Health and Human Services

Health and Human Services programs provide medical, dental, mental health, and social services to California's most needy citizens. For fiscal year 2000-01, expenditures for all Health and Human Services Agency budgets total $56.6 billion in combined state and federal funds. This includes expenditures for approximately 43,000 personnel years.

Figure HHS-1 displays the allocation of funding by major program area, and Figure HHS-2 displays caseloads.

Department of Health Services

Medi-Cal

Medi-Cal is California's health care entitlement program for low-income individuals and families who receive public assistance or lack health care coverage. The Medi-Cal program provides a broad range of optional health services. The benefit package compares favorably to most employer-funded health plans and to Medicaid benefit packages in other states. At the same time, overall Medi-Cal spending per beneficiary is significantly lower than Medicaid spending in all other large states.

1999-00 Expenditures—For 1999-00, Medi-Cal expenditures are expected to be $22.3 billion ($8.2 billion General Fund), a General Fund increase of 9.9 percent over the prior year. General Fund expenditures are $569.5 million above the 1999 Budget Act level, an increase of 7.5 percent (see Figures HHS-3 and HHS-4).

2000-01 Expenditures—For 2000-01, Medi-Cal spending is projected to be $23.0 billion ($8.7 billion General Fund), a General Fund increase of $540.6 million, or 6.6 percent above the revised 1999-00 Governor's Budget. Caseload is expected to decrease in 2000-01, and the Budget reflects a decline in monthly eligibles of more than 91,000, or 1.8 percent, to just over 5.0 million eligibles. Figure HHS-3 displays year-to-year comparisons of Medi-Cal caseload and costs.

Some programs, such as mental health services, in departments other than Department of Health Services (DHS), are also eligible for federal Medicaid reimbursement. The federal funding for these programs is included in Medi-Cal expenditure totals, but state and local matching funds typically appear in the budgets for the other state agencies or local governments. Consequently, nonfederal matching funds of over $1.7 billion for those programs are not included in Medi-Cal program costs.

Federal Medical Assistance Percentage—The Federal Medical Assistance Percentage (FMAP) is the percentage of Medi-Cal costs reimbursed by the federal government. It is calculated by a formula using federal estimates of population and personal income. Due to an increase in per capita personal income, California's FMAP decreases from 51.67 percent to 51.25 percent, effective October 1, 2000. This results in General Fund costs of $51.6 million in 2000-01.

Caseload—Currently, about 5.1 million people, just over one in seven Californians qualify for Medi-Cal in any given month (see Figure HHS-5). The number of people eligible for Medi-Cal in 1999-00 is now estimated to be about 0.74 percent above the 1998-99 level. A decline of 1.8 percent to 5.0 million eligibles, is expected to occur in 2000-01. This overall 1.1 percent decrease compares to an expected 3.3 percent increase in the state's population for the same two-year period.

The number of people made eligible for Medi-Cal through their eligibility for the California Work Opportunity and Responsibility to Kids program cash grants has been declining since 1995. The projected 2000-01 Medi-Cal public assistance caseload, which also includes aged, blind, and disabled SSI/SSP cash grant eligibles, is 6.6 percent, or 218,000 eligibles, less than the 1999-00 caseload anticipated in the 1999 Budget Act. These eligibles represent over 60 percent of the total caseload.

The expected multi-year decrease in the total number of those eligible for Medi-Cal was delayed in 1999-00 due to delays in county redetermination of eligibility of families pursuant to federal welfare reform law. Medically needy families, a category in which families pending redetermination of eligibility have been placed, is increasing by 54 percent between 1998-99 and 2000-01, offsetting most caseload reductions in other categories. These increases are visible in the "all others" portion of the bar chart in Figure HHS-6.

The 1999 Budget Act and Chapter 146, Statutes of 1999, expanded Medi-Cal eligibility to working poor, two-parent families with incomes up to 100 percent of the federal poverty level. This health care coverage increase is phasing in an estimated 250,000 eligibles, at a cost of $81.9 million ($41.0 million General Fund) in 1999-00 and $245.8 million ($122.9 million General Fund) in 2000-01.

Although overall caseload is decreasing, the portion comprised of aged, blind, and disabled beneficiaries is growing nominally each year and is expected to increase to over 1.37 million beneficiaries by 2000-01. These beneficiaries represent 27.3 percent of all Medi-Cal eligibles.

Figure HHS-7 shows caseloads and costs for the ten most populous states from federal fiscal year 1997, the most recent year data are available. By percentage of state population, California served the highest percentage of state residents, but had the lowest average cost-per-eligible—$2,543 versus a national average of $3,862 per unduplicated annual eligible.

Benefits—All states are federally required to provide specific, basic medical services including physician, nurse practitioner, and nurse-midwife services; hospital inpatient and outpatient services; specified nursing home care; laboratory and x-ray services; home health care; and early and periodic screening, diagnosis, and treatment services for children until age 21.

In addition, federal funding at the rate of about 51.5 percent is available for 34 optional services. These services include outpatient drugs, adult dental, optometry, hospice, chiropractic care, and occupational therapy. All states provide some optional services, with California providing 32 of the optional services. Many states (including California) provide these optional services both for the categorically needy (receiving public assistance) and medically needy beneficiaries (not receiving public assistance, but still qualifying for Medi-Cal based on income and other eligibility factors).

Medical costs vary considerably among the various categories of those eligible for Medi-Cal. For example, an individual receiving Medi-Cal as a result of CalWORKs eligibility will use services valued at about $110 per month in 2000-01, whereas a disabled person in long-term care will use about $5,050 in benefits per month.

Managed Care—Currently, slightly more than 2.6 million Medi-Cal beneficiaries are enrolled in managed care plans. Costs of managed care benefits may not exceed the projected costs of the same beneficiaries had they remained in the fee-for-service payment system. These costs are budgeted at $3.5 billion ($1.7 billion General Fund) in 2000-01. Additional funding for increased payment limits or rate increases is included. For example, increases of $70.4 million ($35.8 million General Fund) in 1999-00 and $75.9 million ($38.6 million General Fund) in 2000-01 are included for the 6.5 percent two-plan model rate increase effective October 1, 1999. The Budget continues $1.9 million for outreach to assist Medi-Cal eligibles in selecting managed care plans and providers.

Managed care includes three major health care delivery systems: the two-plan model, Geographic Managed Care (GMC), and County Organized Health Systems (COHS).

Just over 70 percent of Medi-Cal managed care beneficiaries are enrolled in the two-plan model, first implemented in January 1996. Twelve counties were initially selected to offer beneficiaries a choice between two managed care plans. Under the two-plan model, counties offer the choice between a commercial plan selected through a competitive bidding process or the county-sponsored "local initiative." The commercial plan consists mainly of providers serving privately insured individuals. The local initiatives consist largely of providers who have traditionally served the Medi-Cal population. The model assures continued participation by the "traditional" providers and maximizes the types of providers caring for beneficiaries. At full enrollment, approximately 1.8 million beneficiaries will be enrolled in the two-plan model.

The GMC model allows the State to contract with multiple managed care plans in a single county. The first GMC system was implemented in Sacramento in 1994. A second GMC system began operation in San Diego County in 1998-99.

The third model, the COHS, administers a prepaid, comprehensive case-managed health care delivery system. This system provides utilization controls, claims administration, and health care services to all Medi-Cal beneficiaries residing in the county. Five COHS serving seven counties are currently in operation.

Medi-Cal Program Changes

Expand Medi-Cal to the Working Disabled— The Governor's Budget includes a $4.8 million augmentation to implement a new program providing Medi-Cal eligibility for working disabled persons with incomes up to 250 percent of the federal poverty level, pursuant to Chapter 820, Statutes of 1999. This program will allow persons to continue employment who otherwise might quit work to become eligible for medical care.

Aging with Dignity Initiative—Approximately 100,000 Californians reside in long-term care facilities, including 68,000 Medi-Cal beneficiaries. Currently, individuals over age 85 represent the fastest growing segment of the state's population. As part of the Aging with Dignity Initiative, the Governor's Budget augments the Department of Health Services budget by $91.8 million ($48.7 million General Fund) to implement various quality improvement programs. The Budget funds additional enforcement measures and increased Medi-Cal rates of payment to California's nursing homes. The 1999 Budget Act included funds to increase the ratio of staff to patients and for a 5 percent increase in wages of nursing home caregivers. The Governor's Budget provides for an additional 5 percent wage increase which will help facilities recruit additional staff to maintain compliance with the enriched staffing requirement.

Expand No-Cost Medi-Cal to Low-Income Seniors and Disabled Individuals—As part of the Aging with Dignity Initiative, the Governor's Budget includes a $4.8 million ($2.4 million General Fund) augmentation to adopt a federal option establishing a program to provide no-cost Medi-Cal to approximately 13,000 medically needy, aged, and disabled beneficiaries who earn up to 100 percent of the federal poverty level, or $687 per month for a single person. Individuals with incomes above this level will continue to qualify for Medi-Cal with a share-of-cost. This will reduce the amount eligible seniors must pay toward the cost of health care, thereby helping them remain independent and at home.

Fraud Prevention Efforts—Beginning in 1999-00, the State implemented an initiative to identify and prevent fraud and abuse in the Medi-Cal and Family Planning, Access, Care, and Treatment programs. To discourage fraudulent providers from participating and to discourage abusive service and billing practices, the State tightened provider enrollment and information disclosure requirements and added 41.0 positions dedicated to fraud prevention and detection.

The 2000-01 Governor's Budget builds on that initial commitment by including an augmentation of $26.2 million ($10.0 million General Fund) and 255.0 additional positions. This expansion affects all divisions of the Department dealing with Medi-Cal, including the Fraud Control Bureau, Audits and Investigations Division, Payment Systems Division, the Office of Legal Services, Medi-Cal Benefits Branch, and the Managed Care Division, as well as the fiscal intermediary contractors for medical and dental care. As avoidance of benefit costs phase in from these fraud prevention efforts, savings of $26.3 million ($12.2 million General Fund) is assumed for 2000-01.

Disproportionate Share Hospital Program—A Disproportionate Share Hospital (DSH) serves at least 25 percent Medi-Cal or uncompensated care patients. The DSH program strengthens the safety net by making additional federal funds available to compensate hospitals for the cost of serving low-income patients. Public DSH hospitals (those operated by counties, hospital districts, or the University of California) make contributions that are matched with federal funds. The total amount, less a state "administrative fee," is then redistributed by formula to public and private DSH hospitals.

The state administrative fee was established in the early 1990s, as a result of restricted General Fund revenue. Under the law, the administrative fees are made available for general Medi-Cal program benefit costs. By 1995-96, these administrative fees reached $239.8 million. As General Fund resources have become more available, the administrative fees have been reduced annually by amounts ranging from $10.0 million to $75.0 million, reaching a level of $84.8 million in 1999-00. The Budget reduces these fees by up to $30.0 million, to $54.8 million in 2000-01. This potential reduction of payments from hospitals serving a disproportionate share of low-income patients will benefit both private and public DSH hospitals, increasing resources at the local level for health care costs. In the alternative, a portion of these funds could be used to provide for a rate increase for services provided by on-call specialists and emergency room physicians.

Prenatal and Long-Term Care Services for Undocumented Persons—Prenatal care is fully funded at an estimated $85.1 million in 2000-01, and long-term care is funded at $17.1 million.

Drugs—Drug costs have risen faster than other Medi-Cal costs for many years, but there now appears to be an acceleration of the already high rate of increase (see Figures HHS-8 and HHS-9). Part of the increase reflects industry-wide increases in wholesale prices. Also, DHS has shortened the time within which new drugs are added to the Medi-Cal list of contract drugs, for which prior authorization is not required for payment. Relaxation of the Food and Drug Administration restrictions on advertising has resulted in more "ask your doctor" full page ads and prime-time television commercials by manufacturers promoting the use of a variety of newer, effective, but much more costly drugs. The Budget for 2000-01 includes $2.4 billion ($1.1 billion General Fund) for fee-for-service drugs, $359.2 million, or 18.0 percent, more than the current estimate for 1999-00 and $517.6 million, or 28.1 percent, more than the amount included in the 1999 Budget Act. These figures do not include drug expenditures in Medi-Cal managed care.

A task force to be headed by the Secretary for Health and Human Services, including industry and consumer representatives, will develop options for different or additional utilization and cost control mechanisms that may be considered as part of the May Revision of the Governor's Budget. Meanwhile, the Budget proposes legislation to eliminate the January 1, 2001, sunset date for the Drug Rebate Program. Failure to extend or eliminate the sunset date for this program would result in a loss of savings of approximately $72.5 million ($36.3 million General Fund) in 2000-01, and approximately twice that amount, annually thereafter.

Funding for Ancillary Services Provided in Institutions for Mental Disease—The Budget includes a one-time augmentation of $12.5 million General Fund to pay for ancillary medical services provided to individuals in institutions for mental disease. Federal Medicaid law prohibits federal funding for these services; thus, under state law, the services to these individuals are not a covered Medi-Cal benefit, and the responsibility for payment of these services rests with local government. Although the Budget provides this one-time funding to mitigate the impact on local government, the responsibility for funding these services was included in the realignment of mental health programs from the State to local governments in 1991-92. The Administration will continue to seek a change in federal law to secure federal financial participation in these costs.

Federally Qualified Health Centers—The federal "Boren Amendment" formerly required Medi-Cal payments to these safety net providers at rates higher than those paid to other Medi-Cal providers for the same services. The payments were based on 100 percent of reasonable costs. The Federal Balanced Budget Act of 1997 phases out this requirement, and H.R. 3426, recently signed by the President, modifies the phase-out. For federal fiscal years 2000, 2001, and 2002, the federal government allows states to pay 95 percent of reasonable cost, 90 percent in federal fiscal year 2003, and 85 percent in federal fiscal year 2004. No cost-based payments are required thereafter. As in the 1999 Budget Act, the Budget continues *not* to exercise this federal option and continues to pay a higher rate based on full costs for these clinics, which provide a significant amount of care to uninsured persons and constitute the major provider of health care in several rural areas of the state. The Governor's Budget includes an augmentation of $6.3 million General Fund for this purpose in 2000-01.

Managed Risk Medical Insurance Board

Healthy Families Program—The Healthy Families Program (HFP) is a subsidized health insurance program for children in families with low-to-moderate income, who are not eligible for Medi-Cal without a share-of-cost, due to income limitations. The HFP provides low-cost health, dental, and vision coverage to eligible children from birth to age 19.

The 1999-00 Budget includes a total of $224.5 million ($79.6 million General Fund) for HFP caseload. The 1999-00 Budget has been adjusted to reflect an estimated year-end caseload of 279,000 children, resulting in an increase of $6.8 million ($2.2 million General Fund) above the 1999 Budget Act level. Although 1999-00 revised year-end enrollment is 16,000 children less than the 1999 Budget Act level, costs per enrollee increase in 1999-00 because children are enrolling in HFP earlier in the year than was originally anticipated. The earlier enrollment increases overall costs as the children receive coverage and benefits for a longer period during the year.

In 1999-00, 129,000 additional children are eligible for HFP health care coverage due to (1) an expansion of income eligibility from 200 percent to 250 percent of the federal poverty level (FPL), (2) use of Medi-Cal income deductions in determining eligibility, and (3) expansion of the program to cover children from birth to age one, in families with incomes between 200 percent to

250 percent of the FPL. Since HFP began enrolling children on July 1, 1998, monthly enrollment has grown to over 200,000 children.

The 2000-01 Governor's Budget proposes a total of $336.0 million ($121.4 million General Fund) for an HFP caseload increase of 91,000 children.

Of the $336.0 million, $4.9 million General Fund is included to provide an additional 12 months of HFP eligibility for recent legal immigrant children who enrolled during 1999-00. The Budget provides for continued eligibility for legal immigrant children enrolling in 1999-00.

HFP enrollment is projected to grow to 370,000 children by June 30, 2000. Figure HHS-10 displays the program costs (Local Assistance and State Support) by department.

Access for Infants and Mothers—The Access for Infants and Mothers (AIM) program provides health insurance coverage to women during pregnancy and up to 60 days postpartum, and covers their infants up to two years of age. The 1999-00 Budget includes a total of $51.7 million ($2.0 million General Fund, $45.8 million Perinatal Insurance Fund, $3.9 million federal funds) to serve an average of 420 (compared to 360 estimated at 1999 Budget Act) new women per month through February 2000, and 315 new women per month from March through June 2000. This funding includes an expenditure increase of $7.7 million to serve additional women and children in the AIM program. AIM enrollment will decrease mid-year due to the application of Medi-Cal income deductions in the determination of AIM eligibility effective February 1, 2000. This eligibility change will eliminate the overlap in health care coverage between Medi-Cal and AIM for low-income pregnant women, shifting approximately 1,300 women per year to Medi-Cal, thus maximizing available federal funds.

The 2000-01 Budget includes $44.9 million ($2.0 million General Fund, $39.1 million Perinatal Insurance Fund, $3.9 million federal funds) to serve an average of 315 new women per month, after application of the Medi-Cal income deductions. This funding level is a reduction of $6.7 million below revised 1999-00 expenditures.

Department of Health Services

Public Health

HIV/AIDS Program Expansion—In response to the changing and emerging needs associated with the AIDS epidemic, the Budget provides $258.2 million ($115.9 million General Fund) in Department of Health Services (DHS) for HIV/AIDS prevention, education, care and treatment programs. The total includes an increase of $9.1 million ($2.2 million General Fund) for rising AIDS Drug Assistance Program demand and increased drug costs (see Figure HHS-11).

Proposition 99 Expenditure Plan—Californians continue to use fewer tobacco products each year, in part as a result of the effectiveness of the Tobacco Tax and Health Protection Act of 1988 (Proposition 99). Proposition 99 revenues continue to decline from year-to-year, but are slightly higher than previously estimated in the 1999 Budget Act. The Proposition 99 revenues shown do not include $9.7 million in transfers (in both 1999-00 and 2000-01) from Proposition 10 funds required by law. However, these resources are included in the Proposition 99 expenditure plan. (See Figure HHS-12). In addition, beginning balances are higher than anticipated. Moreover, the Budget proposes to release $32.5 million in remaining litigation reserves over three years ($12.0 million in 2000-01 for the anti-tobacco media campaign). As a result, additional resources are available for allocation in 2000-01.

For 1999-00, estimated revenues will decline from the prior year to $401.0 million. The Budget contains increased expenditures of $4.6 million for the Access for Infants and Mothers (AIM) program. The funding supports increased demand for services and reflects the impact of applying Medi-Cal income deductions to AIM (effective February 1, 2000), thereby enabling pregnant women currently eligible for AIM to access Medi-Cal benefits. In addition, the Budget contains savings of $3.8 million from caseload adjustments in the Child Health and Disability Prevention (CHDP) program ($500,000) and Breast Cancer Early Detection Program ($3.3 million). The Budget also includes statutorily authorized carryover of prior year funds for health education ($13.0 million) and research ($60.5 million) programs, and continues the base level of services for all remaining programs. Total expenditures of $481.2 million result.

For 2000-01, estimated revenues will continue to decline from 1999-00 to $394.0 million. The Budget funds anticipated demand for caseload-driven programs, including increased entitlement costs of $4.7 million for CHDP. The continued impact of the Medi-Cal income deductions and projected AIM enrollment generate a base reduction of $3.1 million. Also, the availability of Breast Cancer Control Account funds results in a reduced need (a reduction of $2.7 million from the revised 1999-00 Budget) for Proposition 99 funds to meet anticipated breast cancer screening demand.

The Budget also aligns expenditures with available resources for University of California (UC) tobacco-related disease research. After accounting for $7.0 million in one-time litigation reserves appropriated in 1999-00, a reduction of $2.3 million results. Nevertheless, the availability of $60.5 million in prior-year carryovers will allow UC to continue funding beneficial research projects.

Using the available surplus resources, the Budget proposes the following augmentations: $24.8 million from available health care funds for supplementing payments to emergency room physicians and specialists who care for uninusred individuals; $25.7 million from available health education funds for the anti-tobacco media campaign; $1.0 million research funds for the California Cancer Registry; and $1.0 million for administration. In accordance with the intended purposes of Proposition 99, the additional funds will assist all counties in meeting their required indigent health care responsibilities, help reduce the use of tobacco products, enhance effective tobacco-related disease research efforts, and restore administration to the level authorized in 1998-99 for providing adequate tobacco control oversight. Total expenditures of $444.6 million result. (See Figures HHS-13, HHS-14 and HHS-15 for Proposition 99 Revenue and Expenditure detail.)

Breast Cancer Early Detection Program—The Budget includes $27.4 million, an increase of $8.6 million above the revised 1999-00 Budget, to fund anticipated program demand for the Breast Cancer Early Detection Program. An estimated 209,400 women will seek the screening, mammography, clinical examination, and diagnostic services offered to low-income, uninsured women. These services will be supported through a combination of available Breast Cancer Control Account ($18.4 million) and Cigarette and Tobacco Products Surtax Fund (CTPSF) ($9.0 million) resources.

In addition, reduced demand for services in 1999-00 eliminates the need for $3.3 million in CTPSF resources appropriated for the program pursuant to Chapter 831, Statutes of 1999. Accordingly, the Budget reallocates these resources within the proposed Proposition 99 expenditure plan for 2000-01.

County Medical Services Program—The County Medical Services Program (CMSP) is a county-operated program that provides safety net health care to medically indigent adults in small rural counties. County funds primarily support the program, although for a number of years, the State contributed $20.2 million General Fund and an allocation from the CTPSF to assist counties in providing services. The 1999-00 Budget eliminated the General Fund contribution for CMSP for one year as estimated reserves of $55.0 million were projected to be available on June 30, 1999.

The 2000-01 Budget proposes permanent elimination of this allocation as substantial, increasing reserves ($97.0 million) are projected to be available on June 30, 2000, in the local CMSP Account. Furthermore, expanded health care coverage through the Medi-Cal and Healthy Families Programs have reduced demand for county-funded health care services for California's citizens. The State will continue to monitor the availability of resources in the local account to ensure maintenance of this program. Moreover, the Budget provides an increase of $24.8 million CTPSF specifically for emergency room physician services. These funds will assist counties in meeting their required indigent health care responsibilities.

Childhood Lead Poisoning Prevention Program—To protect California's children from the adverse effects of lead poisoning, the Budget provides $17.8 million, an increase of $1.2 million above the 1999 Budget Act, for enhanced preventive screening and case management services. The resources will be used to screen approximately 200,000 children, of whom approximately 4,000 children will be detected with severely elevated blood lead levels. Also, the Budget provides approximately $600,000 (fee-supported General Fund) to certify workers who identify and eradicate lead hazards.

Child Health Programs—The Child Health and Disability Prevention (CHDP) program provides preventive health assessments and immunizations to low-income children. For 2000-01, total CHDP caseload will increase 6.6 percent over revised 1999-00 figures. The Budget includes $25.2 million General Fund and $59.8 million from the CTPSF to support this caseload.

The California Children's Services (CCS) program provides medical services for children with serious medical conditions such as birth defects and chronic illnesses. The CCS caseload will increase 3.7 percent over revised 1999-00 figures, and the Budget provides a total of $53.7 million General Fund for this caseload.

The Genetically Handicapped Persons Program provides services similar to CCS for low-income adults. For 2000-01, caseload will decrease 4.2 percent below revised 1999-00 figures. The Budget includes $26.8 million General Fund to support this caseload.

Fatal Child Abuse and Neglect Surveillance—The Budget provides an augmentation of $345,000 General Fund to design, test, and implement a statewide child abuse and neglect fatality tracking system. As required by Chapter 1012, Statutes of 1999, the system will compile information collected by local child death review teams, and ultimately assist state and local administrators in providing effective interventions.

Birth Defects Research—The Budget includes an augmentation of $400,000 (from voluntary tax contributions) to expand birth defects research efforts in California, as required by Chapter 398, Statutes of 1999. The funds will supplement existing activities performed by the Department of Health Services for improving birth outcomes and ensuring the delivery of quality health care.

Partnership for Responsible Parenting—The Budget provides an increase of $4.5 million (an increase of $5.0 million Proposition 98 offset by a decrease of $500,000 in federal and special funds) and total funding of $40.2 million ($37.9 million General Fund) for preventing out-of-wedlock and teenage pregnancy through the successful Partnership for Responsible Parenting. The following components comprise the partnership:

- $19.6 million ($17.3 million General Fund, including $15.0 million Proposition 98) for mentoring programs in various state departments which serve at-risk youths. A $4.5 million increase in funding will help serve approximately 10,000 more at-risk youths currently on a waiting list for mentors. These programs assist at-risk youths in becoming productive members of society while reducing juvenile crime, teenage pregnancy, gang association, and the school dropout rate.

- $9.3 million General Fund for the media campaign, which educates Californians about the problems surrounding out-of-wedlock and teen pregnancy and promotes the benefits of responsible parenting.
- $2.9 million General Fund for local grants in the Male Responsibility Program. These intervention project grants provide information, education, and counseling services to local communities concerning the positive role adolescent and young men can have in preventing teenage pregnancy.
- $8.4 million General Fund for the Prosecution of Statutory Rape program, which provides financial support for county district attorneys for vertical prosecution of statutory rape. Vertical prosecution entails the assignment of a single deputy district attorney to handle all phases of a criminal case.

Community Challenge Grant Program—The Community Challenge Grant (CCG) program provides local grants for teen pregnancy prevention services. Under current law, the program sunsets on June 30, 2000. However, because California is one of the five most successful states in the nation for decreasing the number of out-of-wedlock births, the federal government has awarded the State a one-time $20.0 million federal Temporary Assistance for Needy Families bonus award. The Budget proposes using these funds to extend the CCG program in 2000-01.

Enhanced Drinking Water Protection—The Budget provides an augmentation of $923,000 (supported by regulatory fees) to certify water system operators and add a continuing education standard to enhance current public drinking water protection activities, as required by Chapter 755, Statutes of 1999. In addition, the Budget extends a $2.0 million General Fund subsidy provided to assist small water systems in funding state regulatory activities and meeting local infrastructure needs.

Radiation Protection—The Budget provides $17.0 million (supported by fees), including an increase of $3.6 million and 19.0 positions, to enhance regulatory activities to protect the public from exposure to radiation. The increase will support greater inspection and certification activities, and a management information system for tracking the registration of radioactive materials, x-ray producing machines, and licensed users of these materials.

Department of Mental Health

State Hospital Population—The 2000-01 Budget includes $541.9 million ($393.1 million General Fund), a net increase of $44.9 million ($59.4 million General Fund), or 9 percent over revised 1999-00 expenditures. This funding level will support a total caseload of 4,421 commitments.

The 2000-01 year-end population of sexually violent predator (SVP) commitments and other court commitments to the state hospitals are estimated to be 3,571, an increase of 255 above the 1999-00 revised population. The Budget includes $4.1 million General Fund (half-year funding) for this increase in population (see Figure HHS-16).

The Budget is based on the assumption that the SVP population will increase by 65 patients, to a total of 405 commitments by June 30, 2001. The 1999 Budget Act included funding for a projected level of 393 SVP commitments. Commitment proceedings continue at a slower than anticipated rate in the current year. Thus, SVP commitments will only reach 340 by June 30, 2000.

The 2000-01 Budget also reflects a $9.4 million decrease in reimbursements from the Department of Developmental Services due to the transfer of the 115 developmentally disabled forensic clients from Napa State Hospital to Porterville Developmental Center.

Crime Victims with Disabilities—The level of violence and crime against disabled children and adults is believed by the Department of Mental Health (DMH) to be from four to ten times higher than against persons who are not disabled. It is also estimated that crimes against the disabled are reported at a much lower rate than crimes against other populations. As a result of low reporting, there are lower rates of prosecution and conviction of those committing these crimes.

The 2000-01 Budget includes $739,000 from the Restitution Fund to implement the Crime Victims with Disabilities Initiative. This Initiative consists of $569,000 for contracts and $171,000 for 2.0 positions to educate county workers, state managers in human services and the general public on the needs of this population, and to provide direct county-level services to this population. This effort requires modifications to statute to specify the services which will be funded by the Restitution Fund.

Mental Health Managed Care Program—Chapter 633, Statutes of 1994, established the Mental Health Managed Care Program and transferred responsibility for providing Medi-Cal psychiatric inpatient care from the Department of Health Services to DMH. The Budget includes an increase of $4.7 million General Fund for inpatient psychiatric services to be provided through the Mental Health Managed Care Program by the counties.

County Mental Health Plan Monitoring and Oversight—The Budget includes $1.9 million ($1.4 million General Fund) and 19.0 positions to oversee and monitor county Mental Health Plan compliance with federal and state mental health requirements in areas including service access and quality of care. These 19.0 positions consist of 10.0 permanent positions, previously limited-term through June 30, 2000, and 9.0 new permanent positions to expand ongoing DMH monitoring and technical assistance. This will allow DMH to comply with federal and state monitoring and compliance requirements and ensure continued federal funding (approximately $576.0 million).

Early Periodic Screening, Diagnosis, and Treatment Program Caseload and Service Expansion—The Budget includes a 1999-00 reduction of $45.1 million in reimbursements from the Department of Health Services for a reduction in the rate of increase in the Early Periodic Screening, Diagnosis, and Treatment (EPSDT) mental health services provided by the counties. The Budget also includes a 2000-01 increase of $42.9 million in reimbursements for the continued increase in the provision of EPSDT services. This augmentation provides for an average annual increase of 27 percent in program costs (all fund sources) (see Figure HHS-17).

Deferred Maintenance and Americans with Disabilities Act Compliance—
The 2000-01 Budget includes a one-time increase of $12.3 million for repairs to the state hospitals. Of the augmentation, $2.3 million is to be used for projects and repairs associated with Americans with Disabilities Act compliance.

Salinas Valley State Prison New Mental Health Facility Start-Up Costs—The Budget includes $199,000 ($91,000 General Fund) and 7.0 positions to activate a new 64-bed inpatient mental health facility at Salinas Valley State Prison (SVSP), scheduled to be completed by spring of 2002, and 1.5 positions in headquarters for recruiting the requested SVSP staff and ongoing recruitment efforts for all state hospitals.

Patton State Hospital Security—The California Department of Corrections (CDC) is statutorily required to provide security at Patton State Hospital (PSH). The CDC currently provides perimeter security at PSH. The Budget includes an increase of 36.3 positions to provide internal hospital security. Under the DMH hospital funding methodology, DMH provides all necessary state hospital staff and services within the $107,000 in annual funding per bed per year. Thus, the cost of these security positions is absorbed within existing resources. However, a statutory change is required to allow DMH to provide internal security at PSH.

Atascadero State Hospital Expansion Non-Level of Care Staffing—The Budget includes one-time funding of $2.9 million ($2.3 million General Fund and $582,000 in reimbursements from California Department of Corrections) and 148.0 positions to activate a newly constructed unit at Atascadero State Hospital. The 258-bed addition, scheduled to be completed April 2001, will expand facility capacity by about 26 percent. The positions will phase-in beginning in July 2000 and are expected to perform the activation functions, as well as staff the unit when new patients begin to occupy the facility beginning in April 2001. The positions will be funded through the regular caseload estimate process once activation is completed.

Capital Outlay—The Budget includes $1.5 million for the continuing phases of previously approved projects including the equipment phases for construction projects at both Metropolitan State Hospital ($533,000 General Fund) and Atascadero State Hospital ($986,000 General Fund). The Budget also includes $430,000 for minor capital outlay projects and $150,000 to study programming and space needs at Napa State Hospital.

Homeless Mentally Ill—Recent estimates indicate there are 50,000 homeless, severely mentally ill Californians, including 10,000 to 20,000 homeless, mentally ill veterans. These individuals are at great risk of becoming involved in the criminal justice system. The 1999-00 Budget included a one-time $10.0 million General Fund appropriation for local grants to counties to provide integrated services focused on serving the homeless, parolees, and probationers with serious mental illness. The 2000-01 Budget includes a subsequent one-time appropriation of $20.0 million General Fund to expand this program to additional counties in a competitive grant process. This $20.0 million is available to both current and new counties.

Department of Developmental Services

Developmental Centers

Population in the developmental centers (DCs) is projected to decrease by 35 clients, from 3,853 to 3,818. Although overall population of the developmental centers is decreasing, the composition of the population is changing resulting in a need for a review of the existing system. The Budget includes the following significant adjustments for 2000-01:

Developmental Center Facilities Study—The Budget includes an increase of $250,000 ($21,000 General Fund) for the Department of Developmental Services (DDS) to convene a workgroup to identify options to address the physical plant issues of the aging DC facilities.

Although the DC population continues to decrease, the rate of decline has slowed in recent years. The current DC residents typically have chronic medical needs or severe behavior problems that require significant intervention and treatment. Much of the intervention and treatment depends on advanced technology and living environments with more space requirements than were needed when the centers were constructed. As technology advances, clients with significant medical involvement require more space to accommodate the supportive equipment used in their care. The need for space and the ability to accommodate the necessary equipment is likely to increase further as new technology becomes available.

The five existing DCs were designed and constructed between the late 1800s and 1964, with the last major renovation completed in 1982. Due to limited funding in the last decade, maintenance and renovation of the facilities has been deferred. As a result, the existing mechanical (water, air, and sewage), electrical (fire detection and suppression, power distribution, and lighting), seismic, land use, and safety systems are increasingly outdated.

The funds in the Budget will be used to convene a workgroup and contract with consultants to help DDS, the Department of General Services, experts, and stakeholders examine the condition of the DCs and identify options including repair, renovation, or replacement. These option identification activities will assist the State in determining the most appropriate course of action to meet the needs of current and future developmentally disabled residents of California's aging DCs.

Southern California Facility for Clients with Severe Behaviors—The Budget includes an increase of $500,000 General Fund in 1999-00 and $13.2 million ($5.2 million General Fund) and 123.5 positions in 2000-01 to acquire and operate one or more facilities in southern California for 80 clients with severe behavior problems. These additional beds are necessary to accommodate 115 forensic clients transferred from Napa State Hospital (Napa) to Porterville Developmental Center (Porterville). Forensic clients are those developmentally disabled who are committed to a developmental center by the courts.

The DDS expects to relocate all of its forensic clients to Porterville by November 1, 2000. As a result, clients who have behavioral problems associated with their disability, and who occupy forensic beds at Porterville, will be relocated to other appropriate housing units. The new behavioral client facility in northern California (Sierra Vista) will be able to accommodate 55 of the displaced clients. However, the need for beds for behavioral clients is exacerbated as a result of the shift of forensic clients from Napa to Porterville. The DDS plans to expand its capacity for clients with behavior problems by 80 beds, by leasing one or more facilities in southern California. The DDS expects to site the necessary facilities and begin placing clients by September 2000 and to attain full occupancy by November 2000.

New Northern California Facility—The Budget contains an increase of $3.7 million and 89.1 positions for the full-year implementation of the new Sierra Vista facility in northern California for clients with severe behavior problems.

Forensic Clients Transfer—The Budget reflects a net decrease of approximately $1.8 million due to the transfer of 115 forensic clients from Napa State Hospital (Napa) to Porterville Developmental Center (Porterville). Increased costs to DDS of approximately $7.6 million for housing the clients at Porterville are offset by $9.4 million in decreased funding which will no longer be provided to the Department of Mental Health for housing these clients at Napa.

Conservatorships—The Budget includes $822,000 General Fund and 13.0 two-year, limited-term positions to identify residents who should be conserved and provide related legal services to secure and maintain DDS conservatorships.

Developmental Center Staffing Augmentations—The Budget provides an increase of $15.8 million ($1.4 million General Fund) and 43.0 positions in 2000-01 for the third year of the four-year plan to increase staffing levels and improve active treatment for developmental center clients. This augmentation also eliminates the salary savings requirement for the DCs. In total, the four-year plan adds approximately 1,700 positions at a cost of $106.5 million. Specifically, this augmentation includes the following:

- **Salary Savings Relief—**$13.0 million ($1.2 million General Fund) to reduce DDS' salary savings requirement from 3 percent to zero in the DCs to allow vacant positions to be filled ensuring the provision of services to clients.
- **Administrative Support—**$771,000 ($59,000 General Fund) and 19.0 positions for administrative support at Agnews DC to provide user support for all DC computer users and for personnel support.
- **Investigations Staffing—**$820,000 ($68,000 General Fund) and 13.0 positions to investigate client complaints regarding their care.
- **Case Management—**$831,000 ($63,000 General Fund) to upgrade 57.0 existing Individual Program Coordinator positions to Registered Nurses (RNs) for case

management functions, allowing the department to meet recent changes in federal standards requiring RNs to perform case management activities in nursing facilities.
- **Porterville Security—**$454,000 ($54,000 General Fund) and 11.0 positions to increase security at Porterville DC to meet the custody requirements of forensic clients transferred from Napa State Hospital.

Regional Centers

Although a population change is not projected for regional centers in 1999-00, the Budget includes the following current year augmentations:

- $49.3 million General Fund to replace an equal amount of lost federal reimbursements due to delays in recertifying Medicaid Home and Community-Based Services Waiver programs in regional centers.
- $216,000 in increased reimbursements to the Department of Rehabilitation (DOR) for habilitation services.

For 2000-01, the regional center population is projected to increase by 9,165 clients, from 157,475 to 166,640. The increasing population and cost per client result in the need for an augmentation of $145.1 million ($84.1 million General Fund). Specifically, the Budget provides the following adjustments:

- $105.2 million ($70.2 million General Fund) for increased utilization of services and increased cost per client.
- $24.7 million ($6.2 million General Fund) for full-year costs of the Community Care Facility (CCF) staff salary increase implemented in 1999-00.
- $6.5 million General Fund for regional centers to reduce client intake assessment from 120 days to 60 days.
- $4.4 million ($1.1 million General Fund) to pass through SSI/SSP rate increases to CCF providers.
- $3.6 million federal funds for projects related to early intervention services.
- $1.8 million in increased reimbursements to DOR for habilitation services.
- $442,000 ($111,000 General Fund) for increased costs to train CCF staff.
- $1.5 million reduction in one-time special funds for wellness projects.

The 2000-01 Budget also provides the following augmentations:

Affordable Housing Projects—$1.0 million (Developmental Disabilities Services Account) on a one-time basis to increase the availability of affordable housing by a variety of methods for up to 50 developmentally disabled people, primarily in the San Jose area. The funding will be provided to nonprofit housing development corporations to leverage local, federal, and private funds for housing. This will allow the corporations to develop new or offer existing housing to developmentally disabled persons at subsidized rates.

California Developmental Disabilities Information System—$707,000 General Fund for the first of three phases proposed to implement the California Developmental Disabilities Information System (CADDIS). The CADDIS is a statewide fiscal accounting and program monitoring system proposed to replace two systems currently operating in regional centers (RCs). The five-year project is expected to cost approximately $14.0 million General Fund, including $5.6 million in 2001-02.

Shift Nursing—$1.2 million ($560,000 General Fund) to increase rates paid to shift nurses serving developmentally disabled (DD) adults. This augmentation brings the rates paid to shift nurses providing services to non-Medi-Cal eligible DD adults to the level paid to shift nurses providing like services to DD children and Medi-Cal eligible patients.

Rate Methodology Development—$1.1 million General Fund and 1.0 two-year, limited-term position to contract with consultants and manage the contracts to implement new rate-setting methodologies for residential, day, in-home respite, and supported living services programs.

Youth Crisis Homes—$225,000 General Fund to continue operating three existing youth crisis homes in central and northern California. The homes provide short-term crisis and stabilization services for developmentally disabled youth ages 6 through 17 who experience short-time periods of inappropriate behavior.

Department of Alcohol and Drug Programs

General Fund Replacement of Lost Federal Funding for Perinatal Treatment Services—Substance abuse among women leads to premature births with complications, neonatal intensive care for substance-exposed infants, and foster care services for children neglected or abused by substance abusing women. The 2000-01 Budget provides $2.5 million General Fund to replace expiring federal funding to maintain services currently provided to pregnant and parenting substance abusing women and their children by the Women and Children_s Residential Treatment Services (WCRTS) program. The WCRTS program serves California_s most vulnerable and difficult-to-serve pregnant and parenting women, including minorities and low-income women.

Substance Abuse Prevention and Treatment Block Grant—The Budget includes a one-time increase of $5.0 million in 1999-00 and $49.6 million in 2000-01 from the federal Substance Abuse Prevention and Treatment block grant. These funds will be used to provide increased substance abuse prevention and treatment services for youth and pregnant parenting women.

Mentoring At-Risk Youths—The Budget includes $19.6 million ($17.3 million General Fund, including $15.0 million Proposition 98), an increase of $4.5 million over the 1999 Budget Act, for various state agencies involved in the Mentoring Program. These programs are designed to assist at-risk youths to become productive members of society while reducing juvenile crime, teenage pregnancy, gang association, and the school dropout rate. The $4.5 million increase in funding will help serve more at-risk youths currently on a waiting list for mentors. The Department of Alcohol and Drug Programs will continue to allocate $1.1 million in federal funding to counties for the provision of approximately 1,500 mentors to be matched with 2,200 youths.

Employment Development Department

Workforce Investment—A highly skilled California workforce is one of the Governor's top priorities. Recognizing that California's economy will benefit from a well-educated and adaptable workforce, this past fall the Governor established the California Workforce Investment Board and appointed members. These members include representatives of the Legislature, businesses, labor organizations, community- and faith-based organizations, state agencies, local governments, and the education community.

The California workforce development system will be based on an innovative network of "one-stop" career centers that will provide a full range of job training, education, and employment services at a single neighborhood location. The one-stop centers provide access to information about jobs and job seekers. Each site will provide job seekers with assessment services, information on employment and training opportunities, unemployment services and job search and placement assistance, and will give employers access to well-qualified workers and specialized education and training programs.

This program will be funded in 2000-01 with $574.5 million in federal Workforce Investment Act (WIA) funds which replace the federal Job Training Partnership Act funds. Of the WIA funding for 2000-01, $15.0 million will help fund the Administration's Aging with Dignity Initiative and will be earmarked for training of current or prospective employees in caregiver industries, including nursing homes and the In-Home Supportive Services Program.

Joint Enforcement Strike Force on the Underground Economy—The Budget includes an augmentation of $1.9 million and 22.0 positions for increased detection of underground economic activity in industries where employers are known to avoid state payroll taxes. This augmentation is expected to result in approximately 260 additional employer audits in 2000-01 and approximately 390 additional audits each year thereafter. These audits are anticipated to yield assessments of about $10.5 million the first year and over $16.0 million each year thereafter. These efforts will also protect more workers by ensuring they are afforded the right to receive basic benefits they would not receive as unreported employees of the underground economy.

Department of Community Services and Development

California Mentor Program—The 2000-01 Governor's Budget includes $2.0 million ($1.0 million General Fund and $1.0 million federal funds) to continue the California Mentor Program in the Department of Community Services and Development (DCSD). The funds will be used to match mentors with approximately 5,000 children in the budget year. The Administration is committed to placing at-risk children with successful role models to assist these children to become responsible adults.

California Department of Aging

The Aging with Dignity Initiative includes three new programs, administered by the California Department of Aging (CDA), to assist seniors and dependent adults to live as independently as possible. They include a Senior Housing Information and Support Center, a Senior Wellness Education Campaign, and one-time funding for Long-Term Care Innovation Grants.

Senior Housing Information and Support Center—The Governor's Budget includes $1.0 million General Fund and 8.0 positions to establish a Senior Housing Information and Support Center to provide information to seniors and their families concerning housing options and home modification alternatives which would allow seniors to live independently or with their families.

Senior Wellness Education Campaign—The Budget includes $1.0 million General Fund and 2.0 positions for a Senior Wellness Education Campaign. The campaign will educate seniors and their families on innovative community-based and in-home care alternatives to institutional care.

Long-Term Care Innovation Grants—The Budget includes $20.2 million General Fund and 3.0 limited-term positions for one-time challenge grant funding to implement and expand community adult care alternatives to nursing homes. The Administration will work with the Long-Term Care Council in establishing this grant program. The Administration challenges the private sector community and foundations to sustain these grants at $50.0 million annually for ten years.

Administrative Workload—The Budget also includes $446,000 General Fund and 6.0 positions to administer various programs. Of these positions, 3.0 will manage the workload associated with the increasing number of Adult Day Health Care Centers, 1.0 will handle the increased audit workload resulting from completion of the Multipurpose Senior Services Program, and 2.0 will develop policies and strategies to address the needs of California's growing elderly population.

Department of Rehabilitation

On September 1, 1999, the Department of Rehabilitation (DOR) modified its service priority system, the Order of Selection, to provide Vocational Rehabilitation (VR) program services to all applicants in the Most Severely Disabled category, regardless of their date of application, and to eligible applicants from the Severely Disabled category who may apply through June 30, 2000. The Budget includes $5.5 million ($2.8 million General Fund) to be reappropriated from 1999-00 to 2000-01 to address the additional costs in 2000-01 of clients added by this change in 1999-00.

The Budget provides an augmentation of $1.6 million ($1.3 million General Fund) for additional work activity program and supported employment program caseload under both the VR and the Habilitation Services (state-only funded) programs. A statutory work activity program rate adjustment for 2000-01 will be addressed in the spring when the necessary rate data has been compiled.

The Budget also provides $1.3 million ($269,000 General Fund) to support reclassifications of the vocational rehabilitation professional series (trainees, counselors, and senior counselors). This reform is needed due to changes in the staff activities performed, federally-mandated professional qualification requirements, and the inability to recruit staff into the existing classifications. This reclassification plan will strengthen the professional development of these workers and raise the standard of care for clients.

Federal reimbursements to the DOR under the federal Home and Community Based Services Waiver are estimated to be $20.4 million in 1999-00. These funds pay for services provided to developmentally disabled clients. The Budget continues this level of reimbursements for 2000-01.

Office of Statewide Health Planning and Development

Cal-Mortgage Program—The Office of Statewide Health Planning and Development (OSHPD) is responsible for the administration of the Cal-Mortgage Loan Insurance Program whereby nonprofit health facilities borrow funds from long-term lenders for facility construction, improvement, and expansion. Loan insurance guarantees are approved contingent upon assessment of both financial viability and community benefit. Defaults are paid from a reserve funded by the loan beneficiaries; however, if the loan reserve is insufficient, the General Fund becomes the ultimate guarantor. The 2000-01 Governor's Budget includes an augmentation of 6.5 positions and $1.8 million in reimbursements to improve Cal-Mortgage loan risk assessment and enable Cal-Mortgage to coordinate federally required feasibility studies for hospitals, thereby enabling California hospitals to qualify for new federal hospital construction loans.

Seismic Retrofit—In 1973, the Legislature passed the Hospital Seismic Safety Act to ensure statewide uniformity in health facility construction standards. The Act specified OSHPD as the designated agency to ensure consistency in the review of all construction plans for hospitals and skilled nursing facilities throughout California. The OSHPD became responsible for plan review and approval of all hospital projects and the monitoring of all hospital construction. The construction standards are intended to ensure that vulnerable patients are safe in an earthquake, and the facilities remain functional after such a disaster. When the hospital seismic safety program was first implemented, all hospitals licensed at the time were "grandfathered-in"_that is, they were not required to meet the new statewide standards. In the Northridge Earthquake of 1994, several of these older hospitals sustained significant damage. As a result, Chapter 740, Statutes of 1994, required all hospitals to meet statewide seismic safety standards. Compliance would be phased in between January 1, 2002, and January 2030.

The Budget includes an augmentation of 18.0 positions and $1.6 million (Hospital Building Fund) to (1) enable OSHPD to review seismic evaluations, compliance plans, and construction schedules associated with bringing hospitals into compliance with the mandated seismic safety standards; (2) review new hospital construction plans associated with replacement construction funded by the Federal Emergency Management Agency for hospitals damaged in the 1994 Northridge earthquake; (3) conduct field reviews of both the seismic retrofit and new construction projects; and (4) review and approve seismic safety assessments and corrective actions required to ensure the state's hospitals remain safe and operational after earthquakes.

Rural Health Development Grants—In 1998-99, $3.0 million General Fund was provided on a one-time basis and subsequently continued for 1999-00 to provide grants to licensed nonprofit and public rural healthcare providers for capital improvements and equipment, and to recruit health professionals for rural areas. The Budget includes $3.0 million General Fund for continuation of the Rural Health Development Grant program for an additional year.

Emergency Medical Services Authority

The Governor's Budget includes a $120,000 General Fund augmentation to continue the implementation of the Emergency Medical Services for Children (EMSC) program. The EMSC program addresses the special needs of children related to injury prevention, pre-hospital care, critical care, and trauma services. Currently, 14 of the 32 local EMS agencies do not have comprehensive EMSC systems in place, and this funding will allow EMSC program implementation to continue. The Budget also includes a $120,000 federal fund augmentation to fully implement medical dispatch program regulations addressing training standards and the scope of practice for emergency medical dispatchers. Lastly, the Budget includes a $78,000 Emergency Medical Services Personnel Fund augmentation to enhance the Enforcement Unit's ability to investigate cases and recommend disciplinary actions concerning California's 10,500 licensed paramedics.

Department of Child Support Services

Establishing the New Department—In order to provide enhanced fiscal and programmatic direction and oversight of child support enforcement activities, Chapters 478 and 480, Statutes of 1999, established the Department of Child Support Services (DCSS) and authorized the implementation of a single statewide child support system comprised of local child support agencies under the supervision of the new Department. The new DCSS will assume responsibility for child support enforcement activities effective January 2000. At the local level, the current child support system, which is managed independently by the 58 District Attorneys, will be subsumed by the local child support agency system effective January 2001, with transition activities completed by January 2003.

The DCSS is designated as the single state agency to administer the statewide program for securing child and spousal support, medical support, and determining paternity. The Department's primary purpose is to ensure the collection of child support payments for custodial parents and their children.

In addition, the Department is charged with the following functions:

- Administering all federal and state laws and regulations pertaining to the administration of child support enforcement obligations.

- Reducing the cost of and increasing the efficiency of child support enforcement operations.
- Monitoring local child support agency operations and performance, and providing technical assistance and training as necessary.

State Administration—In addition to the base staffing transferred from the Department of Social Services (DSS), the Budget includes resources for an additional 134.7 new positions, for a departmental total of 229.7 positions to accomplish the new activities. These staff will ensure a more effective program through expanded state-level direction and supervision of local child support agencies. Specific mandates in the new legislation require the Department to increase oversight of local program and fiscal operations; provide detailed procedures, regulations, and training to counties to ensure uniformity of program operation; establish best practices for counties; and establish customer service requirements and a proactive customer services approach.

Fiscal management for the child support local assistance and interdepartmental contract functions will remain with the DSS through the end of 1999-00, at which time these functions will be transferred to this Department.

County Administration—Historically, child support enforcement activities were funded 66 percent federal Title IV-D and 34 percent county funds. Counties also earned state and federal incentive payments based on the percentage of distributed collections, which were retained by the counties and reinvested in the child support program. Under the new child support system, the counties will receive federal financial participation and federal incentive payments for administrative expenses, with the remaining share of cost funded by state incentive funds up to the amount appropriated in the annual Budget Act.

To ensure the child support enforcement programs are administered uniformly statewide, the State now has the responsibility to determine the appropriate level of and usage of state incentive funds. Under the new system, each county must submit for review by the new Department a proposed budget for child support administrative costs. The Department will monitor the level of county expenditures; the amount of federal reimbursements counties receive; and the amount of federal incentives paid to each county. The remaining county costs will be eligible for funding from the state incentive funds, provided the costs incurred by the county meet the definition of reasonableness. Each county will be responsible for funding, out of its local resources, any costs not meeting this standard.

Federal Incentive Structure—Historically, the counties earned state and federal incentive payments based on the percentage of distributed collections. Excess incentive payments were retained by the counties and reinvested in the child support program; however, counties had significant discretion in the use and treatment of excess incentive funds. Recent federal legislation changed the federal incentive methodology, implementing a performance-based system rather than providing a straight percentage of collections. Effective October 1999, each state will receive federal incentive funds based on the following performance categories:

- Paternity establishments
- Cases with support orders
- Collections on current support orders
- Collections on arrears
- Cost effectiveness

The federal incentive methodology will be phased-in during a three-year period, with full implementation during federal fiscal year 2002. During the first year, it is anticipated that the federal incentive rate will decrease from the 6 percent rate under the old methodology to approximately 4 percent. Total incentive funding, based on 13.6 percent of distributed collections, remains unchanged. Therefore, state funds provide the difference between federal funding and the capped incentive rate. As a result, implementing the new federal incentive methodology will result in increased costs of $14.0 million General Fund in 1999-00 and $39.0 million General Fund in 2000-01.

Child Support Collections—The child support program establishes and enforces court orders for child, spousal, and medical support from absent parents on behalf of dependent children and their caretakers. Historically, collections were made by the counties at the request of a custodial parent on behalf of their child.

Child support collections made on behalf of the California Work Opportunity and Responsibility to Kids (CalWORKs) families and children in foster care will continue to be applied to reduce the appropriations for those two programs through 1999-00. Total net child support collections are estimated to result in $257.3 million General Fund savings. Of this amount, $246.7 million is in the CalWORKs program, and $10.6 million is in the foster care program.

In 2000-01, all child support local assistance fiscal management functions are transferred from the DSS to the new DCSS. Collections received in 2000-01 will be included in the Budget for display purposes only, with that portion of the collections attributable to the General Fund included in statewide revenues. Thus, the CalWORKS and foster care appropriations will no longer directly reflect the cost abatement.

Child Support Automation—Chapter 479, Statutes of 1999, designated the Franchise Tax Board as the agent of the new Department for the procurement, development, implementation, and maintenance and operation of the California Child Support Automation System in all California counties. The State will assume all costs associated with developing and implementing the new statewide system and transitioning all counties onto this new system.

The responsibility for county interim automation systems belongs to the new Department, with project management activities remaining with the California Health and Human Services Agency Data Center. The costs to maintain and operate county interim systems will be borne by the state and federal governments, paid from funds budgeted for county incentive payments. The Budget includes $12.1 million General Fund for administrative costs for county business enhancements and the transition to interim systems that achieve compliance sufficient to receive federal funds. To receive this funding, counties must comply with various program requirements, including executing an annual automation cooperation agreement.

California's inability to implement a single statewide automated system for the collection and distribution of child support already has resulted in significant federal penalties. The Budget includes $103.9 million General Fund in 1999-00 to offset the federal penalty. The federal penalty anticipated in 2000-01 is estimated at $101.6 million General Fund.

Department of Social Services

California Work Opportunity and Responsibility to Kids

The California Work Opportunity and Responsibility to Kids (CalWORKs) program implements California's version of the federal Temporary Assistance for Needy Families (TANF) program. The CalWORKs program replaced the Aid to Families with Dependent Children (AFDC) program on January 1, 1998.

The CalWORKs program is California's largest cash aid program for children and families designed to provide temporary assistance to meet basic needs (shelter, food, and clothing) in times of crisis. While providing time-limited assistance, the program also promotes self-sufficiency by establishing work requirements and encouraging personal accountability. The program recognizes the differences among counties and affords them maximum program design and funding flexibility to better ensure successful implementation at the local level.

Caseload Trends—Caseload is projected to decrease for the sixth consecutive year in 2000-01, a significant turnaround from the rapid growth of the early 1990s, when caseload peaked in 1994-95 at 921,000 cases (see Figures HHS-18 and HHS-19). Policy reforms promoting work skills and encouraging job skills training, increasing child care services, increasing financial incentives encouraging work, and an improved private sector economy have assisted recipients and potential recipients in finding work. The revised 1999-00 caseload trend projects 589,000 cases with 1,685,000 recipients. Full implementation of CalWORKs and continued, though moderating, job growth in 2000-01 is expected to result in a further decline in caseload trend to 557,000 cases and 1,582,000 recipients.

TANF Block Grant and Maintenance-of-Effort—Under federal TANF provisions, California is awarded a block grant of $3.7 billion per year. Any unspent block grant amount may be carried forward by the State from year-to-year. The State and counties have a federal maintenance-of-effort (MOE) requirement of $2.7 billion per federal fiscal year, which is met by the proposed Budget. In total, CalWORKs expenditures for 2000-01 are proposed to be $6.9 billion, compared to $7.2 billion in 1999-00. Of the $6.9 billion, $5.7 billion is budgeted within DSS, and the remaining $1.2 billion is budgeted as follows: $744.2 million in the California Department of Education and California Community Colleges for child care; $150.0 million for a child care reserve; $155.5 million in other departments' budgets and $196.6 million in county budgets (see Figure HHS-20).

Maintenance-of-Effort Reduction—The 2000-01 CalWORKs budget reflects California's success in having recipients meet the federally-mandated work participation requirements. With that goal being met, the federally-imposed MOE level for California is reduced from 80 percent of the federal fiscal year 1994 baseline expenditures for the former AFDC program ($2.9 billion) to 75 percent ($2.7 billion), saving $181.8 million General Fund for use in other programs.

TANF Bonus Awards—The Budget includes $20.0 million federal TANF funds awarded to California by the U.S. Department of Health and Human Services for being one of the top five states in the nation with the largest reduction in the ratio of out-of-wedlock births to total births. This one-time bonus is transferred to the Department of Health Services' budget for continuation of the Community Challenge Grant Program for teen pregnancy prevention.

Recently, California was informed that it also will receive a TANF High Performance Bonus award of $45.5 million, and its use will be addressed in the spring. This one-time bonus is awarded to states for their successes in moving welfare recipients to work and sustaining their participation in the workforce.

County Block Grant—Under CalWORKs, the State sets basic program standards, including grant levels, eligibility criteria, and time limits. The Budget provides funds for counties as a block grant that may be used to divert recipients from public assistance or to provide employment services, child care, and other supportive services to help transition aid recipients to unsubsidized employment. This block grant provides counties with the necessary fiscal discretion to manage their CalWORKs program to ensure local success. The block grant available to counties in 2000-01 is projected to exceed $1.3 billion. In addition to the block grant, counties are provided with $54.8 million to provide substance abuse services, $54.1 million to provide mental health services and $59.0 million for the State's matching share for the federal Welfare-to-Work grant administered by the Employment Development Department.

Performance Incentives—The CalWORKs statute provides for performance incentive payments to counties equaling savings resulting from case exits due to employment, grant reductions due to earnings, and diversion of applicants from entering the program. Under the current administrative method for valuing the savings under those three criteria, counties are reporting performance incentive earnings that exceed the 1998-99 appropriation of $578.1 million by over $330.0 million and also will exceed the 1999-00 appropriation of $510.6 million. The CalWORKs budget for 2000-01 includes $251.6 million for county incentives, an amount insufficient to satisfy the prior year claims. Of the $1.1 billion total for incentive payments that has been appropriated in 1998-99 and 1999-00, $5.3 million had been spent by the counties as of September 30, 1999.

Counties have performed well in their implementation of CalWORKs and have been successful in earning incentive payments. However, the present statutory framework for incentive payments cannot be sustained fiscally and must either be repealed or sharply modified in order to permit adequate funding for grant costs, employment services, child care, and other CalWORKs program demands in the future. The Health and Human Services Agency will recommend Budget Trailer Bill revisions to the present incentive statute for consideration no later than the May Revision. In addition, Budget Bill provisions are proposed to prohibit any new incentive payments until the counties_ prior claims have been paid.

Grant Levels—The Budget includes an October 2000 cost-of-living adjustment (COLA) of 3.61 percent based on the California Necessities Index (CNI). The cost of the COLA is $112.1 million, and will increase the monthly cash grant level for a family of three in Region I from $626 to $649 and from $596 to $618 in Region II.

The CalWORKs program grant structure rewards working families by allowing them to retain earnings in excess of twice the grant amount and still remain enrolled in the program. As an example, a family of three, living in Region I can earn up to $1,521 per month before their entire grant would be reduced to zero. In addition to the grant amount, the family typically would be eligible for employment services, child care, food stamps, and Medi-Cal.

CalWORKs Child Care—The Budget funds the projected child care needs for CalWORKs recipients. A total of $1.2 billion will provide child care services in 2000-01, comparable to the estimated expenditures for 1999-00. Of the budgeted amount, $431.2 million is to be allocated by the DSS to counties for CalWORKs child care. In addition, the budgets for the Department of Education and the Community Colleges include $624.6 million and $15.0 million, respectively to provide CalWORKs child care services. The $1.2 billion amount includes a $150.4 million reserve to be used for either DSS or Department of Education child care providers, as needed.

Welfare-to-Work—The Federal Balanced Budget Act of 1997 established the U.S. Department of Labor Welfare-to-Work program to provide grants to states and local communities over two years to assist them in meeting the goals of the federal TANF program. California uses the funds from this program to supplement the CalWORKs program. The State received $190.4 million in 1997-98 and $177.2 million in 1998-99 that has been appropriated to the Employment Development Department for allocation to local Service Delivery Areas. Each grant award can be spent over a three-year period. The State is required to match every $2 of this funding with $1 in state funding within the overall time frame that the federal funds are being spent. The 2000-01 Budget includes $60.0 million General Fund, as part of this match, with $59.0 million to supplement CalWORKs employment services and $1.0 million and 12.0 positions to assist Private Industry Councils in serving CalWORKs recipients. To address the pressing need for caregivers in the health care industry, the Budget targets $35.0 million of the matching funds for recruitment, retention, and training of workers in nursing homes and for the In-Home Supportive Services Program.

Supplemental Security Income/State Supplemental Payment

The federal Supplemental Security Income (SSI) program provides a monthly cash benefit to eligible aged, blind, and disabled persons who meet the program's income and resource requirements. In California, the SSI payment is augmented with a State Supplemental Payment (SSP) grant. These cash grants assist recipients with basic needs and living expenses. The federal Social Security Administration (SSA) administers the SSI/SSP program, making eligibility determinations and grant computations, and issuing combined monthly checks to recipients.

2000-01 Program—The Governor's Budget proposes $2.6 billion General Fund for SSP in 2000-01. This represents a 5.5 percent increase above the 1999-00 expenditure level. This increase is the result of caseload growth, the full-year effect of the January 1, 2000, COLA, and the January 1, 2001, COLA. The Budget assumes an estimated 3.61 percent CNI COLA effective January 1, 2001. The federal government will contribute a 3.2 percent increase in its portion of the total grant based on the increase in the national Consumer Price Index. These COLAs will increase the January 1, 2001, Payment Standard to $717 for an individual and $1,273 for a couple (see Figure HHS-21). As reflected in Figure HHS-22, California continues to provide the highest level of support to SSI/SSP recipients among the ten most populous states.

Caseload Trends—The caseload in this program is estimated to be 1,101,000 recipients, a 3.1 percent increase over 1999-00. Figure HHS-23 compares the annual percentage change in California's SSI/SSP caseload and California's population. Except for caseload decreases associated with federal eligibility changes in the mid-1990s, the caseload has grown faster than the general population throughout the 1990s. The SSI/SSP caseload consists of 30 percent aged, 2 percent blind, and 68 percent disabled persons.

Administrative Fees—The Social Security Administration formerly administered SSI/SSP benefit payments without charge to the states. Effective October 1, 1993, federal law was changed to require the states to pay SSP administrative costs. As of October 1, 1999, the monthly check fee is $7.80. It will increase in the next two years to $8.10 and $8.50, respectively. The General Fund costs for SSP administration are estimated to be $107.2 million in 2000-01.

Cash Assistance Program for Immigrants—Chapter 329, Statutes of 1998, established the Cash Assistance Program for Immigrants (CAPI). The Budget includes an appropriation of $21.6 million to fund the CAPI in 2000-01. This state-only funded program provides benefits to (1) documented persons in the country prior to August 22, 1996, who were not receiving SSI/SSP benefits on September 30, 1998, and (2) documented persons arriving in the country after August 22, 1996, whose sponsor is deceased, disabled, or abusive. In addition, in 1999-00 the CAPI was expanded to also include documented persons arriving in the country after August 22, 1996. This expansion sunsets on September 30, 2000.

Special Circumstances Program—The Budget includes $8.3 million General Fund for the Special Circumstances Program. This program, administered by the counties, offers time-limited benefits for nonrecurring needs in order to assist in maintaining individuals in their homes. Benefits may include housing repairs, moving expenses, home modifications, foreclosure prevention, and recovery from catastrophe.

Adult Protective Services

The Adult Protective Services (APS) is a county-administered program, which includes the investigation of situations involving elderly or dependent adults who are victims of abuse, neglect, or exploitation. Chapter 946, Statutes of 1998, established an enhanced and comprehensive APS system to address the increasing need for APS in California. The enhanced services include a 24-hour emergency response system, emergency shelter, food, transportation, and in-home protective care. The Governor's Budget includes $65.7 million ($45.3 million General Fund) for enhanced APS. The Budget also includes $31.2 million ($16.4 million General Fund) for the

County Services Block Grant program which provides funding for county social service programs including APS. In addition, the Budget Act of 1999 required DSS to implement a claims processing, payment, and reporting system to assess APS funding needs. Based on the data gathered by this system, program funding adjustments will be proposed in the May Revision to the Governor's Budget.

In-Home Supportive Services

The In-Home Supportive Services (IHSS) program provides support services, such as house cleaning, transportation, personal care services, and respite care to eligible, low-income aged, blind, and disabled persons. These services are provided in an effort to allow individuals to remain safely in their homes and prevent premature institutionalization. The program consists of the state- and county-funded Residual Program and the Personal Care Services Program for Medi-Cal eligible individuals.

The 2000-01 average monthly caseload is projected to be 242,000 cases, an increase of 5.2 percent over 1999-00. Total IHSS General Fund expenditures are projected to be $666.8 million, an increase of 13.8 percent from 1999-00 expenditures. This includes a $72.1 million General Fund increase to offset a reduction in federal Title XX funds.

Public Authority Wage Increase—As part of the Administration's Aging with Dignity Initiative, the Governor's Budget also includes an increase in the state share-of-cost for IHSS public authority wages to 65 percent of the non-federal costs of wages up to $8.00 per hour to be phased in over five years. Each annual increment of this phase-in will be triggered by growth in General Fund revenues. The proposal will enhance the ability of public authorities to recruit and retain IHSS providers and, thereby, allow more seniors to live independently at home or with their families.

For 2000-01, $28.5 million General Fund is included to fund continuation of the 1999-00 state share-of-cost for 50 cents above minimum wage (to $6.25 per hour) which had been approved for one-year only. This would reduce the current 80 percent state share of the nonfederal cost of the first 50 cents above minimum wage to the standard state share of the nonfederal costs for the IHSS program of 65 percent.

In addition, $20.0 million General Fund is included for the State's share of the first 35-cent increment to bring public authority wages to $6.60 per hour. Additional 35-cent increments will be triggered when annual General Fund revenues reach $71.0 billion, $75.4 billion, $80.7 billion, and $84.6 billion. These revenue triggers would ensure that the IHSS program, by virtue of this state share-of-cost increase alone, does not consume a greater proportion of General Fund revenues than it will in 1999-00. If there were insufficient General Fund revenues to fund any given increment in the state share-of-cost for provider wages above minimum wage, that increment would not be implemented. If implemented in a prior year however, the increase would not be reversed.

Community Care Licensing

Growth and Reform—This program directly licenses and monitors approximately 67,000 community care facilities, in addition to approximately 13,000 facilities licensed by counties. These nonmedical facilities, which include child day care facilities, children's residential facilities, and elderly residential and day support facilities, serve approximately 1.25 million clients. Program growth trends indicate an overall increase of 422 state-licensed community care facilities in 2000-01, a 0.6 percent increase. The Governor's Budget includes General Fund augmentations of $2.6 million and 46.2 positions for workload associated with facility growth; $625,000 and 2.0 positions for program and technology enhancements to licensing and background check operations and the program's information technology system; and $384,000 and 19.0 positions, starting January 1, 2001, for foster care reform activities related to Chapter 311, Statutes of 1998.

Child Care Center Safety Initiative—The Child Care Center Safety Initiative is proposed with $5.0 million one-time General Fund. This initiative will provide child care centers and licensed child care providers with training and information concerning emergency preparedness and how to address the trauma, stress, and grief associated with disasters.

Children's Services Programs

The child welfare system in California provides a continuum of services to children who are abused or neglected, and to their families, through the Child Welfare Services (CWS), Foster Care, Adoptions, and Child Abuse Prevention programs. The Budget proposes $2.8 billion ($1.1 billion General Fund) to provide assistance payments and services to children, including $1.4 billion ($456.0 million General Fund) for CWS; $1.0 billion ($450.7 million General Fund) for Foster Care; $324.3 million ($168.1 million General Fund) for Adoptions; and $32.3 million ($25.5 million General Fund) for Child Abuse Prevention. Costs for DSS to administer these programs are $46.1 million ($24.5 million General Fund).

Child Welfare Services Augmentation—Due to increasing allegations of child abuse, neglect, or exploitation, CWS workers have experienced increasing caseloads. Responding to the need to better protect California's vulnerable children, the Budget continues to provide $68.4 million ($40.0 million General Fund) as emergency funding for additional county CWS workers. This funding will allow counties to reduce the workloads of caseworkers who respond to approximately 185,000 cases of abused and neglected children each month. Chapter 785, Statutes of 1998, requires a study of CWS staffing and related funding issues, which is expected to lead to a recommendation by February 2000, regarding a longer-term balance of resources and needs.

CWS Monitoring—To enhance oversight of county CWS operations, the Budget includes $849,000 ($212,000 General Fund) and 12.0 positions, including the conversion to permanent status of 8.0 limited-term positions. These positions will develop and provide training regarding CWS regulations, policies and systems; monitor probation children in foster care; provide increased technical assistance to counties to help eliminate deficiencies, including telephone consultation and on-site case reviews; and develop and implement strategies that enhance innovative approaches to prevent and reduce child abuse and neglect.

California Health and Human Services Agency Data Center

The Health and Human Services Agency Data Center (HHSDC), one of the State's three consolidated data centers, provides the Agency's various departments electronic data processing (EDP) capability and capacity by using shared, centralized resources to minimize equipment and staff duplication. The central processors and peripheral equipment operate 24 hours a day, 7 days a week. Telecommunications network and software support services also are furnished. The Data Center assists the Agency in identifying potential EDP-related applications and recommending policies on the appropriate use of EDP among client departments. Special project management activities are performed on behalf of the Department of Social Services. The HHSDC also provides interim county child support system assistance for the Department of Child Support Services pending development and implementation of the statewide child support system by the Franchise Tax Board. Data Center costs are reimbursed by service users.

For the Data Center's primary facility operations, the Budget includes $16.9 million and 19.0 positions for basic infrastructure expansion and upgrades. For the special projects managed by the HHSDC, the Budget proposes a net reduction of $438,000 and a net increase of 23.1 positions. Included among the special project changes is the shift of responsibility for the statewide child support automation system to the Franchise Tax Board ($6.6 million and 8.0 positions), and the conversion of 17.0 county contract positions to State civil service along with the addition of 6.0 new state staff in the Child Welfare Services/Case Management System.

Automation Projects

The Health and Human Services Agency Data Center (HHSDC) manages five major automation projects for the Department of Social Services (DSS). These systems assist in the administration of the CalWORKs, Food Stamps, Child Welfare Services, and In-Home Supportive Services programs and further the Administration's goal of providing quality services as efficiently as possible while preventing fraud and reducing long-term costs.

Statewide Automated Welfare System (SAWS)—The SAWS automates welfare eligibility processes and administrative functions for the CalWORKs, Food Stamp, Medi-Cal, Foster Care, Refugee, and County Medical Services programs through the development of the following four separate consortia systems:

- **Interim SAWS—**This consortium is comprised of 35 counties. The Budget includes $22.3 million ($4.9 million General Fund) for maintenance and operations activities. The Budget also includes $7.6 million ($1.7 million General Fund) for welfare-reform related system changes and upgrades.
- **Welfare Client Data System—**The Budget includes $37.7 million ($9.3 million General Fund) for the development and implementation of this system which will serve 18 counties.
- **Los Angeles Eligibility, Automated Determination, Evaluation, and Reporting (LEADER) System—**The Budget includes $18.7 million ($3.6 million General Fund) for maintenance and operations activities of this single-county system.
- **Consortium IV—**The Budget includes $12.0 million ($3.8 million General Fund) for continuing development and implementation activities of a new system to serve the four remaining counties.

The Budget also includes $5.0 million for the SAWS Welfare Data Tracking Implementation Project (WDTIP). The WDTIP is intended to allow the four consortium systems to share welfare-related time limits tracking data. Finally, the Budget also includes $6.6 million ($2.5 million General Fund) for DSS and HHSDC consortium planning, state oversight, and management of the SAWS system as a whole.

Child Welfare Services/Case Management System (CWS/CMS)—This system automates tracking and reporting information for the Child Welfare Services, Foster Care, and Adoptions programs. The CWS/CMS, which is fully operational in all 58 counties, assists counties to more effectively administer the CWS program by enabling social workers to make better decisions for neglected and abused children, allowing social workers to spend more time providing services to clients rather than doing paperwork, and improving statewide information sharing. It also provides the counties with better program management information, facilitates compliance with federal reporting requirements, and provides statewide statistical information. The Budget includes $77.4 million ($38.7 million General Fund) for contract-related costs for system maintenance and operations to continue these services and for reprocurement of a maintenance and operations vendor. The Budget also includes $400,000 ($200,000 General Fund) for an independent analysis of options for automating foster care eligibility determinations.

Statewide Fingerprint Imaging System (SFIS)—The SFIS is a database system that will detect and reduce multiple case fraud in the CalWORKs and Food Stamp programs. The Budget includes $10.6 million General Fund to complete system implementation.

Electronic Benefit Transfer (EBT)—The EBT will provide a system to deliver public benefits to eligible recipients through electronic funds transfer, automated teller machines, and point-of-sale terminals in retail outlets for the delivery and control of public assistance benefits. Federal welfare reform requires states to implement EBT to deliver Food Stamp benefits by October 1, 2002. Counties are also statutorily permitted to use EBT to deliver CalWORKs benefits. When operational, all Food Stamp and CalWORKs recipients will be able to access their benefits via ATM-like cards, in lieu of monthly checks or Food Stamp coupons. The Budget includes $7.3 million ($3.1 million General Fund) in 2000-01 for EBT development and implementation.

Case Management, Information, and Payrolling System (CMIPS)—The CMIPS is a system that processes eligibility determinations of In-Home Supportive Services (IHSS) applicants; provides case management services for recipients; calculates IHSS authorized service hours and issues notices of action to recipients for any change in that service level; provides payroll services for individual providers including income tax and other payroll taxes; audits invoices for third-party contract providers; and produces reports for program management. The Budget includes $1.4 million ($872,000 General Fund) in 2000-01 for ongoing contract reprocurement activities.

California Children and Families Commission

The California Children and Families Commission (Commission) established by Proposition 10 in November 1998 is responsible for developing a statewide system of information and services to strengthen early childhood development from the prenatal stage to five years of age. Proposition 10 funds, which are continuously appropriated, will result in significant increases in baseline services because these funds must supplement, not supplant, existing funding and because the state Commission and county commissions working in collaboration may use Proposition 10 funds to leverage new federal funds.

The initiative, through its cigarette and other tobacco product taxes, currently is projected to generate $733.0 million in 1999-00 and $719.0 million in 2000-01. Proposition 10 provides for the replacement of the loss of Proposition 99 tobacco tax revenues for health education, research, and breast cancer programs due to the decreased consumption of tobacco products resulting from the initiative's increased taxes. The replacement amounts in 1999-00 and 2000-01 are $12.6 million each year. The initiative provides that 20 percent of available funds remaining after the Proposition 99 replacement and tax collection cost, are allocated to the state Commission for programs indicated in Figure HHS-24. The initiative also provides that the remaining 80 percent is allocated to county commissions for early childhood development programs including, but not limited to, health care, child care, education, domestic violence prevention, maternal nutrition, and child abuse prevention.

State-Local Realignment

In 1991-92, State-Local Realignment restructured the state-county partnership by giving counties increased responsibilities and funding for a number of health, mental health, and social services programs. Realignment also provided an ongoing revenue source for counties by establishing a new half-cent sales tax and an increase in the motor vehicle license fee (VLF).

Total realignment revenues for 1999-00 are estimated to increase above 1998-99 by $235.7 million to $3.1 billion ($2.0 billion sales tax revenues and $1.1 billion VLF). The VLF amount includes $328.0 million General Fund to backfill the reduction in VLF revenues resulting from the VLF tax relief.

Total realignment revenues in 2000-01 are estimated to increase above 1999-00 by $197.3 million to $3.3 billion ($2.1 billion sales tax revenues and almost $1.2 billion VLF). The VLF amount includes $416.1 million General Fund to backfill for the reduction in VLF revenues resulting from tax relief (see Figures HHS-25, HHS-26, and HHS-27).