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**CWDA**

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To: All County Social Service Directors and Fiscal Officers

From: CWDA Staff

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**RE: State Budget Update #3 – LAO Releases *Social Services Analysis of the 2009-10 Budget Bill***

The California Legislative Analyst's Office (LAO) released its Social Services Analysis of the 2009-10 Budget Bill today. In prior years, the LAO has released its complete analysis of the budget for all areas in February. In light of the state's \$39.6 billion deficit, cash shortfall, and current discussions about a mid-year budget package, however, the LAO will be releasing its analysis by issue area over the next few weeks.

The LAO's major findings and recommendations of the 2009-10 January budget for Social Services are summarized below. The complete report can be found online at the LAO's website, [http://www.lao.ca.gov/analysis\\_2009/ss/ss\\_anl09.pdf](http://www.lao.ca.gov/analysis_2009/ss/ss_anl09.pdf).

### **Overall Social Services**

The LAO indicates that the Administration's caseload projections for all social services programs appear reasonable. The LAO also indicates that the overall growth in social services programs since 2001-02 has been three percent annually and that the Governor proposes \$386 million in social services budget solutions in the current year and \$3 billion in 2009-10. Budget solutions include \$1.4 billion in grant reductions, \$670 million in eligibility changes and program eliminations, \$265 million in wage-related changes that shift costs from the state to counties, and \$275 million in reduced Proposition 10 funds.

### **CalWORKs**

CalWORKs Grants. The LAO recommends adoption of the Administration's proposed suspension of the COLA for savings of \$79 million. In addition, the LAO recommends serious consideration of the Administration's proposed 10 percent grant cut, which would result in savings of \$294 million in 2009-10, the removal of 15,400 families from assistance, and the loss of 4.5 percent in the state's work participation rate.

Proposed Policy Changes. The LAO indicates that the Administration's CalWORKs proposals would result in current year savings of \$123 million and budget year savings of \$1.1 billion by removing more than 234,000 children from assistance. The proposals would increase the state's work participation rate (WPR) by 2.1 percent.

- CalWORKs Self Sufficiency Review. The Governor proposes a face-to-face “Self Sufficiency Review” every six months with a county Welfare-to-Work worker for all CalWORKs families who are not meeting federal work participation requirements. Child-only cases would be included in these reviews, though non-needy caretaker relatives of foster children would not be included. Failure to comply would be treated as non-compliance with an eligibility requirement and would result in 16,000 families and 30,000 children being cut off aid. The proposal would be effective May 1, 2009 and would result in \$15 million in savings in the current year and \$97 million in 2009-10.
- Modified Safety Net. The January Budget assumed savings of \$37.4 million in the current year and \$266.7 million in the budget year due to eliminating safety net benefits for families not meeting the WPR effective May 1, 2009. The proposal would result in 90,000 children losing their grant for a 5.2 percent increase in the WPR.
- 60-month Time Limit on Child-only Cases. The Governor proposes a 60-month time limit for certain child-only cases (children of undocumented parents, drug felons or fleeing felons) for savings of \$39.4 million in the current year and \$268 million in 2009-10. This reduction assumes a May 1, 2009 implementation date.
- Delay Work Incentives Nutritional Supplement (WINS). The LAO does not take issue with the Governor’s proposed delay in WINS implementation to October 2011. This proposal was approved in 2008-09; however, the Governor vetoed the funding to make the necessary automation changes. Upon implementation, the proposal would provide \$40 per month in additional food stamps benefits for poor working families and increase the state’s WPR by 10 percentage points.

LAO Alternatives to the Administration’s Policy Proposals. As an alternative to the Administration’s policy changes, the LAO presents two options:

- Community Service Requirement After Five Years of Assistance. The LAO proposes requiring each safety net adult to either work 20 hours per week in unsubsidized employment, participate sufficient hours to meet the WPR, or accept subsidized employment or community service for 20 hours per week. Adults who refused to comply would have their families removed from aid following a required home visit. After three months of community service or subsidized employment, each client would be placed in a job club program for one month. Those unable to find employment would return to community service or subsidized employment and repeat the cycle. If, after one year, the adult is unable to find employment, the county would have the option to exempt them from community service while continuing aid to the children. The LAO estimates a 2.9 percent increase to the WPR from the proposal upon full implementation, with annual savings of \$24 million.
- Focus Self-Sufficiency Reviews on Families with Able-Bodies Adults. The LAO proposes, effective May 1, 2009, to implement self-sufficiency reviews similar to those proposed by the Governor but limited only to cases with work-eligible adults not currently meeting federal work participation requirements. The proposal would result in an estimated cost of \$1 million in the current year and savings of \$33 million in 2009-10.

LAO CalWORKs Recommendation. In addition to the COLA/Grant recommendation above, the LAO recommends the following for total savings of \$207 million and an increase to the WPR of 3.3 percent:

- Reduce Child Care Regional Market Rate reimbursement ceiling from the 85<sup>th</sup> to the 75<sup>th</sup> percentile of the regional market. This would result in savings of \$31 million.
- Suspend the Pay-for-Performance program for one year for savings of \$40 million.
- Adopt the LAO Self-Sufficiency Reviews for savings of \$33 million.
- Implement community service requirement for safety net cases for savings of \$24 million.

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

Domestic and Related Services. The LAO does not recommend the Governor's proposal to eliminate domestic and related services with recipients with a functional index below four, effective May 1, 2009, for savings of \$23.1 million GF in the current year and \$71.4 million GF in 2009-10. Instead, the LAO recommends instituting a tiered reduction of domestic and related services such that recipients with a lower functional index would have their hours capped at a lower level and recipients with a higher functional index would have a higher cap. The LAO estimates \$36 million in savings for 2009-10. Both proposals would impact 83,000 recipients.

Share of Cost Buy-Out. The LAO indicates that the savings due to the Governor's proposed elimination of the share of cost buy-out for IHSS consumers with a functional index score below four are likely overstated given the likelihood of some consumers to successfully appeal their functional index ranking. As an alternative, the LAO presents the following three options and recommends adoption of one or a combination of them:

- Reduce the Share of Cost Buy-Out. This proposal would reduce the share of cost buy-out by 50 percent for all IHSS recipients, effective May 1, 2009 for savings of \$4 million in the current year and \$28 million in 2009-10.
- Cap the Share of Cost Buy-Out. This proposal would cap the share of cost buy-out at a specific dollar amount, such as \$400 per month for savings of \$13 million.
- Prospective Elimination of Share of Cost Buy-Out. This proposal would continue the share of cost buy-out for existing recipients but eliminate it prospectively for savings of \$9.4 million in 2009-10.

Provider Wages and Benefits. The LAO recommends taking some action to reduce costs associated with IHSS provider wages and presents two alternatives to the Governor's proposed roll back of the state's participation in wages and benefits to the state minimum wage of \$8.00 per hour plus 60 cents for health benefits. First, the LAO proposes to reduce state participation in provider wages and benefits to \$10 per hour, effective May 1, 2009, for savings of \$28 million in the current year and \$170 million in 2009-10. In addition, the LAO proposes to reduce state participation in wages to minimum wage for close relative providers including parents, spouses, and children, for savings of \$140 million GF in 2009-10.

A decrease in state participation would result in a direct cost shift to counties. Under current law the state participates in wages up to \$11.50 per hour plus 60 cents for health benefits. These proposals would not change the statutory collective bargaining mandate on counties.

IHSS Time Cards. The LAO recommends requiring providers to document the actual hours services are provided instead of the number of hours worked each day and to require providers to turn in time cards within one month of providing care. These proposals do not have savings associated with them and, according to the LAO, are intended to increase oversight and accountability in the program.

### **Community Care Licensing**

The LAO recommends increasing licensing fees by 25 percent, instead of the 16 percent proposed by the Governor, and use a portion of the funds (\$1.8 million) to support increased workload for criminal background checks and data exchange between CCL and the Department of Justice. The LAO recommends delaying for two years the proposed expansion of background investigations to include registered sex offenders, and instead, capture \$3.5 million General Fund savings for 2009-10 and 2010-11.

### **Child Welfare Services and Foster Care**

Child Welfare Services. The LAO recommends suspending the Hold Harmless budgeting methodology for two years for savings of \$9.7 million GF in 2009-10 and 2010-11. The Hold Harmless budgeting methodology was put in place in 2001-02 to remove the disincentive to reduce caseloads and in recognition that social worker caseloads far exceeded recommended levels and that counties should not incur further reductions based on successfully transitioning foster youth to permanency.

Kin-GAP. The existing Kin-GAP program is entirely funded with state and county funds. The recently enacted Fostering Connections to Success and Increasing Adoptions Act of 2008 would allow federal funds to be used to support the program for children eligible for federal foster care. However, a new guardianship program must be created in order to access the federal funds. As such, the LAO recommends the creation of a new guardianship program for existing and prospective guardianship cases to generate GF savings of \$31.3 to \$36.9 million in 2009-10. A new guardianship agreement would need to be negotiated for all existing Kin-GAP cases. The actual savings amount will depend on whether if existing cases must first return to foster care prior to becoming eligible for federal funds or establishing a new agreement is sufficient. The LAO estimates \$70 million GF savings upon full implementation.

Adoption Assistance Program (AAP Grants). Similar to last year, the LAO recommends several changes to eligibility for Adoptions Assistance Grants including:

- Reduced Eligibility. This proposal would narrow eligibility for AAP by deleting the adverse parental background category eliminating eligibility for the AAP grant for some prospective adoptive parents.
- Capped Grant Amount. This proposal would cap the basic AAP rate for adoptive parents at 75 percent of the foster care rate, excluding the Specialized Care Increment.
- Eliminated Age-Driven Tiered Rate Structure. This proposal would eliminate the existing tiered rate structure based on the age of the child and instead only increase grants based on narrowly defined criteria excluding the basic costs to care for the child.

### **Automation**

The LAO concurs with the Governor's proposal to delay LEADER replacement by six months for savings of \$15 million GF in 2009-10.

### **SSI/SSP**

The LAO recommends the adoption of one or a combination of the following proposals:

- Reduce Grants for all Recipients. The Governor proposes to reduce SSI/SSP grants to the federal minimum based on the 1983 standards, effective May 1, 2009, for savings of \$180.0 million GF in the current year and \$1.1 billion in 2009-10. The proposal would reduce the grant to aged/disabled individuals from \$870 per month to \$830 and to aged/disabled couples from \$1,524 to \$1,407.

- Backing-Out Federal COLA. The LAO proposes the option of backing-out the federal January 2009 COLA to recipients, effective May 1, 2009, reducing SSP grants for individuals by \$37 and couples \$57. The proposal would reduce grants to the 2008 level for savings of \$79 million in the current year and \$479 million in the budget year.
- Reduce Grants for Couples Only. The LAO proposes the option of reducing the maximum SSI/SSP grants to couples to 125 percent of the federal poverty level instead of 133 percent of the federal poverty level. Grants to couples would be reduced by \$88 for savings of \$21 million in the current year and \$135 million in the budget year.
- Eliminate Restaurant Meal Allowance. The LAO proposes to eliminate the restaurant meal allowance for SSI/SSP recipients in living arrangements that prevent the preparation of meals. This proposal would impact 39,000 SSI/SSP recipients, reducing grants by \$84 for individuals and \$168 for couples for savings of \$35 million GF.

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

The Governor proposes to eliminate the program effective May 1, 2009 for savings of \$20 million GF in the current year and \$130 million in 2009-10. This proposal would eliminate benefits for more than 11,000 aged, blind, and disabled immigrants. As an alternative, the LAO proposes two options:

- Eliminate CAPI Prospectively. This proposal would cap the existing caseload, eliminating the program prospectively for savings of \$20 million in 2009-10, increasing in future years as current recipients exit the program.
- Federal Eligibility for Some CAPI Recipients. This proposal would take advantage of the federal SSI Extension for Elderly and Disabled Refugees Act signed last fall that would make some refugees eligible for SSI for an additional two years. The LAO estimates 2,000 CAPI recipients may be eligible and recommends establishing an incentive payment to counties for each case transferred to SSI. The incentive payment would be equal to one month of the CAPI grant, would reduce state costs from 100 percent of the CAPI grant to the SSP portion of the SSI/SSP grant only for estimated net savings of \$17 million in 2009-10.