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June 12, 2009

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

REPORT ON POTENTIAL STATE BUDGET OPTIONS

The Chief Executive Office's (CEO) Children Families and Adult Well-Being Cluster has developed several options for your Board's consideration in an effort to assist the State in addressing the budget gap and mitigate the impact to those who rely on our services.

If your Board supports the following proposed State budget options, we would recommend that your Board direct the CEO to work with impacted departments and our Sacramento advocates to focus their efforts and promote our options as a way to mitigate the adverse impacts on social services programs and address the State's fiscal problems.

Proposed Potential State Budget Options

CALIFORNIA WORK OPPORTUNITIES AND RESPONSIBILITY TO KIDS (CalWORKs)

CalWORKs parents with a child under two or at least two children under six should be exempt from the requirement to participate in welfare-to-work activities.

Exempting these parents of young children would achieve State savings by reducing employment services and child care expenditures which frequently exceed the CalWORKs grant for these families. By focusing on parents of young children, this proposal will maximize savings per case, and thereby minimize the number of parents who would need to be exempted or excluded from welfare-to-work activity. This proposal would maximize federal revenue, by avoiding reductions in CalWORKs grant expenditures which will be funded with 80% new federal revenue from the Temporary Assistance to Needy Families (TANF) Emergency Contingency Fund through September 30, 2010.

The estimated net State savings from this proposal would be $140.0 million in FY 2009-10. There is no net County cost (NCC) savings.

Payments should be reduced to license-exempt child care providers who care for more than one child.

License-exempt child care providers currently receive double payment when they care for two children and triple payment when they care for three children. A reduction in the payment rate for multiple children in exempt care would achieve substantial savings without significantly impacting the quality or availability of care, since license-exempt providers can only care for the children of a single family. In April 2009 in Los Angeles County, 30% of Stage 1 child care expenditures were for families with two or more children under six, and exempt providers account for about 70% of Stage 1 child care.

Based on Los Angeles County data only, the estimated statewide CalWORKs Stage 1 child care savings would be approximately $25.0 - $30.0 million in FY 2009-10. There would be no NCC savings. In addition, there would be State savings in CalWORKs Stage 2 child care, however, those savings cannot be estimated at this time.

If this option and the above option were both enacted, the combined savings would be less than the sum of the savings estimated for each option as a result of interaction between the two proposals.

Obtain federal waiver to enable the County to receive federal TANF funds directly, if the State terminates the CalWORKs program and acts to relinquish the State's federal TANF block grant.

In the unlikely event that the Legislature adopts the Governor's proposal to eliminate the CalWORKs program and give up the State's $3.7 billion annual federal TANF block grant, the County should pursue a federal waiver to access a portion of the State's federal TANF block grant directly. Such a waiver would enable the County to use federal TANF funds, which the State would otherwise forsake, to help poor families maintain housing and secure employment. Additionally, through such a waiver, the County could access American Recovery and Reinvestment Act (ARRA) TANF Emergency Contingency Funds which the County is planning to use to create 10,000 new subsidized jobs.

Currently, the County spends approximately $1.0 billion/year on CalWORKs grants and $600 million on related services. With the exception of a $25.0 million NCC contribution for CalWORKs grants (2.5% of grant costs), all of this funding consists of federal TANF and State TANF maintenance-of-effort dollars. Under a federal waiver, the County could potentially access a substantial portion of this $1.6 billion. To the extent that the County was forced to absorb increased General Relief costs for families who would have otherwise received CalWORKs assistance, the funding from such a waiver could reduce or eliminate the County's increased costs for General Relief for families.

IN-HOME SUPPORTIVE SERVICES (IHSS)

Counties should retain any county savings that result from a reduction in IHSS expenditures.

If the State enacts any changes to IHSS which result in a reduction in IHSS expenditures, counties should be able to use their share of such savings to offset other State curtailments, reduce the current shortfall in Realignment funding, cover increasing county costs due to the recession, and compensate for the elimination of the enhanced Federal Medical Assistance Percentage (FMAP) effective December 31, 2010.

The NCC savings from this option would depend on the amount of any IHSS curtailment that is ultimately enacted. With the enhancement of FMAP, about 13.75% of IHSS costs consist of NCC.

GENERAL ASSISTANCE/GENERAL RELIEF (GA/GR)

Any county whose share of the average statewide general assistance caseload in FY 2008-09 exceeded 120% of its share of the average statewide CalWORKs caseload in FY 2008-09 should be granted broad flexibility to redesign its general assistance program, as long as the county maintains the same total amount of general assistance expenditures that it incurred during FY 2008-09.

In the absence of federal cash assistance for indigent single adults, counties can no longer afford to maintain a general assistance program which many have characterized as subsidized homelessness. The current recession has caused county general assistance expenditures to skyrocket, without a true corresponding benefit to the individuals whom general assistance is intended to serve. Counties whose general assistance caseload is high relative to other counties should have the discretion to address the needs of indigent single adults in accordance with the needs in their local community, as long as the county maintains its current level of expenditures.

This option would result in NCC savings equal to the projected growth in NCC expenditures for GR assistance from FY 2008-09 to FY 2009-10. That amount is estimated at $35.0 million.

TITLE IV-E WAIVER

The State should maintain its funding commitment to the successful Title IV-E Waiver (Waiver). Since implementation of the Waiver on July 1, 2007, the Department of Children and Family Services (DCFS) has reduced the number of children in temporary out-of-home care from 20,302 to 15,741 as of June 8, 2009, a reduction of 22.5%. This has been achieved through the flexible funding ability within the Waiver to implement initiatives designed to increase permanence and improve outcomes for children and families. In addition, $28.9 million in reinvestment child welfare funds were generated at the close of FY 2007-08 that are being used to expand current Waiver initiatives and implement new ones. We currently project that over

$30.0 million in additional reinvestment child welfare funds will be generated at the close of FY 2008-09 that can be invested in additional Waiver initiatives expansion.

If the County was not in the Waiver, we project that the State would incur over $10 million in additional assistance costs, and the County would incur over $35 million in additional assistance costs. The proposed 10% reduction in State funding for Child Welfare Services (CWS) Administration would reduce our Waiver capped allocation by an estimated $19.1 million. There would be no NCC impact but there would be an equivalent reduction in available Waiver funding due to the State reducing its contribution by the $19.1 million.

ADOPTION ASSISTANCE PROGRAM (AAP)

Restructure AAP

AAP is one of the fastest growing programs in the State and California has broad eligibility criteria and relatively high payment levels. The Legislative Analyst's Office (LAO) has recommended that the State narrow eligibility for AAP prospectively to children who are truly hard to place. This could be done by establishing a tiered system of eligibility. For example, children under the age of three would not be eligible for AAP unless there was a demonstrated special need related to medical problems, etc. In addition, LAO has recommended reducing the payment rate by 25% to recognize the adoptive parents' financial responsibility to the adopted child.

Implementation of these proposals are estimated to save the State $2.0 million in FY 2009-10, $12.0 million in FY 2010-11, and greater savings in the out years since adoptive parents can currently receive AAP until the child is 18. Based on the LAO proposal, we estimate NCC savings of $0.7 million in FY 2009-10, and $4.0 million in FY 2010-11.

DUAL AGENCY RATE

Eliminate Dual Agency Rate

The dual agency supplemental rate was enacted effective July, 1, 2007 and was intended to provide up to a $1,000 supplement for children with special needs that have cases open in both the foster care and regional center systems. It is rapidly becoming an entitlement rather than a supplement issued only for specific unique needs.

Elimination of this recently enacted program would save the State a projected $5.4 million annually. Based on the LAO Statewide estimate, we estimate NCC savings of $3.3 million because the Board approved funding for both the federal and County share of these costs due to the Waiver capped allocation. We assume the LAO estimate is a partial year estimate because our own estimate of County's annual savings from elimination of the Dual Agency Rate is $14.1 million.

FEDERALLY ELIGIBLE YOUTH OVER AGE 18

Obtain Federal Waiver to Draw Down Federal Revenue for Federally Eligible Youth Over Age 18.

The federal government recently enacted H.R. 6893: Fostering Connections to Success and Increasing Adoptions Act of 2008, which allows states to draw down federal revenue for federally eligible youth ages 18 to 21 effective October 1, 2009. Payments to these youth in the County currently total over $1.0 million per month and are fully funded by County General Funds. Although AB 12 was introduced to implement H.R. 6893 in California, it has been made a two-year bill due to the State's fiscal issues.

If a waiver could be negotiated allowing the County to access the federal funding, we estimate NCC savings of up to $6 million annually.

The attached chart provides a summary of estimated State and County savings and potential efficiencies for each one of these initiatives.

If you have any questions, please contact me or your staff may contact Miguel A. Santana, Deputy Chief Executive Officer at (213) 974-4530, or via e-mail at msantana@ceo.lacounty.gov.

WTF:SRH
MS:GS:cg

Attachment

c: Executive Officer, Board of Supervisors
County Counsel
Director of Child Support Services
Director of Children and Family Services
Director of Community and Senior Services
Director of Public Social Services

Attachment

PROPOSED STATE BUDGET OPTIONS
ESTIMATED STATE AND COUNTY SAVINGS

PROPOSED OPTIONS	POTENTIAL SAVINGS	
	STATE	COUNTY
CalWORKs: Parents with one child under 2, or two children under 6, exempt from Welfare-to-Work *	$140.0 million	no savings
CalWORKs: License-exempt child care providers with more than one child, payments reduced *	$25.0 - $30.0 million - Stage 1 Additional Unquantified Savings – Stage 2 and other Subsidized Child Care Programs	no savings
GA/GR: Counties whose State share of the GA caseload exceeded 120% of its share of the CW caseload in 2008-09, could redesign GA provided they maintain the 2008-09 expenditure level	no savings	$35.0 million
TITLE IV-E WAIVER: State maintains its funding commitment	no savings	$19.1 million loss of Waiver funding
ADOPTIONS ASSISTANCE PROGRAM: Restructure AAP	$2.0 million in 2009-10 $12.0 million in 2010-11	$0.7 million in 2009-10 $4.0 million in 2010-11
DUAL AGENCY RATE: Eliminate Dual Agency Rate	$5.4 million annually	$14.1 million annually
FEDERALLY ELIGIBLE YOUTH OVER 18: Obtain waiver to draw down federal revenue for federally eligible youth over 18	no savings	$6.0 million annually

* If both of the first two options were enacted, the savings would be less than the sum of those two options.

PROPOSED STATE BUDGET OPTIONS EFFICIENCIES

PROPOSED OPTIONS	POTENTIAL EFFICIENCIES
CalWORKs: Obtain federal waiver enabling the County to receive TANF directly, if the State terminates CalWORKs	reduce or eliminate the shift of cases from CalWORKs to General Relief or provide federal funding for General Relief costs for families
IHSS: Counties retain savings from any IHSS cost reductions	dependent on the IHSS reductions