of California Alliance of Child and Family Services v. John Wagner, et.al. On December 14, 2009, the Court issued an amended Preliminary Injunction to include all children, regardless of federal eligibility. The loss of savings as a result of this ruling is not yet reflected in the Governor's Budget and will be captured in the May 2010 revision.

Adoption Assistance Program (AAP)

- ◆ The Budget Year average monthly caseload for AAP is estimated to increase by 4.6 percent from 83,906 to 87,769.

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

The Budget proposes \$6.2 billion in federal funds and \$2.7 billion in GF for SSI/SSP in FY 2010-11 which includes funding for a 1.6 percent increase in caseload. The Governor's Budget also includes \$2.1 billion total funds for IHSS.

SSI/SSP

- ◆ The Budget Year average monthly caseload is projected to increase by 1.6 percent from 1,251,326 to 1,270,974.
- ◆ The Budget proposes to reduce SSP payment standards to the federal minimum level for individuals, effective June 1, 2010. This proposal results in a projected GF savings of \$13.7 million in FY 2009-10, and \$177.9 million in FY 2010-11.

- ◆ The Budget also proposes to eliminate the CAPI program, effective June 1, 2010. This proposal results in a projected GF savings of \$8.1 million in FY 2009-10, and \$107.3 million in FY 2010-11.

IHSS

- ◆ The Budget proposes to reduce the state's participation in provider wages to \$8.00 and benefits to \$0.60 per hour, effective June 1, 2010. This proposal results in a projected GF savings of \$26.5 million in FY 2009-10 and \$338.2 million in FY 2010-11, at the 50 percent FMAP rate.
- ◆ This Budget proposes to establish a threshold for need eligibility for IHSS recipients with a Functional Index (FI) score of 4.00 or above effective June 1, 2010. After adjusting for the proposed reduction in state participation in provider wages and benefits, this proposal results in a projected GF savings of \$77.3 million GF in FY 2009-10 and \$1.1 billion GF in FY 2010-11, at the 50 percent FMAP rate. Without the proposed service reduction, the average monthly caseload is projected to increase by 6.5 percent from 460,041 to 489,972. With the reductions, the average monthly caseload is projected to decrease from 425,512 to 63,239. As a result of the proposed service reduction, the Budget also reduces IHSS Administration Basic costs for a GF savings of \$108.5 million in FY 2010-11.
- ◆ As a result of V.L. v. Wagner, an injunction on Oct. 19, 2009, by the U.S. District Court halted implementation of the IHSS Cost Containment service reduction. Rescinding terminated and restoring reduced hours for impacted recipients prior to its implementation created a one-time GF administrative cost of \$1.6 million in the CY only.
- ◆ This Budget proposes to extend the ARRA benefit an additional six months until June 30, 2011, a change which requires federal approval. This proposal results in projected GF savings of \$49.84 million in FY 2010-11.

County Administration and Automation

- ◆ The Budget reflects additional costs associated with expanding the eligible population to receive Categorical Eligibility (CE) for the FSP as required by AB 433 to include individuals in addition to families with children. The FY 2010-11 Budget includes \$17.9 million (\$8.9 million GF) to fund the administrative costs resulting from the anticipated caseload increase associated with this bill. As directed by the Governor's signing message, the GF portion will be paid using federal reimbursements received for the Food Stamp Nutrition and Education (FSNE) program, thus eliminating any potential GF cost impacts.
- ◆ The Budget includes funding to implement Transitional Food Stamps for Foster Youth (AB 719) which allows prior foster care adolescents who are not receiving CalWORKs benefits and/or Supplemental Security Income (SSI) benefits to be eligible to receive

Food Stamps without regard to income or resources. The Budget reflects estimated costs of approximately \$0.8 million (\$0.4 million GF) in both the CY and the BY to complete the necessary automation changes to implement the provisions of this bill. Furthermore, the BY includes approximately \$57,000 as a result of increased food stamp administrative costs associated with this bill.

- ◆ The Budget includes increased food stamp administrative funding to accommodate the projected increased food stamp caseload resulting from the implementation of SSI/SSP Grant Reductions. As a result of the SSI/SSP reductions that implemented in June and November 2009, increased funding of \$224,000 (\$113,000 GF) in the CY and \$266,000 (\$134,000 GF) in the BY has been included. As a result of the additional SSI/SSP reduction projected to be implemented in June 2010, an additional \$30,000 (\$10,000 GF) in CY and \$121,000 (\$42,000 GF) in the BY has been included.
- ◆ The Budget reflects funding in the CY and BY for the implementation of Food Stamp Simplification Automation Projects. The total funds included in the CY is \$8.4 million (\$5.1 million GF) and \$7.4 million (\$3.6 million GF) in FY 2010-11. The GF used to fund these projects was generated from savings resulting from the use of federal ARRA food stamp administrative funds to supplant a portion of administrative costs in both the CY and the BY.
- ◆ The Budget includes funding in the BY to begin the development of a new web-based system, the County Expense Claim Reporting Information System (CECRIS). This system, will replace the existing County Administrative Expense claim database with a functional new web-based application that will essentially improve data access and analysis, and the accuracy of updated expenditure data for all 58 California counties. The total estimated amount to fund the automation project in FY 2010-11 is \$0.3 million (\$0.1 million GF).
- ◆ The Budget includes \$308.9 million (\$112.4 million GF) for automation projects in FY 2010-11. These automation projects include the Statewide Automated Welfare System, the Statewide Fingerprint Imaging System, and the Electronic Benefit Transfer project.
- ◆ The Budget reflects a decrease of \$75.4 million (\$34.4 million GF) for the Interim Statewide Automated Welfare System Consortium Migration Project in FY 2010-11 due to completion of implementation activities as counties transition to the Consortium IV system.
- ◆ The Budget reflects a six-month delay in the design, development, and implementation phase of the Leader Replacement System, resulting in a reduction of \$45.6 million (\$18.2 million GF), or approximately 50 percent of project costs, in FY 2010-11. Total anticipated project costs have not changed.

The Governor's Budget for 2010-11 includes a \$350 million reduction to funding for the Children and Families Commission, established by Proposition 10, and redirection of funds to support state-level children's programs. This reduction would target resources to high-priority state programs that would otherwise require General Fund (GF) support, while also allowing funding to be retained by counties for local priorities. This funding shift requires voter approval. The \$350 million is divided within the CDSS Budget as follows: (\$73 million in child care, \$29 million in Kin-GAP, \$39 million in foster care, \$37 million in adoption assistance payments, \$65 million in SSI/SSP, \$72 million in child welfare services and \$35 million in Adoptions.)

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.