



# **CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY**

## **2008-2009 Budget Facts**

**January 2008**

**GOVERNOR ARNOLD SCHWARZENEGGER**

**SECRETARY KIM BELSHÉ**



**HEALTH AND HUMAN SERVICES AGENCY  
BUDGET FACTS  
FISCAL YEAR 2008-2009**

The California Health and Human Services Agency (CHHS) oversees twelve departments and one board that provide a range of health care services, social services, mental health services, alcohol and drug services, income assistance, and public health services to Californians from all walks of life. More than 33,000 people work for departments in CHHS at state headquarters in Sacramento, regional offices throughout the state, state institutions and residential facilities serving the mentally ill and people with developmental disabilities. CHHS receives nearly \$30 billion from the state's General Fund, second only to education, with a total budget (including federal and special funds) of more than \$79.5 billion.

Major programs include no-cost and low-cost health care coverage for 6.6 million Californians (Medi-Cal); income support for 1.2 million aged, blind or disabled Californians (SSI/SSP); income support for 1.14 million CalWORKs recipients; and low-cost public health insurance (Healthy Families) for more than 850,000 California children from working families. Other large programs administered by CHHS departments include food stamps, child welfare services, in-home supportive services, support for the developmentally disabled, foster care, mental health services, drug and alcohol treatment and vocational rehabilitation. CHHS directly serves more than 12 million Californians, while touching the lives of all Californians through statewide efforts, such as public health protection and emergency preparedness and response.

Given the state's fiscal condition, Governor Schwarzenegger directed all agencies to reduce projected General Fund spending for fiscal year 2008-09 by 10 percent to close a shortfall of \$3.3 billion in the current fiscal year, growing to \$14.5 billion next year. The state's significant structural budget deficit compels a commitment to real budget reductions and reforms to close the gap. Many budget-balancing options utilized in the past to close gaps between revenues and expenditures are no longer available to the state.

CHHS' substantial reliance on the state's General Fund means most programs and departments in CHHS will face reductions in the budget proposed for fiscal year 2008-09, with some reductions taking effect this fiscal year. The reductions amount to approximately 10 percent from program workload budgets (adjusted for caseload), which means that spending reductions proposed next year in many areas amount to less than a 10 percent reduction over this year. Every effort was made to spread the reductions as evenly as possible across programs, including state administration. Exemptions were made when reductions would have cost more than the savings achieved (e.g., reducing auditors who generate more revenues for the General Fund than they cost), or if the reduction would have meant sacrificing significant federal funding by failing to meet federal

maintenance of effort requirements. Other exemptions were made to protect public safety (e.g., funding to treat and supervise sexually violent predators).

Changes proposed for the current fiscal year and fiscal year 2008-09 will:

- Reduce CHHS General Fund spending by \$2.7 billion in 2008-09 from a projected \$32 billion General Fund to \$29.3 billion General Fund.
- Eliminate 370 positions.
- Meet the 10 percent annualized savings target in fiscal year 2009-10.

Despite the breadth and depth of the budget-balancing reductions proposed in the current fiscal year and fiscal year 2008-09, a number of facts help put the proposed budget for CHHS in perspective:

- Entitlement to services for needy Californians will continue, including Medi-Cal, SSI/SSP and services for the developmentally disabled.
- Except for targeted populations in CalWORKs, no changes in eligibility are proposed in any other program within CHHS.
- California will remain a leader among states in providing comprehensive support and services to low-income and needy Californians.
- California will fully fund an estimated 65,800 additional children from low- and moderate-income working families in the Healthy Families insurance program next fiscal year, an all-time high of more than 954,000 children.
- The budget includes increased resources to implement the provisions of SB 437 which simplified and accelerated enrollment for children in Medi-Cal and Healthy Families. Implementation was delayed a year in the 2007-08 budget.
- The Access for Infants and Mothers program (AIM), funded with federal and tobacco tax revenues, will serve an estimated 15,836 women in fiscal year 2008-09, meaning nearly 2,000 more pregnant women will receive health coverage in the program next year compared to this year.
- Grants for the aged, blind and disabled (SSI/SSP) will increase, with an estimated 1.27 million Californians receiving income support next fiscal year – an all-time high.
- Grants will increase for CalWORKs recipients on aid less than five years as well as for those recipients who meet work requirements after five years.

- California will continue with its effort to automate child support collections in one statewide system.
- All judicially committed mentally disordered offenders (including sexually violent predators) will remain supervised and treated.
- California will spend over \$100 million from the General Fund to provide drug and alcohol services through the Substance Abuse and Crime Prevention Act and the Substance Abuse Offender Treatment Program.
- The budget includes increased resources to conduct periodic licensing surveys of long-term care facilities to ensure that California provides long-term care residents with a higher quality of care than required by federal law.
- California will have the needed resources to begin implementation of the Money Follows the Person Grant. The goal of the program is to transition 2,000 clients from nursing homes into the community.
- California will have the needed resources to continue program reforms and new rate methodologies for the Adult Day Health Care program to ensure needed services remain available for clients in the community.

The budget proposal for fiscal year 2008-09 comes as the Administration continues its ongoing efforts to achieve comprehensive health care reform to ensure quality health care is available and affordable to all Californians.

Despite the state's fiscal condition, it would be unwise to abandon the state's historic push for health care reform. Financing for health care reform will come from sources outside the General Fund, including federal funds, tobacco tax revenues, hospital fees, employer fees and other sources. The pending health care reform measure – achieved over a year of negotiation by the Administration – can and should go to the voters for approval.

## ***OVERVIEW OF THE PROPOSED FISCAL YEAR 2008-09 BUDGET BY DEPARTMENT***

### **Department of Aging**

The California Department of Aging (CDA) administers programs that serve older adults, adults with disabilities, family caregivers, and residents in long-term care facilities throughout the state. The Department administers funds allocated through the federal Older Americans Act, the Older Californians Act, and the Medi-Cal program.

CDA contracts with the network of Area Agencies on Aging, who directly manage a wide array of federal and state-funded services that help older adults find employment; support older and disabled individuals to live as independently as possible in the community; promote healthy aging and community involvement; and assist family members in their vital caregiving role. CDA also contracts directly with agencies that operate the Multipurpose Senior Services Program through the Medi-Cal home and community-based waiver for the elderly, and certifies Adult Day Health Care centers for the Medi-Cal program.

The Governor's Budget for 2008-09 includes \$218.0 million (\$56.4 million General Fund) for the Department, a net decrease of \$6.1 million (\$6.4 million General Fund) from the revised 2007-08 budget and \$4.9 million (\$6.4 million General Fund) below the 2007 Budget Act level.

Budget-balancing reductions proposed in the current fiscal year and fiscal year 2008-09 include Senior Community Employment (\$1.5 million), Multipurpose Senior Services Program (\$2.5 million), and additional reductions in services totaling \$2 million.

### **Department of Alcohol and Drug Programs**

The Department of Alcohol and Drug Programs leads the state's efforts to reduce alcoholism, drug addiction and problem gambling. The department is responsible for administering funding to local governments; certifying, licensing, monitoring and auditing alcohol and other drug programs; and developing and implementing prevention programs and strategies.

The Governor's Budget includes \$662.6 million for ADP (\$286.9 million General Fund) and includes a \$28.1 million General Fund reduction for fiscal year 2008-09 and a \$6.5 million General Fund reduction for the current year.

Budget-balancing reductions proposed in the current fiscal year and fiscal year 2008-09 include reductions in Prop. 36 (the Substance Abuse and Crime Prevention Act of 2000), the Substance Abuse Offender Treatment Program, the drug court programs, the California Methamphetamine Initiative, and other drug treatment services. The fiscal year 2008-09 budget also includes reductions in Drug Medi-Cal provider rates (see page 30 for more details).

The state will continue to provide General Fund support for Prop. 36, investing approximately \$90.1 million, even though there is no requirement to fund the program. The reduction in funding will not change sentencing law requirements of Prop. 36.

## **Department of Child Support Services**

The Department of Child Support Services (DCSS) ensures effective implementation of all functions necessary to establish, collect and distribute child support for the statewide child support program. Child support program services are delivered through 52 local child support agencies. The following services are available to the public: locating a parent; establishing paternity; establishing, modifying and enforcing a court order for child support; and establishing, modifying and enforcing an order for health insurance coverage.

The Governor's Budget estimates that child support collections will be \$2.2 billion (\$225.9 million General Fund) in fiscal year 2007-08 and \$2.2 billion (\$201.7 million General Fund) in 2008-09.

DCSS continues to work toward statewide automation of its child support collections with the California Child Support Automation System (CCSAS). Implementation began in May 2007 and 24 counties have successfully implemented the system. The state expects to complete statewide implementation in November 2008. The CCSAS implementation is exempted from the budget reductions because completing the project and receiving federal certification will prevent future federal automation penalties and allow the state to recover a portion of the approximately \$1.2 billion in penalties already assessed. Local operations are also exempted from across-the-board budget reductions in order to support local system conversion activities and to ensure the successful statewide implementation of the CCSAS.

## **Department of Community Services and Development**

The Department of Community Services and Development (CSD) administers federal programs to assist low-income families to achieve and maintain self-sufficiency, meet their home energy needs, and reside in housing free from the dangers of lead hazards. In addition, CSD administers a General Fund Naturalization Services Program that assists legal permanent residents in obtaining citizenship. CSD works with a network of more than 100 agencies throughout California that provide services and programs directly in the community.

The Governor's Budget for 2008-09 includes \$2.7 million General Fund for the Department, a net decrease of \$300,000 General Fund from the 2007 Budget Act level.

Budget-balancing reductions proposed in fiscal year 2008-09 are achieved by a 10 percent decrease in the Naturalization Services Program, the only General Fund program in CSD.

## **Department of Developmental Services**

The Department of Developmental Services (DDS) is responsible under the Lanterman Developmental Disabilities Services Act for ensuring Californians with developmental disabilities receive the services and supports they need to lead more independent and productive lives and to make choices about their lives.

The term “developmental disability” refers to a disability that originates before the age of 18 and continues indefinitely. It includes people with mental retardation, cerebral palsy, epilepsy, autism, and related disabling conditions.

California provides services and supports to more than 230,000 individuals with developmental disabilities in two ways: The vast majority of people live in their families’ homes or other community settings and receive state-funded services that are coordinated by one of 21 non-profit corporations known as Regional Centers. A small number of people with significant medical or social concerns live in one of seven state-run residential facilities.

The Governor’s Budget includes \$4.5 billion (\$2.7 billion General Fund) for the DDS in 2008-09, which is \$143 million (\$81 million General Fund) above the Budget Act of 2007.

Budget-balancing reductions proposed in fiscal year 2008-09 include \$286.2 million in General Fund reductions from an estimated workload budget (adjusted for caseload) of \$3 billion. Reductions are achieved through Regional Center cost-containment efforts including rate freezes, and cost-participation for a limited number of services for families earning more than 400 percent of the federal poverty level and by including those with children younger than three (see page 20 for more details).

The regional center community population is projected to increase by 12,895 consumers, to 232,125 consumers in 2008-09.

### **Emergency Medical Services Authority**

The Emergency Medical Services Authority (EMSA) coordinates emergency medical services statewide; develops guidelines for local emergency medical service (EMS) systems; regulates the education, training, and certification of EMS personnel; and coordinates the state's medical response to any disaster.

The Governor's Budget for 2008-09 includes \$25 million (\$12 million General Fund) for the Department.

Budget-balancing reductions proposed in fiscal year 2008-09 include reducing local assistance funding for the California Poison Control System by 10 percent for a \$690,000 savings and reducing local assistance funding for selected local emergency medical services agencies by \$278,000.

### **Department of Health Care Services**

The Department of Health Care Services (DHCS) works to ensure that eligible persons and families receive comprehensive health care services. By ensuring appropriate and effective expenditure of public resources to serve those with the greatest health care needs, DHCS promotes health and well-being.

DHCS administers Medi-Cal (California’s Medicaid program), a health care program for low-income individuals and families who receive public assistance or lack health care coverage. Medi-Cal serves an estimated 6.6 million people, or more than one in six Californians, and is the largest General Fund expenditure in state government except for education.

The Governor's Budget for 2008-09 includes \$36 billion (\$13.6 billion General Fund), a decrease of \$962.3 million (\$472.1 million General Fund) from the revised 2007-08 budget and a decrease of \$915.9 million (\$678.7 million General Fund) from the Budget Act of 2007. The General Fund decrease primarily reflects implementation of quarterly status reports and reductions in benefits and provider rates.

Budget-balancing reductions in Medi-Cal include reducing most provider rates by 10 percent. This includes reducing rates for physicians, medical service providers, and managed care plans, and shifting federal Safety Net Care Pool payments from designated public hospitals to other programs, allowing a corresponding reduction in General Fund spending. The Governor's Budget for 2008-09 also reduces reimbursement rates for hospitals that do not contract with Medi-Cal; reduces payments to certain long-term care facilities; reduces payments to Medi-Cal Disproportionate Share Hospital hospitals; eliminates certain optional Medi-Cal benefits; ends payment of Medicare Part B premiums for Medi-Cal share-of-cost beneficiaries; reinstates quarterly status reports for Medi-Cal eligibility and reduces Medi-Cal payments to counties (see page 16 for more details).

DHCS also administers the California Children Services (CCS) Program and the Genetically Handicapped Person Program, Child Health and Disability Prevention Program (CHDP) and the primary care and rural health programs. There will be a 10 percent reduction for provider payments for these programs as well as a 10 percent reduction in county case management of CHDP and CCS clients, and grants and payments to safety net clinics. Commensurate reductions will also be taken in county administrative and state operations expenditures.

No changes are proposed in income levels for eligibility and basic health benefits will continue to be provided.

### **Managed Risk Medical Insurance Board**

The Managed Risk Medical Insurance Board (MRMIB) was created in 1990 with a broad mandate to advise the Governor and the Legislature on strategies for reducing the number of uninsured persons in the state. MRMIB is comprised of volunteer members appointed by the Governor and the Legislature. MRMIB administers three health care programs:

- Access for Infants and Mothers (AIM), which provides low-cost, comprehensive health coverage to uninsured pregnant women with family incomes between 200 and 300 percent of the federal poverty level. AIM is funded with federal funding and revenues from the Perinatal Insurance Fund.
- The Major Risk Medical Insurance Program (MRMIP) provides health insurance for Californians unable to obtain coverage in the individual health insurance market because of their pre-existing conditions. Californians qualifying for the program participate in the cost of their coverage by paying premiums. The State of California supplements those premiums to cover the cost of care in MRMIP. Tobacco tax funds currently subsidize the MRMIP.

AIM and MRMIP will not be subject to General Fund budget-balancing reductions as neither program receives funding from the state General Fund. MRMIP funding, however, is reduced by \$4 million as a result of declining tobacco tax funds (Prop. 99).

The Healthy Families Program, which provides low cost health, dental and vision coverage to uninsured children, until age 19, in working families. Healthy Families is funded with two-thirds federal funding and one-third General Fund.

The Governor's Budget for 2008-09 includes \$1.3 billion (\$390.4 million General Fund) for MRMIB, a decrease of \$2.3 million (\$5.6 million General Fund) from the revised 2007-08 budget and \$20.4 million (\$10.7 million General Fund) below the Budget Act of 2007.

Budget-balancing reductions proposed in fiscal year 2008-09 include reducing General Fund spending for Healthy Families by \$41.9 million by reducing rates, increasing premiums and co-pays, and establishing an annual cap on dental benefits (see page 28 for more details).

Healthy Families will continue to serve all children in families with incomes up to 250 percent of the federal poverty level.

The Governor's Budget projects Healthy Families will serve 7.4 percent more children next year, reaching an all-time high of more than 954,000 enrollees.

### **Department of Mental Health**

The Department of Mental Health (DMH) ensures that a continuum of care exists throughout the state for children and adults who are mentally ill by providing oversight of community health programs and direct services through state mental hospitals.

The Governor's Budget includes \$5 billion (\$2.1 billion General Fund) for DMH in 2008-09, a net increase of \$144.4 million (\$143.8 million General Fund) from the revised 2007-08 budget and an increase of \$159.4 million (\$163.3 million General Fund) from the Budget Act of 2007.

The net change primarily reflects continued growth in the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program, fully funding AB 3632 mental health services program mandates, employee compensation adjustments including funding for Coleman-related classifications, growth in the state hospitals, continued compliance with the Civil Rights of Institutionalized Persons Act (CRIPA), and the continued activation of Coalinga State Hospital.

Budget-balancing reductions proposed in this fiscal year and fiscal year 2008-09 include reduced rates for therapists and other mental health professionals in the EPSDT program, as well as reduced managed care rates to county mental health plans (see page 26 for more detail).

### **Department of Public Health**

The Department of Public Health (CDPH) works to keep Californians safe and healthy through the delivery of quality public health services, including licensing of health

facilities throughout California – from maintaining safe drinking water to responding to natural disasters and other emergencies, to protecting communities from communicable diseases, epidemics and contaminated food.

The Governor's Budget for 2008-09 includes \$3.1 billion (\$368.9 million General Fund) for CDPH, a decrease of \$246.2 million (\$26 million General Fund) from the revised 2007-08 budget and a net decrease of \$2.9 million (\$21.7 million General Fund) from the 2007 Budget Act level.

Budget-balancing reductions in fiscal year 2008-09 include reducing state support and local assistance for AIDS programs, including the AIDS Drug Assistance program (ADAP) (see page 32 for more details). The state will continue to meet the federal maintenance-of-effort requirement for receipt of Ryan White CARE Act funds. Other savings are achieved through reductions to family health programs (\$5.4 million General Fund) and chronic and infectious disease programs (\$3.3 million General Fund).

Consistent with the requirements of Chapter 895, Statutes of 2006 (SB 1312), CDPH conducted a thorough comparison of state and federal standards for long-term health care facilities to determine the staff requirements necessary to ensure compliance with the legislation. Based on the outcome of the study, the budget includes 68 new positions and \$8.9 million from the Licensing and Certification Program Fund that will enable CDPH to conduct periodic licensing surveys of long-term care facilities to assess compliance with state standards of safety and care. This funding will ensure that California provides long-term care residents with a higher quality of medical care than required by federal law.

### **Department of Rehabilitation**

The Department of Rehabilitation (DOR) works in partnership with consumers and other stakeholders to provide services and advocacy resulting in employment, independent living and equality for individuals with disabilities.

The Governor's Budget for 2008-09 includes \$399.8 million (\$59.1 million General Fund) for DOR, a net increase of \$13.9 million (\$3.6 million General Fund) from the revised 2007-08 budget and \$12.5 million (\$3.8 million General Fund) above the 2007 Budget Act level.

Budget-balancing reductions proposed in fiscal year 2008-09 include a 10 percent reduction in the rates paid to vocational rehabilitation service providers, reductions to DOR's operating budget, and a reduction of 4.5 positions.

### **Department of Social Services**

The Department of Social Services (DSS) provides aid, service, and protection to children and adults in need of assistance. DSS programs are aimed at promoting the well-being of children, strengthening families, and helping adults and parents achieve their potential for economic self-sufficiency and independence.

The Governor's Budget includes \$19 billion (\$9.1 billion General Fund) for DSS in 2008-09, an increase of \$55.8 million General Fund from the revised 2007-08 budget and \$75.9 million General Fund from the Budget Act of 2007.

Budget balancing reductions are proposed this fiscal year and in fiscal year 2008-09 in the California Work Opportunities and Responsibility to Kids (CalWORKs) program, Child Welfare Services, aid to the aged, blind and disabled (SSI/SSP), In-Home Supportive Services (IHSS), and Community Care Licensing.

CalWORKs proposals include a cost-of-living adjustment for CalWORKs recipients, graduated full family sanctions, a new Work Incentive Nutritional Supplement (WINS), a modified Safety Net Program and new rules for Child Only cases (see page 34 for detail). The proposed changes are designed to accomplish three goals:

1. Assisting families in moving out of poverty by rewarding work and providing incentives to adults who engage in activities to increase their earned income and sanctioning those who do not engage in employment or employment-related activities;
2. Setting California on a better course to meet future federal work participation rates (WPRs) by engaging more of the CalWORKs population in work activities, thus avoiding costly federal sanctions; and,
3. Accomplishing these goals within the current challenging fiscal climate.

The Governor's Budget proposes reducing funding for child welfare services through a reduction in basic care, specialized care and clothing allowance rates in the Foster Care, Kin-GAP, and Adoption Assistance programs. The proposal reduces maintenance payments for Foster Care, Group Homes, and Seriously Emotionally Disturbed placements. Rates paid to Foster Family Agencies (FFA) will be reduced as well, but by a lesser amount, as FFA placements are the only foster care category that did not receive a statutorily authorized 5 percent rate increase effective January 1, 2008.

The Governor's Budget proposes giving a federal cost-of-living adjustment (COLA) to the aged, blind and disabled on SSI/SSP, but suspends state COLAs in June 2008 and June 2009.

The proposed IHSS program budget-balancing reductions include an across-the-board reduction in service hours for non-medical domestic and related services to IHSS recipients (see page 24 for more detail). Wages for IHSS workers will not be affected.

Budget-balancing reductions include Community Care Licensing, reducing random licensing visits. A total of 14 percent of facilities would receive random inspections annually, equating to a visit once every seven years, which is more frequent than when the Governor took office.

Grants will increase for most CalWORKs recipients, including those on aid less than five years as well as those who meet work requirements after five years, and grants for SSI/SSP will increase as well, with 1.27 million Californians estimated to receive SSI/SSP assistance next fiscal year (see page 18 for more details).

### **Office of Statewide Health Planning and Development**

The Office of Statewide Health Planning and Development (OSHPD) promotes healthcare accessibility through leadership in analyzing California's healthcare infrastructure, promoting a diverse and competent healthcare workforce, providing information about healthcare outcomes, assuring the safety of buildings used in

providing healthcare, insuring loans to encourage the development of healthcare facilities, and facilitating development of sustained capacity for communities to address local healthcare issues.

The Governor's Budget for 2008-09 includes \$82 million (\$4.6 million General Fund) for the Department, a net decrease of \$1.5 million (\$860,000 General Fund) from the revised 2007-08 budget and an increase of \$5.5 million above the 2007 Budget Act level (with a decrease of \$513,000 in General Fund).

Budget balancing reductions include a \$497,000 reduction to the Song-Brown Program, which provides funds to expand Family Practice Residency Training Programs, Family Nurse Practitioner and Physician Assistant Training Programs and Registered Nurse Education Programs. These programs increase the training and education of students, ultimately increasing access to health care in rural and urban inner city areas.

CHHS BUDGET CHANGES PROPOSED IN FISCAL YEAR 2008-09

Budget changes in 10 major areas of the California Health and Human Services Agency account for \$2.5 billion of the \$2.7 billion in General Fund reductions in the Governor's proposed budget for fiscal year 2008-09:

**Reductions proposed in Fiscal Year 2008-09 (budget year)**

Medi-Cal	\$1.1 billion
California Work Opportunities and Responsibility to Kids (CalWORKs)	\$389.0 million
SSI/SSP	\$300.2 million
Funding for Individuals with Developmental Disabilities	\$286.2 million
Child Welfare Services	\$168.1 million
In-Home Supportive Services	\$119.6 million
Mental Health Services	\$76.5 million
Healthy Families Children's Insurance Program	\$41.9 million
Drug Treatment Services	\$28.1 million
HIV/AIDS Programs	\$11.0 million

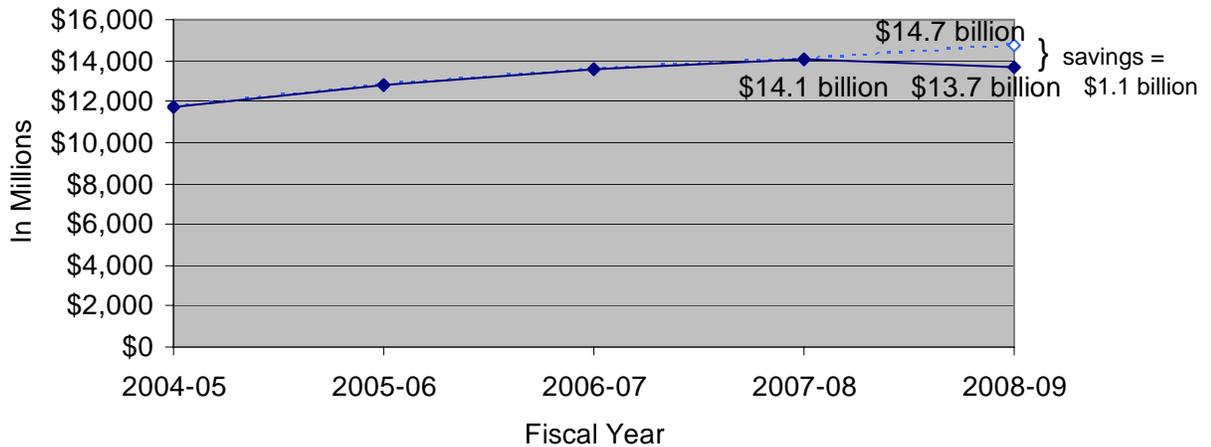
In addition to these reductions, 151 individual budget changes account for the remaining \$200 million in reductions proposed for the CHHS Agency.

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# MEDI-CAL

## State General Fund Support



- Medi-Cal (California's version of Medicaid) is a state/federal public health insurance program serving low-income families, seniors, persons with disabilities, children in foster care, pregnant women, and certain low-income adults.
- Medi-Cal served 6.7 million recipients in 2007-08 and will serve 6.6 million in 2008-09, mostly with incomes up to 100 percent of the federal poverty level (\$17,170 for a family of three).
- More than 440 hospitals and approximately 130,000 doctors, pharmacists, dentists, and other health care providers participate to provide medically necessary services to Medi-Cal recipients.
- The \$1.1 billion savings in fiscal year 2008-09 is achieved by reducing provider rates by 10 percent, reducing certain optional benefits provided, and other program changes.

Provider Rate Reductions - \$720.9 million in savings is achieved by a 10 percent reduction in the following areas:

- Provider payments for health care providers in fee-for-service and managed care plans (\$602.4 million of a \$6 billion budget).\*
- Rates for some long-term care facilities (\$56.8 million of a \$665.3 million budget).
- Non-contract hospital rates (\$30 million of a \$358 million budget).
- Reduced funding for 22 public hospitals (\$34.4 million savings).

Reduction of Certain Optional Benefits<sup>†</sup> - \$133.9 million in savings is achieved by reducing optional benefits not required by federal Medicaid rules:

\* Current year savings of \$33.4 million.

† Current year savings of \$10 million.

- Chiropractic care, incontinence creams and washes, acupuncture, audiology, optometry, opticians and optical labs, podiatry, speech therapy and psychology (\$19 million savings).
- Adult dental benefits in Medi-Cal (\$115.0 million savings).

Other - \$246.9 million in savings is achieved by:

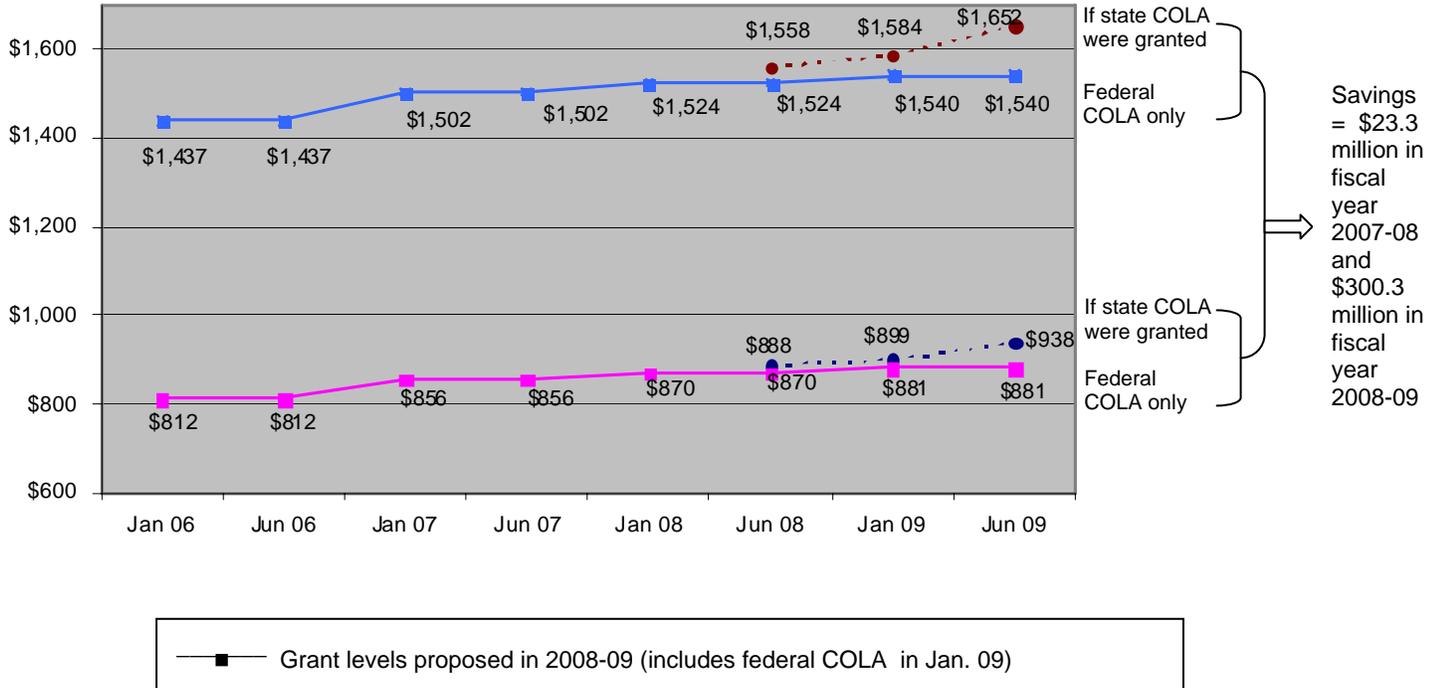
- Reinstating quarterly status reporting of income for children and families (\$92.2 million savings).
  - Disproportionate Share Hospital (DSH) funding (DSH hospitals are those that receive additional funding for incurred uncompensated costs for Medi-Cal beneficiaries and the uninsured) (\$24 million of a \$240 million budget).
  - Eliminating payment of Medicare Part B Premiums for beneficiaries who do not qualify for Medi-Cal without a share of cost (\$50.1 million savings<sup>‡</sup>).
  - County and other administrative reductions (\$78.8 million savings).
  - Fiscal Intermediary reductions (\$4.3 million savings).
- Eligibility income levels for basic Medi-Cal benefits will not change.
  - Benefits for adults in nursing homes and children will not change.

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<sup>‡</sup> Current year savings of \$4.2 million.

## SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT (SSI/SSP)

Aid Payments for Individuals and Couples (Aged or Disabled Living Independently)

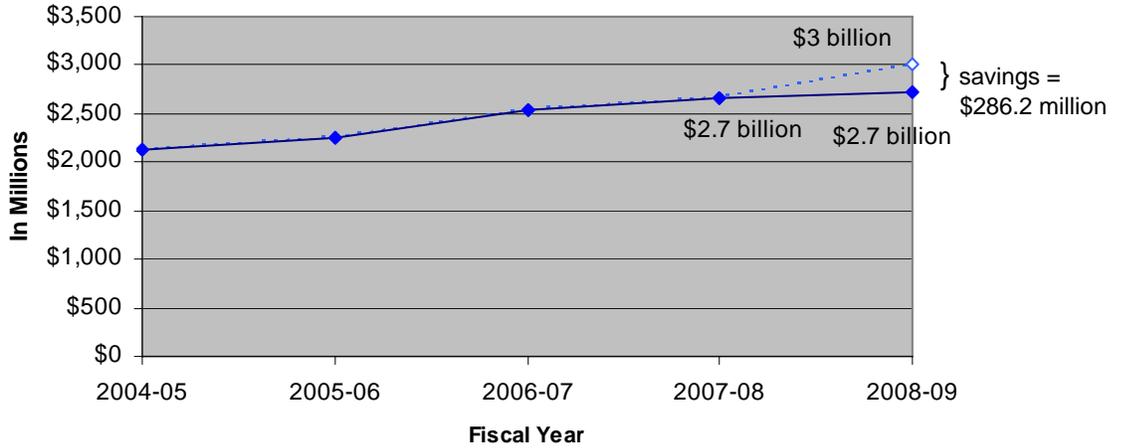


- Social Security Income/State Supplementary Program (SSI/SSP) is a federal/state income program that provides a monthly cash benefit to the low-income aged, blind, and disabled.
- Low-income Californians who are 65 years and older, blind, or disabled may qualify for a typical monthly payment of up to \$870 for an individual and \$1,524 for couples. They may also qualify for Medi-Cal health care coverage, and In-Home Supportive Services.
- The federal Social Security Administration provides assistance to qualifying residents of all states through the federal SSI program. California is one of 24 states that supplements the SSI payment for aged or disabled individuals living independently with a state payment known as the State Supplementary Payment (SSP). SSI/SSP rates may vary depending on living arrangements and other factors.
- Approximately 1.2 million children and adults receive monthly SSI/SSP assistance (856,356 or 68 percent disabled; 367,066 or 20 percent aged; 20,789 or 2 percent blind). As this population experiences continuous growth, the number of individuals California serves is expected to reach an estimated 1,274,000 in fiscal year 2008-09 – an all-time high.

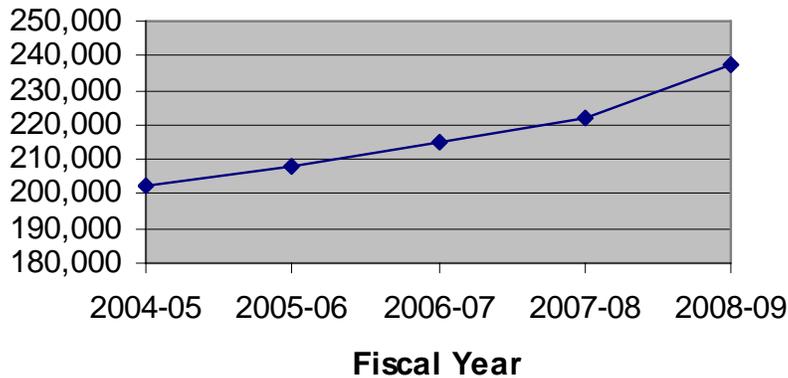
- SSI/SSP maximum grant levels increased by 2.3 percent in January 2008 due to a federal cost-of-living adjustment (COLA), raising monthly grant levels from \$856 to \$870 each month for individuals and from \$1,502 to \$1,524 each month for couples.
- SSI/SSP maximum grant levels will increase again in January 2009 under a federal COLA, raising grants from \$870 per month for an individual to an estimated \$881 per month, and from \$1524 to \$1540 per month for couples.
- Total budget savings of \$323.5 million is achieved by suspending the 3.7 percent SSP COLA for June 2008 and an estimated 4.25 percent SSP COLA scheduled for June 2009, which generates:
  - \$23.3 million savings in the current budget year through the June 2008 (SSP) COLA suspension.
  - \$300.3 million savings in fiscal year 2008-09 through the scheduled June 2009 (SSP) COLA suspension.
- California is committed to providing necessary support to the state's aged, blind and disabled. This budget proposal enables California to maintain the highest SSI/SSP grant levels in the nation for couples and the second highest behind Alaska for individuals.
- Eligibility for SSI/SSP recipients will not be affected.
- The January 2008 2.3 percent federal COLA granted in the current year is preserved.

# FUNDING FOR INDIVIDUALS WITH DEVELOPMENTAL DISABILITIES

## State General Fund Support



## Regional Center and Developmental Center Caseload



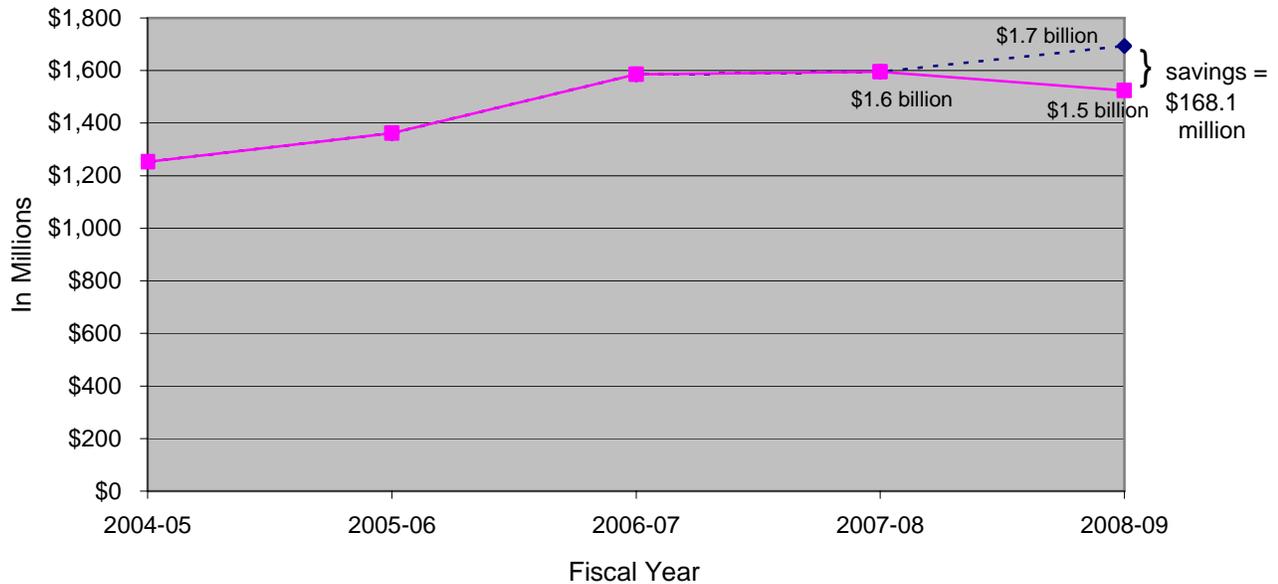
- The term “developmental disability” refers to a severe and chronic mental or physical impairment that starts before age 18 and continues indefinitely. These disabilities include mental retardation, cerebral palsy, epilepsy, autism, and related disabling conditions.
- California provides services and supports to individuals with developmental disabilities in two ways: the vast majority of people live in their family’s homes or other community settings and receive state-funded services that are coordinated by one of 21 non-profit corporations known as Regional Centers. A small number with significant medical or social concerns live in one of seven state-run residential facilities.
- To receive state-funded services through a Regional Center, eligibility is assessed. A coordinator at the Regional Center helps plan, access, coordinate, monitor and

pay for community services, including early intervention, respite family support, counseling, and many other therapeutic services.

- The number of consumers with developmental disabilities served by Regional Centers is expected to grow by more than 10,000 in the next fiscal year from 219,230 to 234,574. The number of Developmental Center consumers will drop in fiscal year 2008-09 from 2,610 to 2,449 due to the planned closure of the Agnews Developmental Center effective June 30, 2008.
- The \$286.2 million savings is achieved primarily by:
  - Continuation of the Regional Centers' cost containment measures. These measures have been in place since 2003. They include freezes on rates for various service programs and increased caseload ratios - from 1:62 to 1:66 (\$228.8 million savings).
  - Reducing funding for Developmental Centers (\$21.2 million savings).
  - New freezes on negotiated rates for the remaining categories of services that had not previously been frozen. These include some specialized residential and therapeutic services (\$14.2 million savings).
  - Reducing State Administration by ten percent and eliminating 23 positions (\$2.7 million savings).
  - Miscellaneous reductions (\$19.5 million savings).
- The entitlement to services under the Lanterman Act is preserved.
- Eligibility rules will not change.

# CHILD WELFARE SERVICES

## State General Fund Support



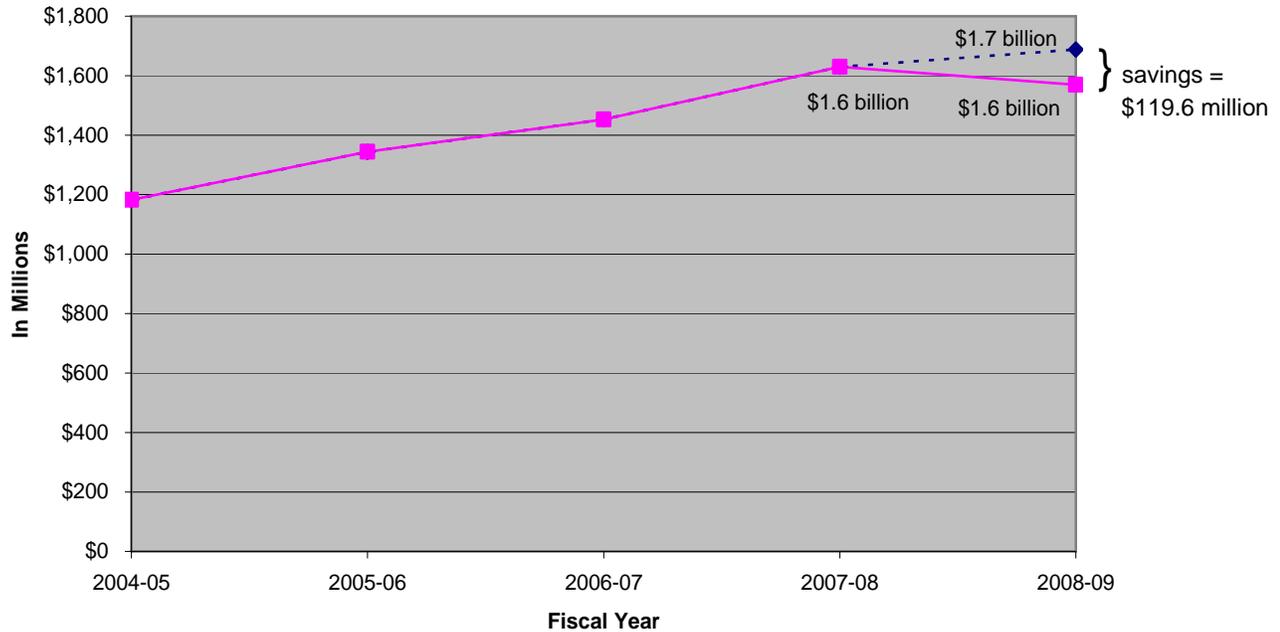
- California provides General Fund support for county-run child welfare programs and responds to approximately 482,000 referrals of child mistreatment each year. Child welfare specialists at the county level respond to reports of possible abuse or neglect, provide prevention and early intervention services, address safety issues, and facilitate access to a broad range of services for families including food, health care, cash assistance, and drug treatment.
- At any given time, approximately 86,000 children and youth are in foster care because they have been removed from their homes due to abuse, neglect or living in at-risk environments. Foster care includes placement with family members, foster family homes, foster family agencies, and foster group homes for those with behavioral or psychological challenges.
- The vast majority of foster care providers are family caregivers who received an average of \$680 per child per month, until a 5 percent foster rate increase took effect January 1, 2008, raising their monthly rate to \$715.
- Savings of \$168.1 million in fiscal year 2008-09 is achieved by:
  - Reducing foster care rates for most providers by 10 percent. The average foster care grant received by family caregivers will drop from \$715 per child per month to \$644 per child per month. Foster family agencies, which did not receive an increase January 1, 2008, will see their grants reduced by 5 percent (\$81.5 million savings)<sup>§</sup>.

<sup>§</sup> Current year savings of \$6.8 million.

- Reducing local child welfare agency funding. This reduction maintains flexibility for counties to use state funds consistent with county-determined needs and priorities (\$83.7 million savings).
  - Privatizing independent adoptions eliminating 36 state positions and reducing funding for county adoptions (\$1.3 million savings).
  - Repealing a newly enacted law requiring the state to provide confidential contact information for adopted youth to locate their siblings -- scheduled for 2008-09 (\$1.2 million savings).
  - Reducing county administrative costs and special programs for a savings of \$400,000.
- Despite the reduction, California's foster care grants will remain above the national average.

# IN-HOME SUPPORTIVE SERVICES

## State General Fund Support

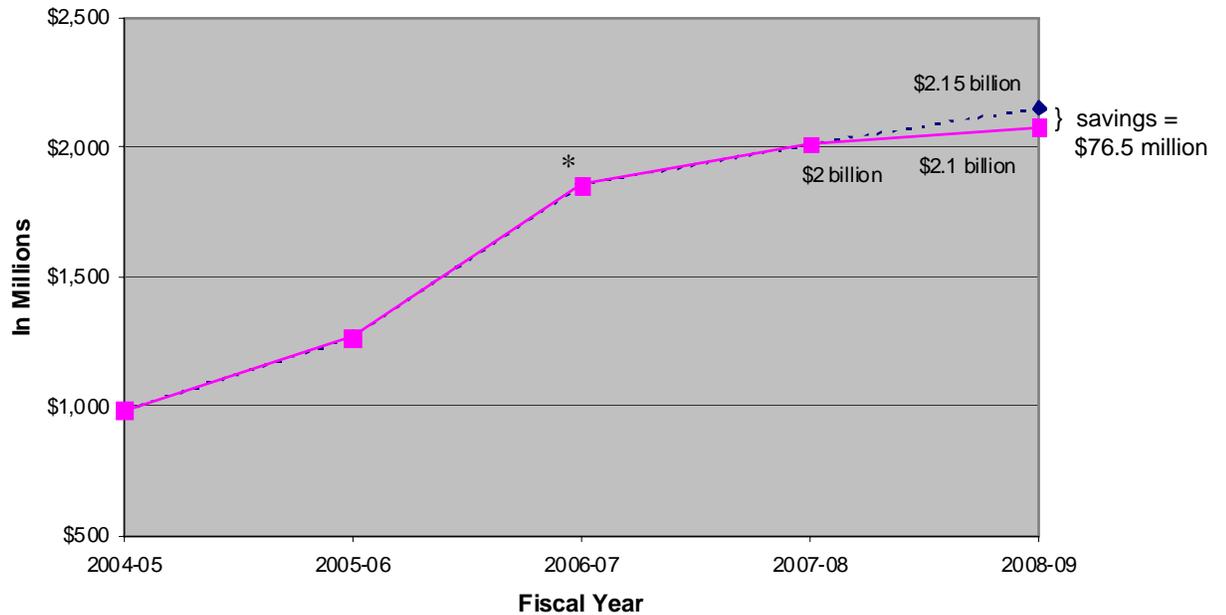


- In-Home Supportive Services (IHSS) provides in-home support to low-income Californians who are over 65 years of age, blind or disabled, paying individuals to perform household tasks, personal care services and paramedical services that enable recipients to live independently. IHSS provides an alternative to costly out-of-home care, such as nursing homes or board and care facilities.
- Approximately 390,000 individuals currently receive services under IHSS. Nearly 60 percent of IHSS service providers compensated by the program are family members of recipients.
- The \$119.6 million savings is achieved by reducing hours of service and administrative support to counties.
  - The 2008-09 budget reduces the number of hours provided for certain kinds of domestic and related services including housekeeping, meal preparation, laundry, food shopping, and errands. Under the proposal, the average IHSS recipient who currently receives an average of 37 hours of domestic and related services per month will receive 30.4 hours per month (\$109.4 million savings).
  - There will be no reduction to the hours for non-medical services such as dressing and bathing, transportation to medical appointments, protective supervision, teaching and demonstration, paramedical services, and heavy cleaning, in order to ensure that IHSS recipients are able to remain safely in their homes.

- County administration support will be reduced by 10 percent. This reduction will be offset by a reduced workload because the requirement that counties reassess each recipient's need for service will be changed from every 12 months to every 18 months (\$10.2 million savings).
- Eligibility rules for IHSS recipients will not be affected.
- State support for IHSS wages will not be affected.

# MENTAL HEALTH SERVICES

## State General Fund Support



- California provides mental health services in state-run mental hospitals and community mental health programs.
- General Fund resources are devoted primarily to state mental hospitals, which serve judicially committed individuals, including sexually violent predators. The Department of Mental Health also oversees the Forensic Conditional Release Program (CONREP) which requires monitoring of individuals released by the courts to the community. Monitoring ensures individuals comply with all “court-ordered conditions of release.”
- California provides support for local mental health services through the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program, which aims to ameliorate diagnosed mental illnesses among low-income children up to age 21.
- California also supports local mental health services for low-income Californians through Medi-Cal managed care programs.
- Savings of \$76.5 million in fiscal year 2008-09 is achieved by reducing rates for therapists and other mental health professionals in the EPSDT program, as well as rates for county mental health managed care programs serving Medi-Cal beneficiaries.

- EPSDT funding (\$46.3 million savings<sup>\*\*</sup>). Specifically, requiring prior authorization by mental health providers for EPSDT day treatment that exceeds six months, eliminating the annual cost-of-living increase, reducing the non-inpatient State Maximum Allowance, and creating a Short-Doyle/Medi-Cal Unit that will monitor and improve the processes and procedures for claiming and county/provider payment and provide technical assistance.
- Mental health managed care (\$23.8 million savings<sup>††</sup>) – eliminating the annual cost-of-living increase, reducing the non-inpatient State Maximum Allowance, a 10 percent reduction in managed care allocations for minor consent and implementation of federal managed care regulations and a 10 percent reduction in quality review.
- Miscellaneous reductions totaling \$3.12 million.
- Funding will increase by \$1.8 million in fiscal year 2008-09 to oversee judicially-committed individuals released into the community (including mentally-disordered offenders, individuals found not guilty by reason of insanity, mentally disordered sex offenders and sexually-violent predators).
- Funding will increase by \$5.2 million in fiscal year 2008-09 to fund 28 positions to ensure compliance with the U.S. Department of Justice’s Civil Rights of Institutionalized Persons Act (CRIPA) consent judgment related to patient treatment and care.
- Revenues from Prop. 63, the Mental Health Services Act (not shown above), are estimated to be \$1.7 billion in fiscal year 2008-09. These non-General Fund resources are not affected by the 10 percent budget-balancing reductions.

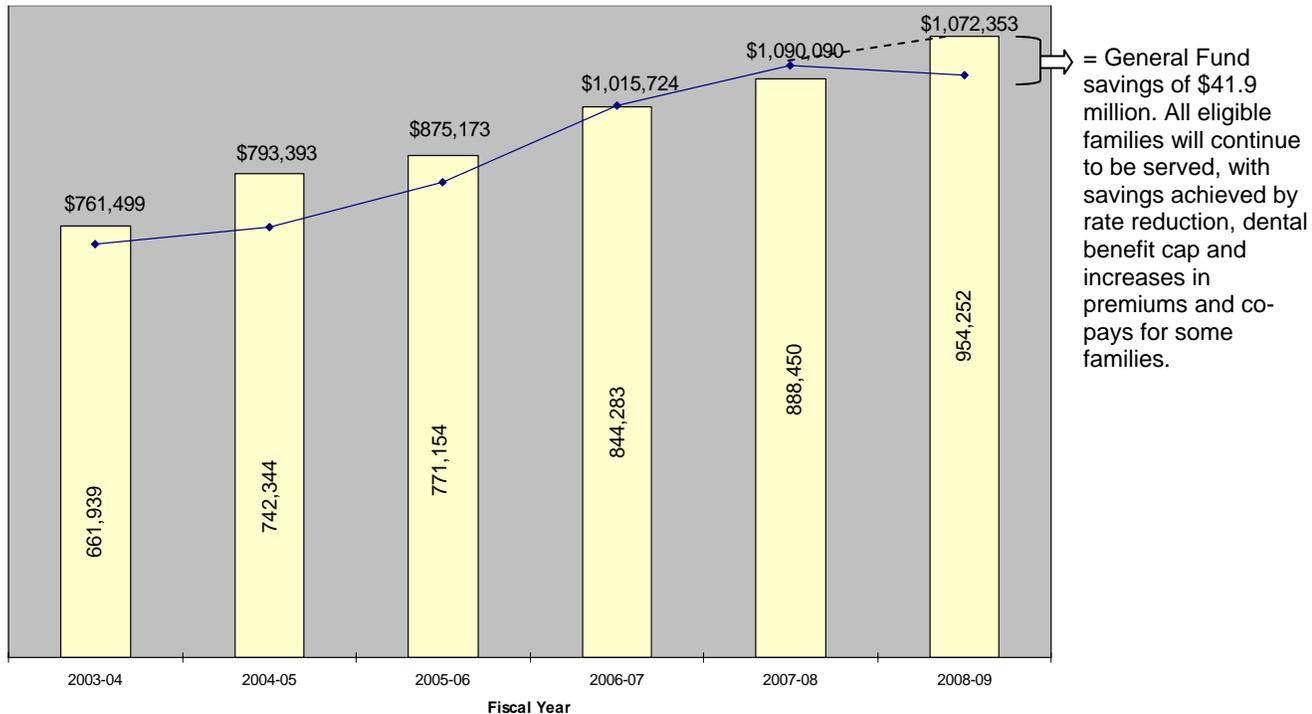
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<sup>\*\*</sup> Current year savings of \$6.7 million.

<sup>††</sup> Current year savings of \$8.2 million.

# HEALTHY FAMILIES CHILDREN'S INSURANCE PROGRAM

## Total State and Federal Funds and Caseload



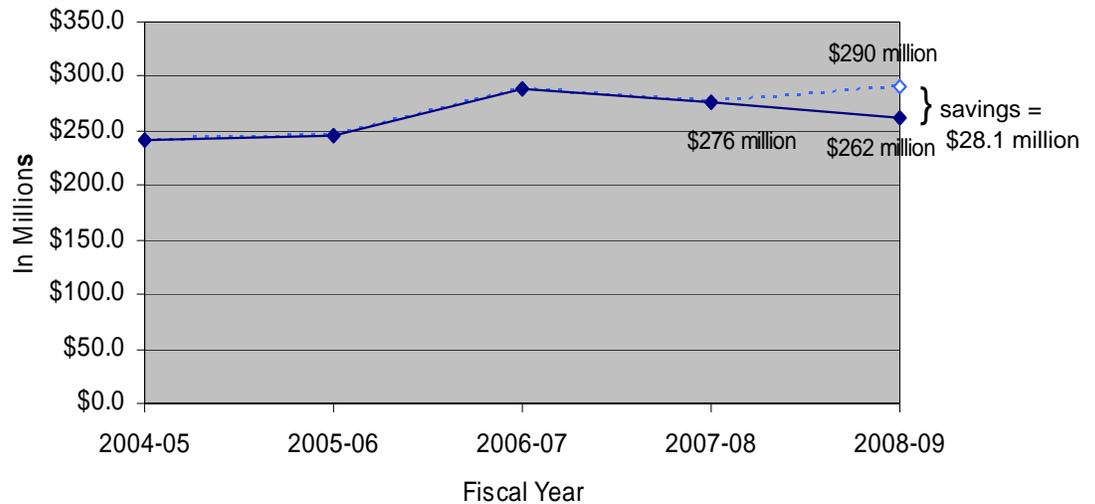
- Healthy Families is a federal/state subsidized health insurance program that provides health, dental and vision coverage for children and teens, funded (approximately two-thirds) by the federal State Children's Health Insurance Program (SCHIP) and by the state General Fund.
- As of November 30, 2007 Healthy Families served 853,378 children up to age 19 with family incomes between 100 percent and 250 percent of the federal poverty level (approximately \$17,170 to \$43,000 for a family of three).
- The savings proposed in fiscal year 2008-09 are achieved by:
  - Reducing health plan payment rates for 2008-09 by 5 percent from 2007-08 levels (\$22.4 million savings).
  - Limiting the annual benefit for dental coverage to \$1,000 (\$6.3 million savings).
  - Increasing co-pays for non-preventive services from \$5 to \$7.50 per visit for families with incomes over 150 percent of the federal poverty level (\$25,758 for a family of three) (\$3.4 million savings).
  - Increasing Healthy Families monthly premiums for families with annual incomes above 150 percent of federal poverty level (approximately \$26,000) by an average of \$3 per month per child (\$11.1 million savings). Families above 150 percent of federal poverty level now paying premiums ranging from \$6 to \$15 per child per month will see their premiums increase to a range of \$9 to \$19 per child

per month depending on income. No family above 150 percent of federal poverty level would pay more than \$57 per month for all children enrolled.

- Healthy Families will continue to provide the full range of health and vision coverage for eligible children including preventive and emergency care, prescription drugs and hospitalization. Basic dental care will continue to be provided with a maximum benefit up to \$1,000 per year, similar to the level of dental benefits provided in employer-based coverage.
- Despite the modest increases in co-pays and premiums, coverage in Healthy Families will remain affordable for eligible working families.
- All families with incomes up to 250 percent of the federal poverty level will remain eligible for coverage in Healthy Families.
- Despite the reductions, more children are projected to be served in Healthy Families than ever before, reaching an all-time high of 954,252 enrollees by the end of next fiscal year.

# DRUG TREATMENT SERVICES

## State General Fund Support



- The Department of Alcohol and Drug Programs (ADP) allocates federal and state substance abuse treatment funding to California's counties to provide direct treatment services.
- The State's General Fund provides support for the Substance Abuse and Crime Prevention Act of 2000 (SACPA) or Prop. 36, and the Substance Abuse Offender Treatment Program (OTP), Drug Court Programs, Drug Medi-Cal services, other drug treatment services as well as the California Methamphetamine Initiative.
- Prop. 36 was approved by voters on November 7, 2000, to provide drug treatment as an alternative to jail time for nonviolent drug offenders.
- Since the start of Prop. 36, approximately 175,000 individuals have entered treatment. Prop. 36 and the Offender Treatment Program serve approximately 48,000 clients a year.
- The \$28.1 million savings is achieved by reducing:
  - Rates for Drug and Non-drug Medi-Cal paid to counties and private providers for alcohol and drug treatment (\$11.9 million of \$88.5 million budget).<sup>‡‡</sup>
  - SACPA funding to counties by 10 percent (\$10 million of \$100.1 million budget).<sup>§§</sup>
  - Drug Court Program (\$3.1 million of \$30.9 million budget).

<sup>‡‡</sup> Proposed current year savings of \$2.5 million.

<sup>§§</sup> Proposed current year savings of \$3.3 million.

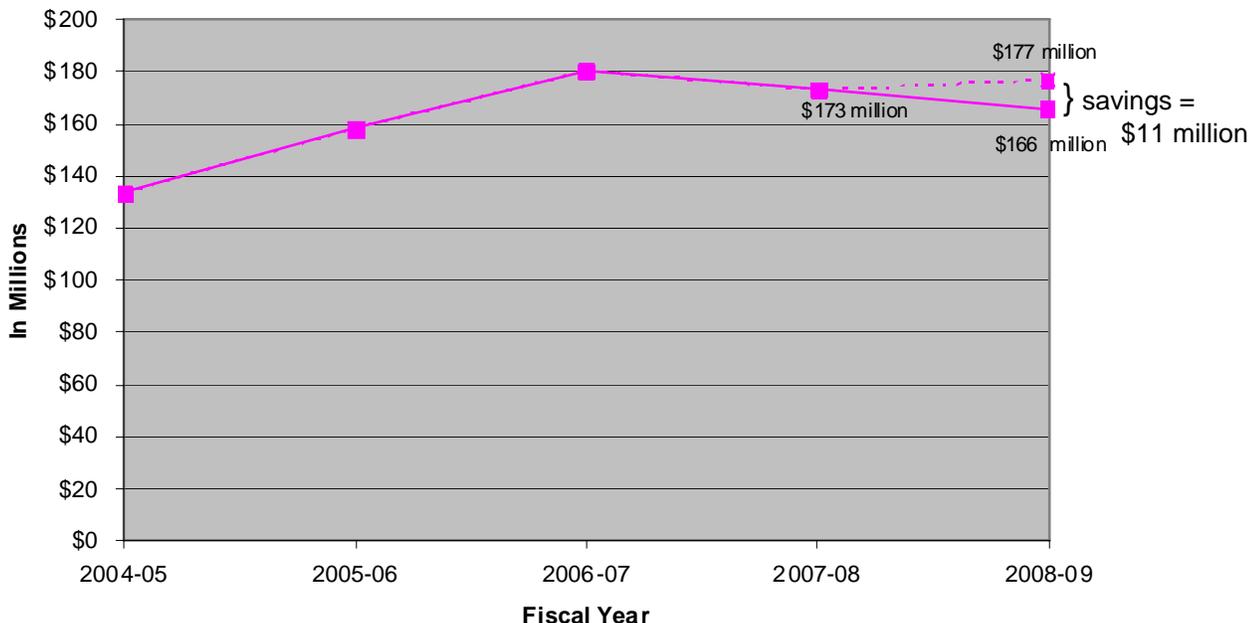
- Offender Treatment Program funding to counties (\$2 million of \$20 million budget).<sup>\*\*\*</sup>
  - California Methamphetamine Initiative (\$1 million of a \$10 million budget).
  - State Administration (\$300,000 savings).
- The state will continue to invest nearly \$110 million in county treatment programs.
  - The Budget was structured to maintain California's ability to meet its maintenance of effort requirement to receive federal funds from the federal Substance Abuse Prevention and Treatment Act.

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<sup>\*\*\*</sup> Proposed current year savings of \$667,000.

# HIV/AIDS PROGRAMS

## State General Fund Support

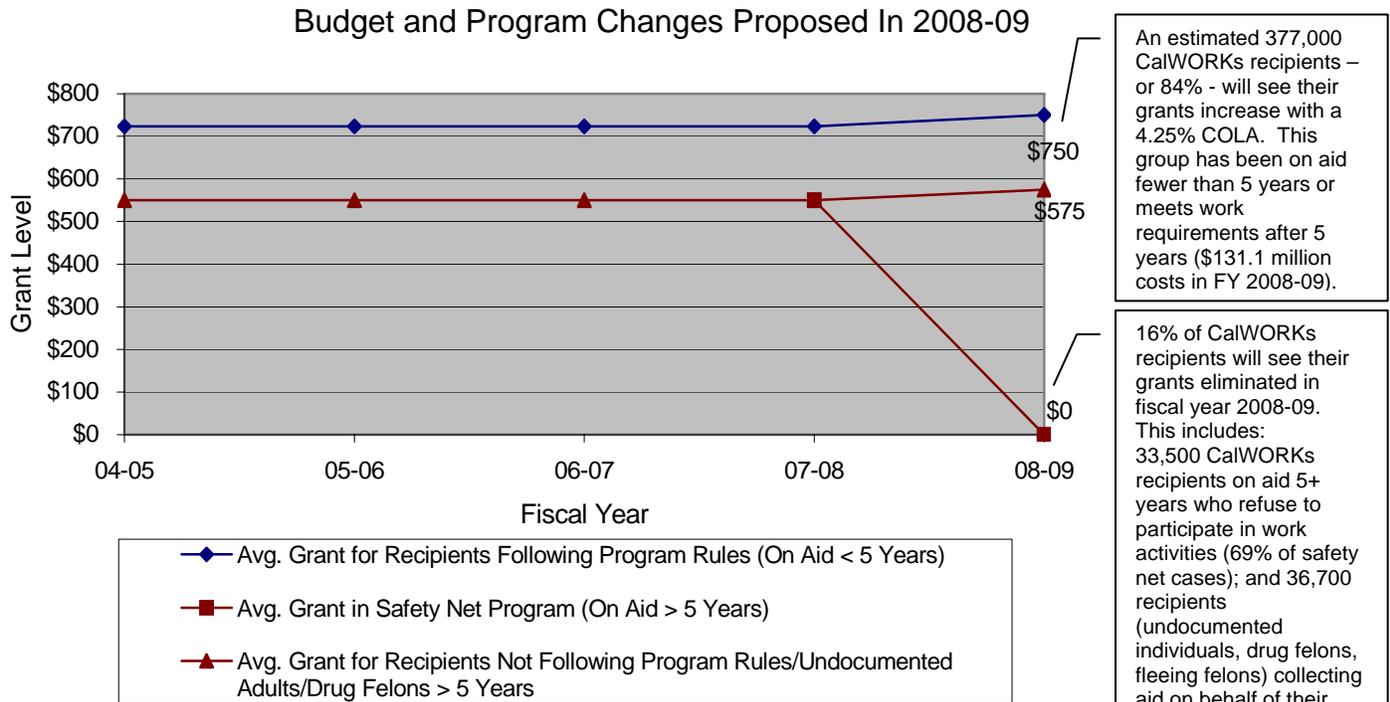


- California provides support to Californians living with and affected by HIV and AIDS through its education, prevention, care, treatment, surveillance and research programs.
- Income-eligible adults in California who are living with HIV/AIDS receive access to life-sustaining medications through the AIDS Drug Assistance Program (ADAP). ADAP provides timely drug treatments to increase the duration and quality of life for people with HIV/AIDS.
- ADAP serves more than 30,500 Californians with annual incomes of less than \$50,000, who lack prescription drug coverage, and are not eligible for Medi-Cal. A monthly co-payment is required of participants with gross incomes between \$38,280 (400 percent of federal poverty level) and \$50,000 (500 percent of federal poverty level). The monthly co-payment is based on the cost of the client's drugs and the client's federally adjusted income.
- The \$11 million savings is achieved by:
  - Eliminating from the ADAP formulary several classes of drugs that are intended to manage side effects of other drugs, and treat co-morbid conditions, including wasting medications, hematological agents, anti-convulsants and anti-psychotics (\$7 million of \$90.6 million budget).
  - Reducing support for local programs providing HIV education and prevention, counseling and testing, early intervention, therapeutic monitoring, HIV housing,

and home and community based care and epidemiological studies and surveillance (\$3.5 million of \$75.7 million budget).

- Reducing staff training, travel, and consultant services (\$440,000 savings).
- Despite the reductions, California will continue to provide all Food and Drug Administration-approved antiretroviral drugs, and drugs to prevent and treat HIV-associated opportunistic infections to Californians eligible for ADAP. The program will continue to provide approximately 90 more drugs than recommended by the federal treatment guidelines.
- Co-pays for ADAP will not increase.
- ADAP eligibility will not change.
- Reductions to HIV/AIDS programs were limited to minimize the risk of jeopardizing California's compliance with the Maintenance of Effort requirement of the federal Ryan White HIV/AIDS Treatment Modernization Act.

# CALIFORNIA WORK OPPORTUNITIES AND RESPONSIBILITY TO KIDS (CalWORKs)



*Budget and statutory changes proposed for 2008-09 are aimed at:*

- 1) assisting families in moving out of poverty by rewarding work and balancing incentives to adults who engage in activities to increase their earned income with penalties for those who do not engage in employment or employment-related activities;*
- 2) setting California on a better course to meet federal work participation rates (WPRs) in the years ahead by engaging more of the CalWORKs population in work activities, thus avoiding potential costly federal sanctions; and*
- 3) accomplishing this within the current challenging fiscal climate.*

## **HOW THE PROGRAM WORKS NOW:**

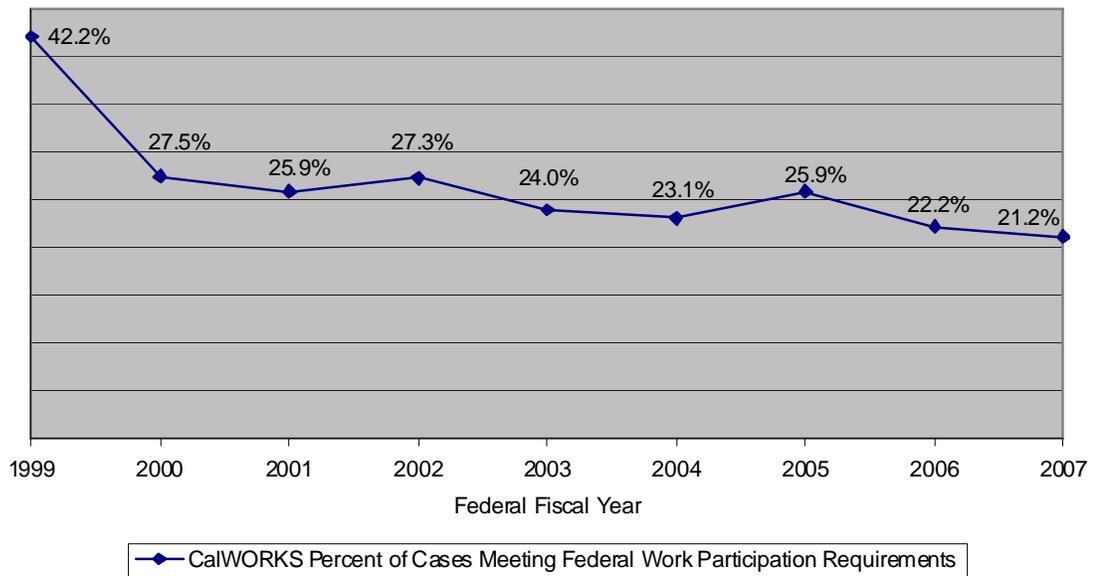
- California Work Opportunities and Responsibility to Kids program (CalWORKs), California’s version of the federal TANF program, provides cash aid and services to help people meet basic needs such as housing and food.
- CalWORKs (California’s version of the federal TANF program) is intended to provide temporary assistance to help families become self-sufficient. It encourages work for those on aid by providing education, employment training, childcare, transportation, work expenses and counseling for families.
- “Work activities” include: unsubsidized and subsidized employment, community service, adult basic education, vocational educational training, and job search/job readiness assistance. All adults receiving aid in the CalWORKs program are guaranteed access to work activities.

- Single-parent families in CalWORKs are required to participate 32 hours per week. Two-parent families are required to participate in work activities 35 hours per week.
- CalWORKs currently serves approximately 1.14 million people (458,000 cases).
- Approximately 205,000 (45 percent) of CalWORKs cases receive full family grants. This group has been in the CalWORKs program fewer than 5 years and is following program rules. The maximum grant for a family of three in this group is \$723 per month, rising to \$754 next fiscal year.
- Approximately 42,000 or (9 percent) of CalWORKs cases have been on aid fewer than 5 years and have been sanctioned for failing to participate in work activities, meaning their grants may be reduced during their first five years on aid. For a family with two children, these cases receive a maximum grant of \$584 per month, the family grant less the adult's portion.
- Approximately 46,000 cases (10 percent) of CalWORKs cases with a work-eligible adult receive a reduced level of assistance known as a "safety net" grant because they have been on aid longer than five years. The maximum safety net grant for a family with two children is \$584 per month.
- State law also provides a "child-only" grant to non-eligible adults (undocumented, certain felons, SSI/SSP recipients, non-needy caretakers). Approximately 165,000 cases – or 36 percent of CalWORKs cases – are "child-only" cases. Within this group 92,000 are undocumented or certain felons, or 20 percent of the total CalWORKs caseload. The maximum child-only grant for a family with two children is the same as the safety net grant, \$584 per month.
- Federal law subjects states to penalties if fewer than 50 percent of program recipients work. California's work participation rate has ranged from a high of more than 40 percent in 1999 to less than 24 percent currently.

### **CHANGES PROPOSED IN FISCAL YEAR 2008-09**

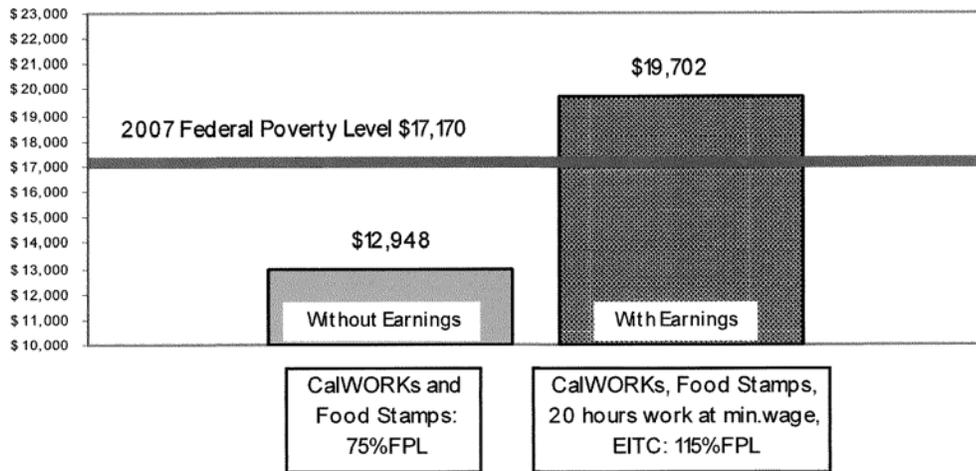
*The fiscal year 2008-09 budget and accompanying legislation propose fundamental changes to the state's CalWORKs program. The goal is to create a balanced approach in combining new incentives for those engaging in work while including new penalties for those who fail to comply. The proposal recognizes that families that work have high earnings and are less likely to be dependent on welfare in the future. It also reflects concern about a continuing drop in work participation in California, which jeopardizes better outcomes for children and families and puts the state at risk of significant federal penalties. Since 1999, California's work participation rate has been dropping steadily.*

### California's Work Participation Rate (1999 – 2007)



Families who combine welfare and work have better outcomes.

### Welfare Alone vs. Earnings from Paid Employment Based on 2007 Minimum Wage



CDSS Goal: A route out of poverty for recipients.

The fiscal year 2008-09 budget and accompanying legislation propose the following:

COST-OF-LIVING ADJUSTMENT (COLA) – This proposal provides a cost-of-living adjustment to all CalWORKs recipients. California's grant for a family of three would rise from \$723 per month to \$750 per month (\$131.1 million costs in fiscal year 2008-09).

CONTINUE COUNTY EFFORTS – Would continue to support and promote county efforts to increase work participation associated with prior reforms enacted in 2006 by AB 1808, including County Peer reviews, publication of performance outcomes and implementation of strategies to engage CalWORKs recipients early in the program, maintain full engagements, prevent recipients from going into sanction, and encourage sanctioned individuals to re-engage in the program. Counties share in 50 percent of any penalties incurred for failure to meet the work participation rate, which provides additional motivation to improve their work participation rate. The budget proposes to maintain the \$230 million included in the Budget Acts of 2006 and 2007 to support CalWORKs program improvement, including \$90 million for counties to implement program improvements and \$140 million to support county administration.

PAY FOR PERFORMANCE - The Governor's Budget eliminates \$40 million in Pay for Performance incentive funds in 2007-08. It makes the \$40 million available in 2008-09 for counties that achieve improved program outcomes during 2007-08.

GRADUATED FULL FAMILY SANCTIONS – This proposal strengthens work requirements and recipient accountability by reducing grants by 50 percent when adults have been sanctioned for not participating and have remained in sanction status for an accumulated total of six months. Adults who have been sanctioned for not participating for a second accumulated total of six months will receive a full family sanction. Adults could remedy their sanction at any time by complying with appropriate work activities. Prior to any graduated sanction, counties will contact the adult to ensure that he or she understands the participation requirements and to urge program compliance, as well as connect the adults to resources in order to remove barriers to participation. These contacts will consist of a combination of phone calls, letters and home visits. This graduated full family sanction policy will reduce prolonged noncompliance while providing a reasonable timeframe to achieve compliance during which time benefits are still available (\$22.6 million costs in fiscal year 2008-09).

WORK INCENTIVE NUTRITIONAL SUPPLEMENT (WINS) – This proposal promotes self-sufficiency through work by providing supplemental food stamp benefits to certain working families. Working families who are receiving food stamps, but not also receiving CalWORKs assistance, would be eligible for this benefit if they work sufficient hours to meet federal TANF work participation requirements. This supplement provides a further bridge to self-sufficiency and better ensures that families who previously received CalWORKs assistance will not fall back into the program. This benefit would be set at a flat amount of \$40 per month and each food stamp household may be eligible for one supplemental work incentive benefit per month (\$8.4 million in costs in fiscal year 2008-09).

MODIFIED SAFETY NET PROGRAM – This will restrict "Safety Net" grant eligibility to families who have exceeded the 5-year time limit to those in which the adult is participating in Welfare-to-Work activities that meet federal work requirements. Non-

compliant families will lose aid after a 60-month (5-year) period (\$253.4 million savings in fiscal year 2008-09).

**CONSISTENT LIMIT ON CHILD-ONLY BENEFITS** – This will restrict “child-only” grant eligibility to a 60-month (5-year) period for undocumented non-citizens, drug felons and fleeing felons who receive CalWORKs assistance on behalf of their children (\$235.8 million savings in fiscal year 2008-09).

**EFFECT OF THE PROGRAM CHANGES ON CalWORKs RECIPIENTS:**

In general, the new program rules would have the following effects:

**Recipients Who Meet Work Participation Requirements:**

- Will receive a grant increase on July 1 of 4.25 percent (\$131 million costs in fiscal year 2008-09).
- Will face no time limits on aid provided they continue to meet work requirements.
- Will receive a “safety net” grant after five years.
- Will see added benefit once they leave CalWORKs in the form of additional food stamps amounting to \$40 per month.

**Recipients Who Fail to Meet Work Participation Requirements:**

- Will see their grants reduced and then eliminated if they ignore offers of assistance to comply with work requirements. This can be remedied immediately by complying with appropriate work activities.
- Will face a strict five-year time limit on aid.

**Ineligible Adults Who Receive Aid on Behalf of Their Children:**

- Undocumented immigrants; convicted drug felons and fleeing felons will no longer be eligible to receive CalWORKs on behalf of their children after a 60-month (5-year) period.

**CalWORKs (TANF) IN OTHER STATES:**

- Fifteen states deny assistance to convicted drug felons; nine states provide cash aid and food stamps to drug felons and the remainder of the states have modified bans on assistance to drug felons, including bans for convicted drug traffickers only, or requiring drug treatment participation prior to receiving aid.
- With the COLA proposed in fiscal year 2008-09, California’s grant would remain the highest of the 10 largest states, and third highest nationwide.
- 43 other states have a full family sanction in place. California’s proposal is among the most supportive proposals when compared to other states.
- The experience of other states shows that the gradual full family sanction can promote compliance with work requirements.

- California is one of 11 states that continue to provide aid in a “safety net”-type program. New York is the only other large state that has a safety net program for families who have reached the 60-month lifetime limit on aid.

### **EFFECTS OF PROGRAM CHANGES ON CALIFORNIA’S WORK PARTICIPATION RATE**

The proposed reforms estimate that California’s Work Participation Rate will increase by 34.9 percent, from 21.2 percent to 56.1 percent, bringing the state into compliance in Federal fiscal year 2010.

- Continued County Efforts are projected to increase work participation efforts by 10 percent annually.
- The Graduated Full Family Sanction is estimated to increase the work participation rate by 5.7 percent annually.
- WINS is projected to improve work participation rate by 9 percent annually.
- The Modified Safety Net program is projected to increase the work participation rate by 5.1 percent annually.
- Recent federal changes allow states to count other types of state spending outside the TANF program for non-assistance benefits and services. This allows \$349.2 million of state spending to be counted as a credit toward the state’s work participation rate starting in fiscal year 2008-09. This will increase the work participation rate by 5.1 percent annually.

The combination of CalWORKs reforms and state and county efforts will position the state and counties to increase work participation rates, meet federal requirements, avoid penalties, and successfully move families from welfare to work.