

April 11, 2016

Senator Tom Young
Chairman, Senate DSS Oversight Subcommittee
608 Gressette Building
Columbia, SC 29201

Dear Senator Young,

I write this letter in response to your subcommittee's request for comments on S. 150, which I see as a bill that serves two principal functions.

First, it codifies a series of reform provisions that primarily relate to the state's administration of child protective and related services. Much of this language is narrowly tailored to address matters that the subcommittee has been reviewing for the past two years. For instance, these passages would establish rather specific qualifications and experience standards for associate case workers, case workers, and supervisors. Since the bill proposes to transfer these obligations to another agency, and since I freely admit that I have not closely monitored your subcommittee's in-depth research into these matters during the past two years, I feel that I should defer to others to comment on these provisions.

Second, the bill essentially dissolves the Department of Social Services (DSS) and assigns its functions and responsibilities to other state agencies, including a new Department of Family Protective Services (DFPS) and the existing Department of Health and Human Services (SCDHHS). I will focus my attention on these portions of this bill, since this is an area in which my comments are more relevant.

Opportunities for Coordination of Public Benefits

As introduced, S. 150 would create DFPS to manage foster care, adoption services, child support enforcement, and both child and adult protective services. The broader safety net programs – such as SNAP, TANF, and Medicaid – would be administered by SCDHHS. From this overall design, I would infer that the bill's sponsors have concluded that (1) the state could realize greater efficiencies through common management of these programs, while (2) applicants and beneficiaries would benefit from a more streamlined customer service experience. I would consider both of these propositions to have merit, although the

possibility of making meaningful progress on both fronts without formally restructuring the affected agencies should not be discarded.

For instance, DSS and SCDHHS have already been working together through the Work Support Strategies (WSS) initiative to cut through the red tape that had previously kept low-income working families from accessing the full range of services for which they might qualify. South Carolina was one of six states selected to participate in this project; the pilot focuses on two counties, with a third to be added in the future. Our agencies have also developed a data-sharing agreement that allows us to exchange information on our applicants and members with each other. As a result, SCDHHS is now able to make decisions about some individuals' eligibility for Medicaid based upon applications they have filed with DSS for SNAP or TANF assistance. These are important forms of coordination that we have been able to develop despite being in separate agencies. That said, we undoubtedly could and likely would have moved faster had we been together.

Improvements to the eligibility determination process would be at the heart of any effort to achieve greater economies of scale by bringing the major benefit programs together within SCDHHS. The Medicaid program is in the midst of transitioning to a new eligibility system; this project is scheduled for completion in 2018. A similar move will be required for SNAP and TANF in the near future, since the system DSS uses is decades old. One of the possibilities that DSS is considering is participation in the same platform that will now be used by SCDHHS. In fact, the agencies are meeting again this week for a demonstration and further discussions on this topic, in part because recent federal guidance has made a shared system more financially attractive than it was when this option was initially considered a few years ago. If the decision is made to proceed along this path, though, the risk and magnitude of the effort to integrate SNAP and TANF into the new Medicaid eligibility system would require that this stage not begin until after the current Medicaid transition is complete in 2018.

The counties are legally required to provide space for both DSS and SCDHHS to provide eligibility services in the field. In many counties, the two agencies are co-located, typically with separate windows but a common waiting area. An integrated eligibility system could reduce paperwork and save families from standing in multiple lines in the same office in order to access related services.

Logistical Questions – Budgets, Personnel, and Central Office Space

S. 150 establishes an effective date for the programs to be transferred, but does not define a process for managing the transition. For the reasons I will identify below, I would encourage the subcommittee to set the effective date for any such legislation to be no sooner than July 1st of the year following the year of enactment. This would allow for at least one complete budget that reflects the new model to be developed and passed into law before these changes would actually be effectuated.

For instance, if a bill like S. 150 were passed during the 2017 legislative session, then DSS and SCDHHS would need to spend the following few months working with the Executive Budget Office and others in order to develop FY 2018-19 budget requests for SCDHHS and DFPS that distributed DSS' funding and personnel appropriately. This work would need to be completed quickly, since a bill this complex would likely not be passed until late in the session. This would leave just a couple of months until FY 2018-19 budget instructions were released in August 2017. The agencies' requests would be due around October 1st.

Budget hearings held during the 2018 session would test whether the agencies had proposed to distribute DSS' staff and funding in a manner deemed consistent with the original legislative intent. There is significantly more complexity here than may initially be apparent, due in part to the varied uses of the federal block grants currently administered by DSS. The bill clearly assigns the Social Services Block Grant (SSBG) to DFPS, but is silent on the TANF Block Grant, which would presumably follow the TANF program to SCDHHS. This will require additional attention, since some functions currently financed by SSBG would appear in S. 150 to be assigned to SCDHHS. It is not clear whether this would be resolved through a new interagency cost-allocation mechanism or if the goal was to find additional revenue to backfill any holes that might be created.

There are two other confounding issues that relate to these block grants. First, a state may transfer up to 10% of its TANF Block Grant to the SSBG. If these grants were administered by separate agencies, then the two agencies likely would not agree as to how or to what extent this transfer option should be exercised. Second, the bill creates another potential interagency conflict by separating the Child Support Enforcement System and the TANF Block Grant into separate agencies. This presents a challenge because when the federal government assesses a penalty against the state for failing to have a compliant system, the penalty is charged against the TANF Block Grant. This means that after S. 150 became law, if DFPS continued to be unable to obtain certification for its system, then SCDHHS would have to pay the bill. There is risk in separating programmatic responsibility from financial accountability.

Another item that would need to be addressed is the pay differential between current DSS and SCDHHS eligibility workers and supervisors. The two agencies do not have a common entry-level salary, classification scheme, or promotion schedule. Although this has already led to some tension (since these employees are already co-located in many counties), this lack of parity would become intolerable within a single organizational structure. Several hundred workers would need to receive increases in order to establish equity.

Ideally, the DSS central office employees who were transferred to SCDHHS would be physically located with current SCDHHS staff, but there is not adequate space at Jefferson Square to allow this to occur. The options would be to lease the Klondike Building next door, find a new home for both the old and new SCDHHS personnel together, or else accept that SCDHHS' newest employees would be working a mile away.

As mentioned above, in many counties, DSS and SCDHHS are co-located. Presumably, DFPS would continue to be based at many of these county locations as well. The surviving

agencies would need to work with each county to assess space needs while assuring the safety of workers and the public. So far, it has been my experience that the most threats and the greatest risks to employees and the general public have been in offices where child protective service work occurs. If DFPS is created, it may be necessary to compel counties to honor higher safety standards when providing space for DFPS' purposes. This could conceivably go so far as to require separate, secure offices for DFPS.

I have already discussed some of the work required to separate DSS' staff and functions between those that would move to DFPS and those that would be sent to SCDHHS. Although it might be clear that a child protective services case worker should go to the former and a SNAP/TANF eligibility worker belongs with the latter, there would be countless other DSS employees who would find their existing positions would be unevenly split between both agencies. After each employee was assigned to one or the other successor agency, DFPS and SCDHHS would find themselves with pockets of both experience gaps and redundancies that could adversely impact performance and possibly lead those agencies to create new positions to plug those holes. A transition plan would need to be carefully prepared in order to make the best use of existing staff and avoid unintended growth in overall complement. Such a plan must also include a review of the federal and state obligations and business processes of each agency, to ensure that they honor their legal commitments after the transition and that none slip between the cracks.

Consistency with Other Restructuring Proposals

S. 150 is one of many pending proposals to restructure the state's health and social service agencies. Here are a few others that SCDHHS has identified or been asked to comment on already:

- S. 550 (Peeler) / H. 4641 (Pope) establishes a Department of Behavioral and Public Health to receive the functions of DAODAS and DMH, while DHEC's responsibilities would be distributed between the new department and the Department of Agriculture.
- S. 600 (Scott) dissolves DDSN and folds its responsibilities into SCDHHS.
- S. 768 (Scott) brings DDSN into the cabinet and makes the commission an advisory body.
- H. 3079 (Horne) creates a Department of Child and Family Services, which would receive units from DSS, DJJ, DMH, and Continuum of Care.
- H. 4105 (Neal) creates a Department of the Environment, primarily from components of DHEC.
- S. 1038 (Fair) / H. 4774 (Govan) reauthorizes First Steps, although they don't use identical language.

There are several other restructuring plans that have been proposed this year and which would have a direct impact on SCDHHS:

- The Governor's proposals for First Steps, which were presented in association with her FY 2015-16 budget – this plan would make SCDHHS the lead agency for IDEA Part C (BabyNet).
- The Statewide Independent Living Council's proposal to designate SCDHHS as the responsible state agency for the State Independent Living Services (Part B) and Centers for Independent Living (Part C) programs under the Rehabilitation Act of 1973.
- The report to reorganize the Office of Executive Policy and Programs that was filed by the Director of Administration pursuant to §1-11-10(D) at the end of 2015 – this filing called for multiple units to be transferred to SCDHHS.

Each of these plans has varying degrees of merit, but each is also being considered in a vacuum right now. The bills have been assigned to different committees, while the executive actions are in the hands of separate authorities.

Closing Thoughts

I will defer to others when it comes to S. 150's reforms to the child welfare system – whether the proposed changes are the appropriate ones and whether these changes should be imposed legislatively or administratively.

With respect to S. 150's restructuring provisions, there are some elements that are still not clear to me. How can you place the Child Support Enforcement System in one agency, but have another be at financial risk for non-performance? How would the block grants be managed by the successor agencies, if some of the associated programs were transferred in a way that did not correspond to the assignment of the block grants?

There are also matters on which the bill appears to be silent today. For instance, it is not clear where child care licensing or voucher programs would be managed after the dissolution of DSS. The same could be said for the Head Start Collaboration Office. The bill could also be more apparent in addressing the status of the incumbent DSS Director as of the effective date. S. 150 treats DFPS as a new agency, even though it is natural to see it as a successor to DSS. If the Governor nominated the DSS Director to lead DFPS, would another confirmation process be necessary? These are all items that should be clarified and resolved through the amendment process.

I see real opportunity to improve the coordination and customer service aspects of the SNAP, TANF, and Medicaid programs through an integrated eligibility system. There is also a chance to develop a more uniform vision and set of policy priorities for these programs through a merger within SCDHHS. This is part of the reason why most states have placed all three of these programs either in the same agency or else under the umbrella of the

same “super-agency.” That said, I think that we could recognize many of these same benefits through interagency agreements and without the disruption that would be triggered by a formal restructuring. Unfortunately, I also believe that we would be unable to make meaningful progress in moving toward an integrated eligibility system until the current Medicaid project concludes in 2018.

Given the number of session days remaining, it seems unlikely that S. 150 will make it to the Governor’s desk this year. With so many restructuring proposals in motion right now, it might make sense to step back and look at the full range of them together before the General Assembly reconvenes in January 2017. Such a review should not just evaluate the merits of each of these proposals individually, but also how they interact with each other, and how and to what extent the desired outcomes might potentially be achieved through interagency collaboration, as opposed to a formal restructuring.

Sincerely,

A handwritten signature in black ink, appearing to be 'CL' followed by a long horizontal line.

Christian L. Soura
Director