

DEPARTMENT OF PUBLIC SOCIAL SERVICES

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January 29, 2009

TO: Each Supervisor

FROM: Philip L. Browning, Director

**SUBJECT: FISCAL YEAR 2008-09 CALWORKS PROGRAM BUDGET**

This is to inform you of the Department of Public Social Services' efforts to address the Governor's unexpected and significant veto of \$70 million statewide in CalWORKs administrative funding. We have worked with your offices and the Chief Executive Office (CEO) to identify reductions that minimize adverse service impacts and avoid the need for layoffs and/or demotions. Our efforts primarily focused on revenue maximization and program efficiencies. Attached is a summary that specifically identifies these efforts.

**Background**

Since the CalWORKs program was implemented in 1998, there has been sufficient funding through the CalWORKs Single Allocation to sustain the program for most years, as developed and implemented in Los Angeles County. Beginning this Fiscal Year (FY) 2008-09, curtailments in the county's CalWORKs program are necessary as a result of the following factors:

- State failure to fund cost-of-doing business increases since FY 2000-01;
- Development and implementation of a wide array of non-mandated services to prevent and reduce homelessness among CalWORKs families; and
- Increased welfare-to-work participation with a corresponding increase in expenditures for child care, transportation, and vocational assessment.

As you know, on October 7, 2008, your Board approved a package of CalWORKs savings to address the funding gap estimated at that time. The Governor's veto requires additional reductions. Although initially, the estimated reduction to Los Angeles County was about \$23 million, the actual impact and net deficit gap is \$13.9 million. We were able to identify the State reductions that impacted Los Angeles, as well as partially offsetting increases in the Child Care sub-allocation in CalWORKs funding.

### **Funding Gap and Mitigation Plan**

As a result of identified funding shortfall, program mitigation plans were proposed, and some have been fully implemented. In developing a second mitigation plan, we continued to use the following priorities:

- Maintain the level of eligibility staff that is minimally necessary to administer CalWORKs benefits and avoid at all costs layoffs and demotions;
- Minimize the adverse impact on efforts to increase the Work Participation Rate and avoid potential federal penalties;
- Eliminate or reduce services that have weaker outcomes and/or higher costs per participant, rather than spread cuts across all programs; and
- Identify efficiencies in our operations and services.

In October 2008, the Governor signed the State Budget. In November, our CalWORKs allocation was released and our revenue is \$12.0 million less than our revenue estimates in August prior to the Governor's veto. Moreover, when we met with your staff, we estimated an additional \$1.9 million in increasing costs tied to homeless prevention services. The effect of these two changes was a new projected funding gap of \$13.9 million. (Please note that since our discussions with your staff, the projected cost of homeless prevention services has increased further, as the number of CalWORKs homeless families has risen dramatically over recent months. My Department and the CEO have discussed an approach to address this additional increase with your staff, and the CEO will present this approach to your Board under separate cover.)

The Department worked with the CEO to propose the implementation of a new mitigation plan to offset this newly projected CalWORKs deficit of \$13.9 million. This package includes estimates that will require close monitoring and we will work with the CEO and your offices and keep you up to date on the progress of these proposals. The proposals are detailed in the attachment.

Please let me know if you have any questions.

PLB:ch

Attachment

c: Chief Executive Officer  
Deputy Chief Executive Officer  
Executive Officer, Board of Supervisors

**DEPARTMENT OF PUBLIC SOCIAL SERVICES  
CalWORKs DEFICIT MITIGATION PLAN  
PHASE II**

<b>RECOMMENDATION AND RATIONALE</b>	<b>CW SAVINGS (In millions)</b>
<b>Fraud Incentive funds.</b> We expect the State to release Fraud Incentive dollars. Generally speaking, CW and FS overpayment collections yield a small percentage in incentive funds returned to the counties. We estimate a modest \$2M available to us in FY 2008-09. * Note: This is not a savings but a revenue source.	\$ 2.0
<b>Customer Service Center expansion.</b> Postpone the planned expansion of the CSC.	\$ 0.9
<b>Equipment Tracking and Control project.</b> Suspend the development of this IT project and explore eCAPS' functionality.	\$ 0.2
<b>Time Study Clarifications.</b> Release clarification around proper time study codes. Based on a review of time study data, it appears that staff may be underreporting the use of time study codes for activities that impact CW, FS and MC simultaneously. By fully utilizing that code, more costs can be shifted away from CW.	\$ 3.8
<b>Stage 1 Child Care.</b> Work with the APPs to identify cases currently receiving Stage 1 child care payments that are eligible for Stage 2. Expedite movement of such families to Stage 2. Savings are estimated based on best available data from the APPs.	\$ 5.6
<b>12-Month Rental Subsidy.</b> Re-allocate the HHPF 12-Month Rental Subsidy funding that is not committed to families currently receiving the subsidy to help sustain Emergency Assistance to Prevent Eviction/Moving Assistance (EAPE/MA) in 08-09.	\$ 0.8
<b>Job Developer database.</b> Suspend usage of this database, which is very minimal.	\$ 0.05
<b>WtW Ancillary Expenses.</b> Issue guidelines for standard amounts/frequency for supplies and clothing, with a process to allow for exceptions.	\$ 0.2
<b>Post Time Limit - Transportation &amp; Ancillary (12-Month Limit)</b> . Reduce Post Time Limit transportation and ancillary to 12 months from date of timing-off CalWORKs for all timed-off safety net cases. Currently, there is no time limit for timed-off participants in Specialized Supportive Services or educational/training, only for work support (12 months).	\$ 0.3
<b>TOTAL CalWORKs SAVINGS</b>	<b>\$ 13.85</b>