

September 30, 2002

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

IMPACT OF THE STATE BUDGET ON THE CalWORKs PROGRAM AND AVAILABLE PERFORMANCE INCENTIVES FUNDS

On June 26, 2002, your Board identified \$5.75 million in CalWORKs Performance Incentives (PI) monies to be set aside in a contingency fund pending a joint report back by my office and Director of the Department of Public Social Services (DPSS) on any impact(s) to the CalWORKs program within two weeks of the adoption of the State budget. As a result of other actions approved by your Board on June 26, 2002, the total of PI monies that were placed in the contingency fund was revised to \$5.98 million.

This report identifies the impact to date of the State budget on the CalWORKs program and plans for allocating the remaining PI funds.

State Budget

Based upon the Adopted FY 2002-03 State Budget, the California Department of Social Services (CDSS) has issued County Fiscal Letters (CFL) for some, but not all, of the affected CalWORKs programs:

- Mental Health - Los Angeles County's allocation for FY 2002-03 is \$24.9 million. On June 26, 2002, your Board approved \$2 million in PI funds to supplement the mental health allocation up to a total of \$20 million. Since the mental health allocation exceeds \$20 million, this \$2 million in PI could be allocated for other purposes.

- Substance Abuse - Los Angeles County's allocation for FY 2002-03 is \$18.9 million. On June 26, 2002, your Board approved \$5.1 million in PI funds to supplement the substance abuse allocation up to a total of \$21.6 million. Since only \$2.7 million in performance incentives are needed to supplement the substance abuse allocation up to \$21.6 million, \$2.4 million in PI could be allocated for other purposes.
- CalWORKs Single Allocation – On September 26, 2002, CDSS issued a CFL providing counties with their CalWORKs Single Allocation for FY 2002-03. My office and DPSS are now reviewing this letter and assessing its impact.
- Performance Incentives – CDSS has not yet issued a CFL reflecting PI funds allocated for individual counties. CDSS also has not identified the disposition of any PI that are allocated to counties in FY 2002-03, but not spent by June 30, 2003. The County Welfare Directors Association has informed DPSS that CDSS intends to issue the PI allocation letter by October 4, 2002.

Remaining PI funding

We recommend that the \$5.98 million now in the contingency fund, plus all other available PI monies as discussed above, remain unallocated until DPSS reconvenes representatives of the five stakeholders groups in January 2003. At that time the group will prioritize the use of any unallocated PI funds and report back their findings and recommendations.

As soon as the CalWORKs and PI State allocations are fully analyzed, my office and DPSS will provide your Board with information regarding the full impact of the State Budget on the CalWORKs program, including the final amount of unallocated PI monies.

Please let me know if you need any additional information, or your staff may contact Gevork Simdjian of my staff at (213) 974-1318.

DEJ:DL
JJ:GS:kd

c: Executive Officer, Board of Supervisors
Director of Public Social Services