

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



July 17, 2006

TO: ALL COUNTY WELFARE DIRECTORS

FROM: ERIC FUJII
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SUBJECT: **HIGHLIGHTS OF THE FINAL FISCAL YEAR (FY) 2006-07 BUDGET**

The purpose of this memo is to provide information on the major program funding adjustments that were included in the California Department of Social Services (CDSS) Budget for the FY 2006-07. Governor Schwarzenegger signed the Budget on June 30, 2006.

Local Assistance

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

The final budget provides \$5.070 billion (all funds) for the CalWORKs Program. This includes \$2.805 billion for CalWORKs Assistance Payments, \$966.0 million for CalWORKs Services, \$455.1 million for CalWORKs Administration, \$418.1 million for Stage One Child Care/Health and Safety Requirements, and \$426.0 million to implement program changes as a result of Temporary Assistance for Needy Families (TANF) Reauthorization.

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

CalWORKs Assistance

- ◆ The budget assumes an average monthly caseload of 471,680 in FY 2006-07, a decrease of approximately 1.4 percent. The caseload includes an additional 0.8 percent decrease from the May Revise projection as recommended by the Legislature. The additional caseload decrease equates to \$24.0 million in reduced CalWORKs grant costs.
- ◆ A cost-of-living adjustment (COLA) to the Maximum Aid Payment (MAP) will not be provided for FY 2006-07. Suspension of the COLA will result in a cost avoidance of approximately \$137 million.

- ◆ CalWORKs grant savings of \$21.2 million are expected as a result of the Senate Bill (SB) 1104 Welfare Reform/Work Participation provisions.
- ◆ Grant savings of \$1.8 million are included as a result of implementation of a Pay for Performance model to encourage counties to invest resources in activities that are the most effective and efficient in achieving desired outcomes, such as higher work participation rates among CalWORKs recipients. The Budget includes a set aside of \$40.0 million in TANF Block Grant funds in FY 2006-07 for allocation to those counties in FY 2007-08 who meet specific CalWORKs program outcomes.
- ◆ A total of \$303.0 million in CalWORKs grant costs is shifted from TANF/ Maintenance of Effort (MOE) to General Fund (GF) to implement the Temporary Assistance Program (TAP) for CalWORKs recipients who are exempt from work participation activities.
- ◆ The budget includes \$17.2 million in CalWORKs grant savings associated with the implementation of strategies in FY 2006-07 that are intended to assist counties in meeting the federal work participation rate. Additional funding in the amount of \$90 million will be provided to counties with the expectation they will implement strategies focused on improving CalWORKs work participation, early engagement, and engagement among sanctioned cases.
- ◆ Total GF budgeted for Tribal TANF of \$64.1 million (Grants, Services, and Administration).

CalWORKs Services

- ◆ Funding for CalWORKs Basic Services is \$567.4 million in FY 2006-07.
- ◆ The budget includes \$0.431 million for increased services costs associated SB 1104 Welfare Reform/Work Participation provisions.
- ◆ Funding of \$110.9 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.

CalWORKs Administration

- ◆ Funding for CalWORKs Basic Administration is \$601.6 million in FY 2006-07.
- ◆ The budget reflects a restoration of \$140.0 million to the CalWORKs Single Allocation in an effort to maintain funding at the FY 2005-06 expenditure level.
- ◆ A total of \$20.0 million in CalWORKs administration costs is shifted from TANF/MOE to GF to implement TAP for CalWORKs recipients who are exempt from work participation requirements.
- ◆ The budget reflects a \$40.0 reduction in county Single Allocation funding which will be used to fund additional costs in Child Welfare Services (CWS) and Foster Care. It is anticipated that counties can backfill the reduction with county performance incentives previously earned but not spent.

- ◆ The budget includes a net administrative savings of \$55.4 million for Quarterly Reporting/Prospective Budgeting (QR/PB). This amount reflects a \$70.0 million reduction in savings from the prior year as a result of county time study data collected during October and November 2005 which demonstrated that the administrative savings for QR/PB were overstated.

CalWORKs Child Care

- ◆ Stage One Child Care is fully-funded at \$418.1 million in FY 2006-07. The total funding includes \$9.0 million for increased child care costs associated with the SB 1104 Welfare Reform/Work Participation provisions.
- ◆ TANF funds in the amount of \$359.1 million are transferred to the California Department of Education for Stage Two Child Care.
- ◆ A Child Care Holdback totaling \$47.0 million is included for Stage One and Stage Two Child Care.

TANF Reauthorization

- ◆ The budget includes an additional \$90.0 million in CalWORKs funding to assist counties in implementing strategies that would increase CalWORKs participation.
- ◆ A total of \$5.0 million is included for Homelessness Prevention to increase temporary and permanent housing allowable shelter rates and allow a once in a lifetime homelessness assistance under the threat of eviction.
- ◆ The budget includes \$323.0 million in GF for the TAP (grant and administration) costs associated with the CalWORKs exempt cases that will voluntarily shift to this new program.
- ◆ A total of \$440.0 million in additional Other Department MOE has been identified to offset the new GF costs associated with TANF Reauthorization changes.
- ◆ The budget provides a TANF Reauthorization reserve of \$15.0 million for unforeseen program costs.

General TANF

- ◆ The budget provides a TANF reserve of \$160.1 million.

Kinship Guardianship Assistance Program (Kin-GAP)

- ◆ Total funding for Kin-GAP of \$96.4 million in FY 2006-07 will be shifted to the new Kin-GAP Plus Program, as described below.
- ◆ The average monthly Kin-GAP caseload will grow slightly to 14,815 in FY 2006-07, an increase of less than one percent.

Kin-GAP Plus Program

- ◆ Total funding of \$112.4 million in FY 2006-07 is included to establish the new Kin-GAP Plus Program. Funding will be GF and County. The portion previously funded using TANF block grant funds will now be paid using GF and will not count toward the State's MOE requirements.
- ◆ Total funding includes: 1) \$96.4 million in funding from the shift of Kin-GAP cases to the new program and 2) \$16 million (\$8 million GF) to fund clothing allowance and specialized care costs for existing KinGAP and new Kin-GAP Plus cases.

Foster Care Program

- ◆ Total funding for Foster Care payments in FY 2006-07 is \$1.6 billion (\$93.5 million less than the FY 2005-06 Appropriation).
- ◆ The average monthly Foster Care caseload will grow slightly in FY 2006-07 to 75,080, an increase of less than one percent.

Adoption Assistance Program (AAP)

- ◆ Total funding for AAP in FY 2006-07 is \$678.5 million.
- ◆ Average monthly AAP caseload will grow to 74,190 in FY 2006-07, an increase of seven percent.

California Food Assistance Program (CFAP)

- ◆ The budget reflects total funding of \$25.3 million GF in FY 2006-07. The average monthly persons is projected to be 20,347 in FY 2006-07.

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

SSI/SSP

- ◆ In addition to the \$5.3 billion in federal funds, almost \$3.6 billion in GF is budgeted for SSI/SSP in FY 2006-07, an increase of \$94.8 million or 2.7 percent over the FY 2005-06 Appropriation.
- ◆ Average monthly caseload for the SSI/SSP Program will grow to 1,241,554 in FY 2006-07, an increase of 2.4 percent.
- ◆ The January 2007 State COLA will be suspended, resulting in cost avoidance savings of \$134.4 million GF in FY 2006-07.

- ◆ The federal COLA will be passed through on January 1, 2007, and will not be suspended until April 1, 2007, as previously proposed, resulting in lost GF savings of \$42.3 million.
- ◆ The budget includes \$93.3 million GF for the Cash Assistance Program for Immigrants (CAPI). Total CAPI funding includes \$12.5 million for additional cases becoming eligible for the program due to the expiration of the 10-year sponsor deeming period beginning September 2006.

IHSS

- ◆ The budget includes \$3.9 billion (\$1.3 billion GF) for IHSS Services, a GF increase of \$98.4 million or 8 percent over the FY 2005-06 Appropriation.
- ◆ The budget includes \$25 million (\$13.4 million GF) for Case Management Information and Payrolling System (CMIPS) II contract reprocurement.
- ◆ The budget includes Quality Assurance savings of \$141 million GF.
- ◆ As a result of the IHSS Waiver that allows the State to claim additional MediCal funds for IHSS Residual cases, GF savings of \$86.7 million are included in the Budget.
- ◆ The budget assumes that the IHSS caseload will grow to 378,413, an increase of 6.9 percent.
- ◆ The budget includes \$111.9 million GF for IHSS administrative activities, an increase of 1.4 percent over the FY 2005-06 Appropriation. The increase is due, in part to a new Centers for Medicare and Medicaid Services data collection requirement.
- ◆ The budget includes \$41.1 million GF to buy down the IHSS share of cost (SOC) from the income eligible recipients SSI/SSP level to the MediCal SOC level.

County Administration and Automation Projects

Food Stamps Administration

- ◆ Basic funding for Non-Assistance Food Stamp Administration is \$512.4 million (\$193.4 million GF) in FY 2006-07.
- ◆ The budget reflects \$52.9 million (\$18.5 million GF) in net savings associated with implementing a QR/PB system for the Food Stamp Program. This net amount includes an augmentation of \$9.6 million (\$3.4 million GF) above the May Revise projection as a result of county time study data collected during October and November 2005 which demonstrated that the savings for QR/PB were overstated.

Automation Projects

- ◆ Total funding for automation projects is \$286.7 million (\$101.4 million GF) in FY 2006-07, a decrease of \$8.7 million GF from the FY 2005-06 Appropriation.

Social Service Programs

Children's Services

- ◆ Total funding for Children's Services amounts to \$2.348 billion (\$766.2 million GF) in FY 2006-07 an increase of \$156.0 million (\$136.7 million GF) over the FY 2005-06 Appropriation.
- ◆ Total funding for the Program Improvement and Outcome Improvement activities in FY 2006-07 is \$126.2 million (\$80.9 million GF) which includes a \$98.6 million (\$61.4 million GF) augment for Outcome Improvement activities. This total includes \$80 million (\$50 million GF) in new funds and \$18.6 million (\$7.2 million GF) associated with expansion of the 11 county pilots that has been redirected from the Differential Response, Safety Assessment and Permanency and Youth Services to the CWS Outcome Improvement premise.
- ◆ \$25.8 million in Emergency Assistance TANF funds are being used to fund Emergency Response investigation activities that the federal government has deemed ineligible for Title IV-E funding.
- ◆ Total funding for CWS/Case Management System (CMS) is \$95.7 million (\$47.6 million GF) in FY 2006-07, a decrease of \$12.9 million GF from the FY 2005-06 Appropriation. Included in the total funding is \$2.7 million (\$1.4 million GF) for the planning activities associated with the development of a web-based CWS/CMS.
- ◆ The budget includes an additional \$5.7 million (GF) for the Chafee Post Secondary Education and Training Voucher to ensure all eligible foster youth are assisted.
- ◆ The budget includes an additional \$4.2 million (GF) for the Transitional Housing for Foster Youth to eliminate the county share of costs for emancipated youth ages 18-24 years.

Adoptions Services

- ◆ The budget includes \$107.9 million total funds (\$58.7 million GF) for the Adoptions Program, an increase \$19.6 million (\$10.2 million GF) over the FY 2005-06 Appropriation.
- ◆ An augmentation of \$11.2 million (\$6.3 million GF) has been included to increase the annual number of county adoptions by 1,000.
- ◆ An additional \$8.5 million (\$3.7 million GF) has been included to fund projects in four counties aimed at assisting in the adoption of older children.

Special Programs

- ◆ The budget includes \$117.7 million (\$61.4 million GF) for the County Services Block Grant.