

RECIPIENT IMPACT STATEMENT

GOVERNOR'S BUDGET

for

1983-1984

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EXECUTIVE SUMMARY

During 1982-1983, there were significant changes in the AFDC program that resulted in a reduction of the AFDC program by \$581 million for fiscal year 1982-1983, and a similar amount in FY 1983-1984. These cuts have also resulted in a reduction of the AFDC caseload by 53,872 cases during 1982-1983.

These cuts have been targeted at the working poor, who have also suffered from the elimination or reduction of many other benefits and services. The working poor were already receiving only a minimal amount of aid; with the changes that were enacted in 1982-1983, it is now almost impossible for any person to work and receive AFDC.

The legislation that implemented these above-described cuts in California during the 1982-1983 session were SB 633, AB 2X, and SB 1326.

THE COLA STORY

For the past two years, AFDC recipients have been denied their statutory cost-of-living adjustment (COLA), as provided in state law.

The COLA statute was enacted during the time that Reagan was Governor. In 1971, the current Governor voted for an automatic COLA for AFDC recipients; in 1973 he voted for one benefitting SSI recipients.

This year, the Governor has determined that AFDC recipients already receive too much, and thus should not receive their statutory COLA.

The news we hear from the field is that AFDC recipients in many cases are not able to feed their children because they run out of food purchasing power by the last week of the month.

The Legislative Analyst has recommended a 5% COLA for AFDC recipients this year. The Analyst has also recommended that the funding should come from a 2.1% COLA that has been scheduled for SSI recipients in the Budget.

Chart #1 sets forth the various COLAs that have been embodied in the budget and shows who the beneficiaries of those COLAs are.

AFDC PROGRAM PROBLEMS

The Governor has been targeting AFDC recipients as the primary source of problems in the alleged fraud and abuse of the AFDC program.

It is interesting to note that there is another side to the Administration's point of view. The foregoing facts speak for themselves:

<u>OVERPAYMENTS</u> ^{1/}		<u>UNDERPAYMENTS</u>	
Case Errors		Case Errors	
Agency	Client	Agency	Client
53.75%	46.25%	84.37%	15.63%

Combined Average Agency Error Rate =69% Combined Client Error =31%

The mere correction of agency case errors for one year would yield a savings of \$104 million a year!!! Moreover, only 14.9% of the client errors were due to willful misrepresentation and the remaining 85.1% were non-willful overpayments.

THE 1983-1984 PROPOSED AFDC BUDGET REDUCTIONS

The correction of agency errors could save the State at least \$104 million a year, which is more than what the Governor's budget proposed to cut out of the AFDC budget in 1983-1984 (91.4 million). These cuts are:

- | <u>1. Early Fraud Detection and Prevention Program</u> | <u>Reduction</u> |
|--|------------------|
| Under this program, there will be welfare fraud investigators stationed at welfare offices. | \$18,309,000 |
| <u>2. Prorated Grant Reduction and Need Standard Reduction for Families Living with Other Persons</u> | 37,418,000 |
| <u>This will allow the Department to reduce benefits to families who are living with another person who is not on AFDC.</u> | |
| <u>3. Changing the Beginning Date of Aid for Applicants</u> | 35,629,000 |
| This will change the beginning date of aid for applicants of AFDC to the first of the month following the month of application. This will also <u>ABOLISH IMMEDIATE NEED.</u> | |
| <u>4. Reducing State Only AFDC-U from 4 to 3 Months</u> | 810,000 |
| Currently, when a family is not federally eligible for AFDC-U, they receive one month of emergency assistance and three (3) months of State AFDC-U payments. This will reduce the State's AFDC-U payments to two (2) months. | |

1/ This is based upon the April-September, 1982, (dated March 8, 1983) Quality Control Report published by the State Department of Social Services

The budget will be considered by the Senate Finance Committee's Health and Welfare Subcommittee and Assembly Ways and Means Committee's Health and Welfare Subcommittee during the next three months, and it should be submitted to the Governor on June 15, 1983.

The members of these subcommittees would like to hear about the effects that AFDC cuts have had on the poor so far, as well as the effects that the proposed cuts are expected to have on the poor families throughout California.

You can write to the committee by addressing your letter to:

SENATOR BILL GREENE, Chairman
Senate Finance Committee
Health and Welfare Subcommittee
State Capitol Building
Sacramento, CA. 95814

ART AGNOS, Chairman
Assembly Ways and Means Committee
Health and Welfare Subcommittee
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SENATE FINANCE SUBCOMMITTEE ON HEALTH & WELFARE
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PROPOSED CUT

The Deukmejian Administration proposes to implement a program to increase the chances of detecting fraudulent applications before such applicants are approved for aid. This program is patterned after a pilot program implemented in Orange County in 1981. Eligibility workers would be trained to detect fraud; the fraud investigators would make daily visits to the welfare intake offices to be available for on-the-spot consultation. They would also help flag cases with previous fraud history for close scrutiny and prosecute applicants for attempted fraud.

RECIPIENTS IMPACT STATEMENT

Although there is less than 1% fraud in welfare, the Governor apparently feels that welfare fraud is a major problem in California. Interestingly, during the period of July-September, 1982, there were 538,315 cases on AFDC. Of those cases, only 22,082 cases were suspected of welfare fraud by the welfare departments, which is 4.1% of their caseloads. Only 18,712 of those cases were accepted by the Special Investigative Unit (the welfare fraud unit). In turn, the District Attorney's offices only accepted 1,597 of these for prosecution, which is less than 8% of all the cases that were initially thought to involve fraud.

During the above-mentioned three months, only 970 cases were convicted. From this, one could estimate that over the entire year about 4,000 cases will be determined to have indications of use of fraud to obtain benefits sufficient for prosecution. This is less than 0.8% of the State's welfare caseload.

On the other hand, the State is being deprived of over \$2 billion a year because the California taxpayers do not pay their taxes. This is also fraud, yet there is no major proposal by the Administration to control "white collar" crime; rather, they have focused their emphasis on the poor.

Many poor families in great need will be discouraged from applying for the benefits to which they are entitled, choosing instead to go to the soup lines and emergency shelter facilities. There is also the potential of violating applicants' civil rights. How many people would vote or register to vote if there were policemen stationed at the polls or the voter registration places?

POSITION

We oppose this proposal because it has the potential of denying honest applicants and recipients the benefits to which they are entitled. It is the first step in the "criminalization" of welfare.

PROPOSED CUT

To prorate the grant of AFDC families that are sharing housing and utilities with other persons not receiving AFDC. The bills do not specify how much the grant will be reduced or what types of shared housing and utility situations will be affected.

CURRENT PRACTICE:

Currently, AFDC families who are sharing shelter with other families in order to survive on their meager AFDC payments are not penalized for this by having their housing and utility costs cut back.

RECIPIENT IMPACT STATEMENT:

Given the dearth of adequate low-income housing and high cost of utilities, many AFDC families are forced to share shelter with others. Moreover, often AFDC recipients pay more than the average cost of housing because they are considered to be "rental risks."

Penalizing AFDC families who maximize their benefits by sharing household costs with others provides a disincentive to prudent use of the increasingly limited amount of money they receive.

The exact impact that this proposal will have cannot be determined at this time, although we have set forth an anticipated impact, because the proposal does not specifically provide how the grant will be prorated and the types of situations to which it will apply.

POSITION

We oppose this proposal because it will penalize families who are forced into a shared housing situation, not only due to inadequate housing, but also due to the fact that they would need to come up with the first and last month's rent, plus a deposit before they could move into a new residence. Moreover, most families in shared housing situations pay more than the amounts set forth in the regulations describing how the AFDC grant is computed.

PROPOSED CUT

Paying AFDC beginning the first day of the month following the month of application and eliminating "Immediate Need" payments to families in need of emergency aid.

CURRENT PRACTICE

Currently, when a family applies for AFDC during month "A", the county welfare department determines, among other things, whether the family is in immediate need of assistance. If the family is found to be, they are immediately given the sum of \$100.00. Upon determination of complete eligibility, they are given the remaining amount of aid to which they are entitled.

If the family is not in immediate need, but eligibility is determined during the month of application, aid retroactive from the date of application will be paid. (Federal Law requires that: "A decision shall be made promptly on application. . .") However, if the family's eligibility is not established until the month following the month of application, aid is paid beginning the first of the month in which eligibility was established.

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Families with no food, money or place to live who apply any time in month "A" will not be eligible for any assistance until the first of month "B".

Moreover, many families receiving AFDC are terminated from aid because they have problems completing monthly income reports or submitting required documentation. They then generally reapply during the first five (5) days of the month so they can receive their AFDC check in time to pay rent, utilities and food. Under the new practice, these families would not be eligible for aid until the following month.

Many of these families will have to turn to the already overburdened private charities. Often, help will not be forthcoming.

POSITION

We oppose this proposal because it will leave families who are in dire need of assistance foodless, without utilities, or even homeless; and it is inconsistent with federal law. Moreover, it may force some families to use their food stamps to pay their rent and utilities, which is illegal, for that is the only assistance these families can receive during the month of application to meet their food, housing and utility expenses.

PROPOSED CUT

Elimination of the statutory cost-of-living adjustment (COLA) for AFDC and SSI recipients.

CURRENT PRACTICE

Under current law, the State is required to provide AFDC and SSI recipients with a COLA each year. In the past, this statute has been waived for one year, but it has never been repealed. For the past two (2) years AFDC recipients have not received a COLA.

The COLA was inserted in the law during then Governor Reagan's Administration because he believed that California should ensure that assistance "to the truly needy who have nowhere else to turn to meet their basic needs" should be increased automatically. At that time, then State Senator Deukmejian voted for it.

RECIPIENT IMPACT STATEMENT

Of all of the COLAs that the Governor has proposed, only a very few have a direct benefit to the poor. Moreover, many of the proposed COLAs are not required by law. See Chart #1.

Currently, AFDC recipients are living below the poverty level (77% of the poverty level, according to the Legislative Analyst); SSI recipients are not much better off, either. These two categories of people rely on state assistance for their most basic needs, yet they are the ones who are consistently being denied the benefits that the law provides persons who are not poor.

POSITION

Because of the great hardship that poor families with children, as well as the poor aged, blind and disabled are suffering, the automatic COLA should be maintained and the full amount allocated.

COST-OF-LIVING REQUIRED BY STATE LAW

COST-OF-LIVING NOT REQUIRED BY STATE LAW

"CHART #1"

PROGRAM	Statutory Increase	Percent Increase Budgeted	Dollar Increase Budgeted	PROGRAM	Percent Increase	Dollar Increase
Medi-Cal-Hospital Inpatient	7.0	00	00	Medically Indigent	3.0	13,872
Medi-Cal Drug Ingredients	6.6	3.0	1,155	PHPs CDS & RHF	3.0	4,026
Medi-Cal Spin-Off.	6.8	00	00	Nursing Homes and State hospitals	3.0	12,606
SSI	6.8	2.1	72,267	Medi-Cal Providers	3.0	12,650
AFDC	6.8	00	00	Medi-Cal-County Adm. and EPSDT	3.0	1,806
IHSS-	6.8	3.0	401	Public Health-Other	3.0	22
K-12-Districts	7.5	6.0	446,973	Developmental Services Regional Centers	3.0	8,274
Adult Education	6.0	3.0	1,384	Local Mental Health	3.0	9,362
K-12-COE	7.4	3.0	4,380	Community Care Lic.	3.0	248
Regional Occupation Centers	7.4	3.0	5,038	County Administration	3.0	3,470
Master Plan for Special Education	7.4	3.0	36,249	IHSS-nonstatutory	3.0	7,411
Child Nutrition	8.7	3.0	783	Social Services-Other	3.0	5,337
Personal Property Tax Relief	6.3	00	00	County Justice System Special Adjustments for low wealth dist.		34,678
				Transportation	3.0	4,681
				Adults in Correctional Facilities	3.0	36
				Indian Education Cen.	3.0	24
				Child Care Program	3.0	6,546
				Preschool	3.0	909
				Division of Librarians	3.0	165
				Urban Impact Aid	3.0	2,013
				Handicapped Student Services	3.0	552
				EOPS	3.0	741
				Student Aid Commission	3.0	2,655
				CSU-EOPS	3.0	198
				Forestry Local Fire Protection	1.0	132
				Food and Agr. County Pesticide	3.0	87
				State Employees	5.0	190,000
				Retired Annuitants	5.0	20,559