DEPARTMENT OF SOCIAL SERVICES

General Summary

Table 1 identifies expenditures and revenues from all funds for programs administered by the Department of Social Services for fiscal years 1978–79 and 1979–80.

Funds for the Department of Social Services are contained in nine items and one control section of the 1979–80 Budget Bill, as identified in Table 2. The department requests a total of $1,684,952,084 from the General Fund for fiscal year 1979–80. This is an increase of $85,243,554, or 5.3 percent, over estimated current year General Fund expenditures.

Table 1
Department of Social Services
Expenditures and Revenues by Program
All Funds
1978–79 and 1979–80

Program	Estimated 1978–79	Proposed 1979–80	Change over 1978–79 Amount	Change over 1978–79 Percent
I. State Operations	$88,350,676	$89,114,809	$764,133	0.9%
II. AFDC	1,857,736,900	2,024,242,200	166,505,300	9.0
III. SSI/SSP	1,551,817,400	1,661,131,200	109,313,800	7.0
IV. Attorneys' Fees for Judicial Review of Fair Hearings	—	15,000	15,000	n/a
V. Special Adult Programs	5,472,596	6,003,700	531,104	9.7
VI. Harrington vs. Obledo Court Case	—	5,798,600	5,798,600	n/a
VII. Special Social Services Programs	501,551,326	567,075,289	65,523,963	13.1
VIII. County Welfare Department Administration	370,033,891	409,698,271	39,664,380	10.7
IX. Indo-Chinese Refugee Program Residuals	17,210,500	15,662,400	–1,548,100	–9.0
X. State Council on Developmental Disabilities and Area Boards [a]	1,922,010	—	–1,922,010	–100.0
Total	$4,394,095,299	$4,778,741,469	$384,646,170	8.8%
General Fund	$1,599,708,530	$1,684,952,084	$85,243,554	5.3
Federal Funds	2,117,478,760	2,355,770,246	238,291,486	11.3
County Funds	647,292,819	715,512,948	68,220,129	10.5
Reimbursements	29,615,190	22,506,191	–7,108,999	–24.0

[a] Funding and administrative support responsibilities for these organizations were transferred to the Department of Social Services from the Department of Developmental Services for the period October 1, 1978 through June 30, 1979. In fiscal year 1979–80, these entities have separate budgets.

Table 2
Department of Social Services
General Fund Requests
1978–79 and 1979–80

Budget Item		Estimated 1978–79	Proposed 1979–80	Percent Change
282	Departmental Support	$26,626,086	$34,444,087	29.4%
Control Section				
32.5	Cash Grants—AFDC	612,364,000	661,967,800	8.1
283	Attorneys' Fees	—	15,000	N/A
284	Cash Grants—SSI/SSP	734,844,300 [a]	706,156,442	−3.9
285	Special Adult Programs	5,437,596	5,968,700	9.8
286	Harrington vs. Obledo Court Case	—	5,798,600	N/A
287	Special Social Service Programs	132,392,220	177,143,755	33.8
288	County Administration	71,420,291	79,008,300	10.6
289	Executive Mandates	42,100	42,100	0
290	Legislative Mandates	16,581,937	14,407,300	−13.1
	Total	$1,599,708,530	$1,684,952,084	5.3%

[a] Includes $14,061,100 of increased cost to the counties for the SSI/SSP program resulting from unanticipated increases in assessed valuations in 1978–79 of approximately 10 percent. This cost was defrayed from the General Fund.

Department of Social Services
DEPARTMENTAL SUPPORT

Item 282 from the General Fund — Budget p. 768

Requested 1979–80	$34,444,087
Estimated 1978–79	26,626,086
Actual 1977–78	N/A
Requested increase $7,818,001 (29.4 percent)	
Total recommended reduction	$1,457,067

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Indo-Chinese Refugee Assistance Program.* Recommend the Department of Social Services report to the fiscal committees during budget hearings on the likelihood that the federal government will provide 100 percent funding for the Indo-Chinese Refugee Assistance program during 1979–80. 746
2. *Special Consultants. Reduce by $45,000.* Recommend reduction of $45,000 from the General Fund and $45,000 from federal funds by eliminating temporary help funding for special consultants. 748
3. *Title XX Training Contracts.* Recommend reduction of $341,250 in federal funds by eliminating Title XX training contracts. 749

DEPARTMENTAL SUPPORT—Continued

4. *Attorney General Services. Reduce by $73,892.* Recommend a reduction to eliminate overbudgeting for Attorney General services. 749
5. *Reorganization Report.* Recommend the Department of Social Services submit a reorganization report to the Legislature prior to budget hearings in order to comply with language in the Budget Act of 1978. 749
6. *Disability Evaluation Accountants.* Recommend reduction of $93,301 in federal funds by deleting six proposed positions for disability evaluation accounting. 750
7. *Program Development Division. Reduce by $219,244.* Recommend elimination of a CEA II and a Staff Services Manager II in the deputy director's office of the Program Development Division for a savings of $50,187 in General Funds and $32,087 in federal funds. Recommend transfer of function and remaining positions in the Program Development Division to the Administration Division. Recommend elimination of funding for public assistance demonstration projects for a reduction of $169,057 from the General Fund and $169,057 from federal funds. 750
8. *Fair Hearing Positions. Reduce by $323,586.* Recommend deletion of 18 proposed fair hearing positions for a reduction of $323,586 from the General Fund and $226,730 from federal funds. 753
9. *Food Stamp Outreach. Reduce by $37,408.* Recommend deletion of 3 positions for food stamp outreach for a reduction of $37,408 from the General Fund and $37,408 from federal funds. Withhold recommendation on funds proposed for food stamp outreach contracts. 755
10. *Social Service Positions. Reduce by $757,937.* Recommend deletion of 29.5 proposed social service positions. 755
11. *Rural Youth Employment Project.* Recommend continuation of eight positions for a limited term ending September 30, 1979. 757
12. *Federally Funded Positions.* Recommend supplemental language be added to instruct the Department of Social Services to immediately terminate positions for the Indo-Chinese Refugee Assistance program and the Office of Child Abuse Prevention in the event federal funds for these programs are discontinued. 757
13. *Caseload Movement and Expenditure Report.* Recommend current law be amended deleting requirement that monthly Caseload Movement and Expenditure Report be submitted to the Joint Legislative Budget Committee. 760
14. *Control Section 32.5—Proposed AFDC Regulations. Reduce by $1,698,500.* Recommend control section limit be reduced by $1,698,500 for the cost of proposed regulations which have not been issued. 769

15. *Control Section 32.5—AFDC Cost-of-Living. Increase by $6,478,800.* Recommend that current law for calculating AFDC cost-of-living adjustment be changed and that control section limit be increased by $6,478,800 to provide a 6.91 percent cost-of-living increase. 770

GENERAL PROGRAM STATEMENT

Chapter 1252, Statutes of 1977, created a new Department of Social Services effective July 1, 1978. This department has been designated the single state agency for purposes of administering welfare and social services programs supported by state and federal funds. This department retained the welfare operations function of the former Department of Benefit Payments, and assumed responsibility for the disability evaluation, community care licensing and social services functions of the former Department of Health.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes $34,444,087 from the General Fund for support of the Department of Social Services in 1979–80. This is $7,818,001, or 29.4 percent, more than estimated General Fund expenditures for the current year. Table 1 identifies the major components of this General Fund cost increase. Total program expenditures, including federal funds and reimbursements, are projected at $89,114,809 which is $764,133, or 0.9 percent, more than total estimated expenditures in the current year. Of this amount, $61,686,332 is for personal services and $27,428,477 is for operating expenses and equipment.

Table 1

Proposed General Fund Adjustments for the Department of Social Services' State Operations Budget

	Adjustment	*Total*
A. Budget Base		$26,626,086
B. Budget Adjustments		
1. Employee benefits	$489,548	
2. Merit salary adjustment	143,921	
3. 5 percent price increase	395,728	
4. Transfer from social services item to consolidate Title XX funds	5,529,808	
5. Current year one-time costs	−1,689,783	
6. Budget change proposals	2,963,779	
7. Reduction for funds separately identified in Item 283	−15,000	
Total, Budget Increases		7,818,001
Proposed Total General Fund, Item 282		$34,444,087

The requested departmental support expenditures for 1979–80 include the transfer of $5,529,808 to consolidate Title XX funds. When the General Fund budget totals are adjusted for this change and the $1.7 million in current year one-time costs, proposed expenditures for state operations increase $4.0 million, or 14.9 percent, over the current year.

DEPARTMENTAL SUPPORT—Continued

DEPARTMENTAL BUDGET ISSUES

Reorganization Funding Transfer

Item 255 of the Budget Act of 1978 appropriated $3 million from the General Fund to the Department of Finance to augment the budgets of the Departments of Health Services and Social Services. These funds were to be used to offset any adjustments in federal financial participation resulting from the reorganization of the Health and Welfare Agency.

During the current year, the Department of Finance approved a budget revision submitted by the Department of Social Services requesting that $1.5 million be transferred from Item 255 to its departmental support item. These funds were used to offset an anticipated deficit resulting from a shortfall in federal funds of $1.5 million. This resulted in no net change in the department's support budget, but it increased the General Fund support by $1.5 and decreased federal support by the same amount. The Governor's Budget proposes to continue the $1.5 million General Fund augmentation in fiscal year 1979–80.

Control Sections 27.1 and 27.2

Control Sections 27.1 and 27.2 of the Budget Act of 1978 require that the Department of Finance restrict expenditures for personal services and operating expenses and equipment in order to achieve a specified funding reduction in the current year. The proposed budget for the department indicates that the following savings will be achieved pursuant to these provisions:

a. $1.2 million savings in operating expenses and equipment, of which half is federal funds and half is state funds.

b. $2.2 million savings in personal services, of which half is federal funds and half is state funds.

These reductions are to be made in the current year and to be continued as permanent reductions in the budget year. The budget indicates that reductions in operating expenses and equipment will be achieved in the areas of printing, electronic data processing, general expense, contractual services, and communications. The budget also indicates that reductions in personal services will be achieved by the elimination of 114.6 personnel-years. However, the department has not yet identified which positions will be eliminated. We will review the proposed position reductions when that information becomes available.

Indo-Chinese Refugee Assistance Program

We recommend that the Department of Social Services report during the budget hearings on the likelihood that the federal government will provide 100 percent funding for the Indo-Chinese Refugee Assistance Program during 1979–80.

The Indo-Chinese Refugee Assistance Program (IRAP) was established by federal law and policy directives to provide benefits to eligible Indo-Chinese refugees. In 1978–79, IRAP expenditures are estimated to total $68.8 million. These expenditures are 100 percent federally funded. As a result of recent federal legislation (PL 95-549), federal funds for this program will terminate on October 1, 1979, and Indo-Chinese refugees who are eligible will be transferred to other assistance programs.

The Governor's Budget assumes that current federal law will be amended to continue 100 percent federal funding of the IRAP program through the remaining three quarters of 1979–80. If federal law is not changed, however, state expenditures to replace federal IRAP funds could increase above the budget level by anywhere from $29.3 million to $36.9 million.

Table 2
Local Assistance and Administrative Costs for Indo-Chinese Refugees
1979–80
(In Millions)

		Federal			
Program	*Total*	*Normal Share*	*1st Quarter IRAP Funding*	*State*	*County*
Local Assistance					
AFDC	$24.1	$11.1	$2.6	$7.0	$3.4
SSI/SSP	7.6	3.9	0.9	2.8	—
Residual	5.7	—	5.7	—	—
General Relief	6.4	—	—	—	6.4
Medi-Cal	27.0	4.1	5.7	17.2	—
Social Services	7.2	—	2.3	3.8	1.1
Subtotal	$78.0	$19.1	$17.2	$30.8	$10.9
Administration					
AFDC	2.1	1.0	0.3	0.4	0.4
Residual	0.5	—	0.5	—	—
General Relief	3.1	—	—	—	3.1
Medi-Cal	2.7	1.0	0.4	1.3	—
State Support	0.8	—	0.2	0.6	—
Subtotal	$9.2	$2.0	$1.4	$2.3	$3.5
Total	$87.2	$21.1	$18.6	$33.1	$14.4

The state would be *required* to provide $29.3 million in accordance with existing state funding requirements for welfare and Medi-Cal programs. The state would not be obligated to replace the remaining $3.8 million for IRAP social services in the event federal funds were not forthcoming but the Legislature might choose to make these funds available as well. Finally, if the Legislature adopted a policy of fully reimbursing counties for the cost of AFDC grants and administration, as it did for the current year, state expenditures would have to rise by another $3.8 million.

It is our understanding at this time that no federal legislation has been introduced to continue full federal funding for IRAP through the last three quarters of 1979–80. Therefore, we recommend that the department report during the budget hearings on the likelihood that federal funds will be available for IRAP during 1979–80.

DEPARTMENTAL SUPPORT—Continued

Use of Special Consultants

We recommend that Item 282 be reduced by $90,000 consisting of $45,000 from federal funds and $45,000 from the General Fund, by eliminating temporary help funding for special consultants.

The Governor's Budget contains $1,262,358, all funds, for 73.5 temporary help positions. This is a decrease of $7,047, or 0.6 percent, below current-year expenditures. These funds are used for staff costs relating to: (a) overtime and seasonal temporary help salaries, (b) vacation earnings of employees who leave the department, (c) recruitment and hiring of minority employees, (d) overlapping of positions to provide training for new employees and (e) special consultants.

We requested the Department of Social Services to identify how special consultants had been used during fiscal year 1977–78 and the first six months of fiscal year 1978–79. We received information on seven consultants. Based on our review of this information, we have identified the following problems with the department's policy regarding special consultants:

1. The salaries and hiring periods for some of the consultants have been excessive. For example, the department hired one consultant for $200 per day for a period of 5.5 months for a total expenditure of $24,200. On an annualized basis, this amounts to $52,800 per year.

2. The products produced by some of the consultants have been of questionable value. For example, the department hired two consultants to prepare reports on welfare training and disability evaluation, one for $79 per day for a total of 217 days and one for $177 per day for a total of 132 days. Although draft reports were prepared, they were never put into final form. In addition, the department was unable to identify what action it had taken relative to the product prepared by each consultant.

3. In some cases, special consultant positions have been used inappropriately. For example, in two instances the department hired individuals as consultants for a period of nine months each, prior to their appointments to exempt positions within the department. The State Administrative Manual states that temporary help positions are to be used for temporary, seasonal or intermittent uses as contrasted to longer-term, more permanent staffing needs.

The level of funding proposed for temporary help positions in the proposed budget is based on prior year expenditures rather than on an identification of specific budget year needs. Based on information provided by the department, we estimate that the department expended $91,289 for special consultants during fiscal year 1977–78. Current year expenditures appear to be about the same. Because of the problems we have identified regarding how these positions have been used in the past, and because the department is unable to justify the use of special consultants in the budget year, we recommend that Item 282 be reduced by $90,000, all funds.

Title XX Training Contracts

We recommend that Item 282 be reduced by $341,250 in federal funds for Title XX training contracts.

The Governor's Budget proposes a total of $341,250 in federal funds for Title XX training contracts. Of this amount, $210,000 is for departmental staff to coordinate Title XX training activities and $131,250 is for community rehabilitation training. This is an increase of $16,250, or five percent, over estimated current year contract expenditures. However, the department indicates that no contracts have been negotiated to date for expenditure of funds in the current year.

In Item 287, Special Social Service Programs, we have identified a number of problems with the department's current management and utilization of Title XX training funds. Based on the problems discussed in that item and based on the fact that the department is unable to identify what specific positions or contracts will be funded in the current or budget year, we recommend Item 282 be reduced by $341,250 in federal funds.

Attorney General Services

We recommend a reduction of $73,892 from the General Fund because of overbudgeting for Attorney General services.

The budget proposes $73,892 to reimburse the Attorney General for legal services related to adoptions. We recommend that this amount be deleted because the Attorney General has no staff to perform this function and Item 47, Department of Justice, does not contain reimbursements for these services. In addition, the budget proposes to continue 1.5 positions established administratively in the current year to provide legal services for the adoptions program.

Reorganization Report

We recommend that the Department of Social Services submit an up-to-date reorganization report to the Legislature prior to budget hearings in order to comply with language in the Budget Act of 1978.

Section 28.01 of the Budget Act of 1978 required that the department submit a preliminary reorganization report to the Legislature by August 1, 1978. This report was to identify the department's internal organization, utilization of staff and resources, positions to be added or reclassified, significant budget or organizational changes, and proposed expansion or reduction of departmental programs. In addition, the department was required to submit a final reorganization report to the Legislature by January 1, 1979.

The Department of Social Services has not submitted at this time an approved preliminary or final report to the Legislature. As a result, the Legislature does not have an approved departmental organization chart to use as a basis for analyzing proposed budget changes. The department indicates that it will soon submit a report consistent with the departmental organization reflected in the budget, but that it is now planning a second major departmental reorganization which will be presented to the Legislature at a later time. In order to comply with Budget Act language, we recommend that the department submit an up-to-date reorganization report to the Legislature prior to budget hearings.

DEPARTMENTAL SUPPORT—Continued

PROPOSED STAFFING CHANGES

Table 3 identifies proposed departmental position changes, by division, for fiscal year 1979–80. These changes are discussed below.

Disability Evaluation Accounting

We recommend that Item 282 be reduced by $93,301 in federal funds by deleting six proposed positions for disability evaluation accounting.

The budget proposes $93,301 in federal funds to establish six positions to process invoices for the Disability Evaluation program. According to the department's proposal, 13 accounting positions were required for disability evaluation when that program was a part of the former Department of Health. However, when the Department of Social Services assumed responsibility for the program, only seven accounting positions were identified and transferred.

It is our understanding that the Health and Welfare Agency made an intensive effort during the reorganization process to properly identify and transfer functions among the appropriate departments. If the positions which had been used to provide accounting support for disability evaluation were improperly reduced by six positions, those positions and funds should be identified and transferred from the Department of Health Services to the Department of Social Services. We therefore recommend that Item 282 be reduced by $93,301 in federal funds by deleting six proposed positions. If the Department of Health Services believes that it can justify an increase in positions, it should request that new positions be established, as provided for in the State Administrative Manual.

Program Development Division

We recommend elimination of a CEA II and a Staff Services Manager II in the deputy director's office of the Program Development Division for a savings of $50,187 in General Funds and $32,087 in federal funds. We also recommend that the remaining positions in the Program Development Division be transferred to the Administration Division.

We recommend that the budget be reduced by $169,057 in General Funds and $169,057 in federal funds for demonstration projects.

Program Development Division. The Program Development Division within the department is responsible for identifying, developing, testing and evaluating alternative plans and programs. These activities are carried out through two branches: (1) the Office of Planning and (2) the Management Analysis Branch. The Office of Planning includes the Demonstration Projects Bureau and the Research Bureau. The Demonstration Projects Bureau is responsible for monitoring and evaluating demonstration projects which are funded by the state and carried out by the counties, colleges and universities, and recipient organizations. The purpose of the demonstration projects is to improve the administration of public assistance programs. The Research Bureau is responsible for performing short and long term analytical studies.

Table 3

Department of Social Services
Proposed Position Changes for Fiscal Year 1979–80

Division	Existing Positions	Proposed Position Changes	Total Positions	Fiscal Effect of Proposed Changes: General Fund	Federal Funds	Reimbursements	Total
1. Director's Office	16.5	—	16.5	—	—	—	—
2. Government and Community Relations	54	−2	52	$−52,969	—	—	$−52,969
3. Welfare Program Operations	124.2	14.3	138.5	366,378	$423,117	—	789,495
4. Legal Affairs	135.5	22.5	158	545,028	196,573	—	741,601
5. Adult and Family Services	209.5	48	257.5	690,309	496,613	—	1,186,922
6. Administration	640.3	13	653.3	43,039	123,458	$34,346	200,843
7. Licensing and Assessment	357.6	46.5	404.1	1,185,968	—	57,332	1,243,300
8. Program Development	29	−10	19	−136,305	−87,145	—	−223,450
9. Disability Evaluation	1,270	21	1,291	322,331	—	269,101	591,432
10. Temporary Help	73.5	0	73.5	—	—	—	—
TOTAL	2,910.1	153.3	3,063.4	$2,963,779	$1,152,616	$360,779	$4,477,174

DEPARTMENTAL SUPPORT—Continued

Table 4 shows the number and classification of positions in the Program Development Division for 1978–79 and 1979–80 as identified by the Department of Social Services. In the current year, the division consists of 29 positions. The Governor's Budget proposes to eliminate 10 positions from the division as of July 1, 1979. Of the 10 positions, one is a secretary within the deputy director's office and nine are within the Office of Planning. These include two Associate Governmental Program Analysts, four Staff Services Analysts, one Office Technician and two Office Assistant II positions. As a result of these reductions, 19 positions remain in the division, including two in the deputy director's office, five in the Office of Planning and 12 in the Management Analysis Branch.

Table 4
Program Development Division
Authorized Positions

	Authorized Positions 1978–79	*Authorized Positions 1979–80*
Program Development Division:		
Deputy Director		
CEA II	1	1
Staff Services Manager II	1	1
Secretary	1	0
Subtotal	3	2
Office of Planning		
Staff Services Manager III	1	1
Staff Services Manager II	2	2
Staff Services Manager I	1	1
Associate Governmental Program Analyst	2	0
Staff Services Analyst	5	1
Office Technician	1	0
Office Assistant II	2	0
Subtotal	14	5
Management Analysis Branch		
Staff Services Manager II	1	1
Staff Services Manager I	2	2
Associate Management Analyst	4	4
Associate Governmental Program Analyst	1	1
Staff Services Analyst	3	3
Secretary	1	1
Subtotal	12	12
Total	29	19

We have two concerns with the Program Development Division as proposed for 1979–80. First, we do not believe that this unit of nineteen positions justifies division status. The Program Development Division has the fewest number of authorized positions with the exception of the Executive Division. Most divisions within the department consist of more than 150 authorized positions. Second, the division as proposed would have a CEA II and a Staff Services Manager II supervising a staff of only seventeen positions. We therefore recommend that seventeen positions and the functions of the Program Development Division be transferred to the Administration Division, and that the CEA II and Staff Services Manager II in the deputy director's office be eliminated.

Office of Planning. The number of authorized positions for this unit has been reduced from 14 in the current year to five in the budget year. As a result of this action, we have several concerns with the proposed structure of the Office of Planning. First, we cannot determine how the functions of this office will be distributed among the remaining five positions.

Second, it is unclear how the remaining positions will be able to achieve the goals of the office. For example, the department indicates that there will be two positions instead of six in the demonstration unit responsible for overseeing a proposed budget of $338,114 for demonstration projects. In addition, there will be two positions assigned to the Research Unit which was assigned seven positions during the current year.

Third, the office will consist of an unusually large number of high level professional positions including one Staff Services Manager III, two Staff Services Manager II, one Staff Services Manager I and a Staff Services Analyst.

Prior to budget hearings, we will seek clarification of the functions of the remaining five positions in the Office of Planning.

Demonstration Projects. The Governor's Budget proposes $338,114 for public assistance demonstration projects. This is the same amount which is estimated to be expended during 1978–79. The purpose of the projects is to improve the administration of public assistance programs.

We have several concerns with the Governor's proposal. First, the department is unable to identify the projects to be funded in 1979–80 because its screening and selection process does not start until after the Governor's Budget is proposed. Second, although most of the $338,114 appropriated for demonstration projects for 1978–79 has been committed in the current year, only two of the proposed five projects have been started as of January 1979.

Because the department is unable to identify how the proposed funds for demonstration projects will be spent in the budget year, and because it is likely that projects started in the current year will carry over into the budget year, we recommend that the $338,114 for demonstration projects in the proposed budget be eliminated.

Fair Hearing Positions

We recommend the deletion of 18 proposed fair hearing positions resulting in a reduction of $323,586 in General Funds and $226,730 in federal funds.

Recipients of aid and applicants for aid have the right to appeal decisions by county welfare departments which they believe adversely affect their entitlements to assistance. The Office of Chief Referee conducts administrative hearings to judge the fairness of decisions made by county welfare department personnel in handling welfare cases. When a request for a fair hearing is made, the department schedules a hearing, notifies both the county and the claimant and assigns a hearing officer. After the hearing is concluded, the hearing officer writes a proposed opinion for

27—78673

DEPARTMENTAL SUPPORT—Continued

adoption by the director.

The department proposes to add 13 hearing officers (Staff Counsel I) and 5 support staff (four Office Assistant IIs and one Office Services Supervisor I) due to projected workload increases in the fair hearing process. The department estimates there will be approximately 31,395 hearing requests filed in 1979–80. Of this amount, approximately 18,810 will be withdrawn and 12,585 will be heard and will require a written decision.

We have reviewed actual caseload data for the first five months of 1977–78 and 1978–79. Table 5 shows that the number of intake requests and decisions rendered for the first five months of 1978–79 is below that of the comparable period in 1977–78. If this trend continues in the current year, the department will receive somewhat fewer hearing requests and will issue fewer decisions in 1978–79 than in 1977–78.

Table 5
Fair Hearing Request Intakes and Decisions Rendered
1977–78 and 1978–79

	1977–78		*1978–79*	
	Year (actual)	*July - November (actual)*	*Year (estimate)*	*July - November (actual)*
Intakes	30,391	12,752	26,659	12,358
Decisions	9,559	4,367	9,009	3,754

The department states that new proposed Food Stamp Regulations, which will go into effect in January 1979, will result in a significant increase in hearings during the remainder of the current year and in the budget year. However, because there is no actual data available concerning the impact of these regulations, and because available data indicates that the current year workload will be slightly less than that in 1977–78, we are unable to recommend approval of the requested positions.

During 1977–78 and 1978–79 the department was authorized 50 hearing officer positions. It estimates that the workload productivity for both inexperienced and experienced hearing officers is approximately 215 cases heard and written per year. Based on 215 cases per hearing officer and assuming 9,559 decisions disposed of in 1977–78, the department's staffing level should have been 45 hearing officers (9,559 ÷ 215 = 45) rather than 50. Using the same methodology, the department's appropriate staffing level in 1978–79 would be 42 positions (9,009 ÷ 215 = 42) not 50 as currently authorized.

We are not recommending a reduction in the department's current budget, despite a possible lower fair hearings workload in 1978–79. We believe it is appropriate that the fair hearings unit be adequately funded to process appeals in the event a sudden unexpected surge in appeals occurs, as might happen when regulations change or the courts overrule existing procedures. However, we are recommending that the 18 positions proposed for fair hearings in 1979–80 be deleted.

Food Stamp Outreach Program

We recommend the elimination of two Associate Governmental Program Analyst positions and one Office Technician position for a reduction of $37,408 in General Funds and $37,408 in federal funds.

We withhold recommendation on the funds proposed for contracts with local community agencies to provide food stamp outreach services.

The budget requests $400,000 for the Food Stamp Outreach program. This amount consists of $200,000 in federal funds and $200,000 in General Funds. The General Fund money would replace Title II funds which were used in the current year. The budget also proposes to convert an Associate Governmental Program Analyst position from three-quarter to full-time. At present, the Food Stamp Outreach Unit is authorized one Staff Services Manager I, 3.7 Associate Governmental Program Analysts and one Office Technician.

The budget proposes to reduce funding for the Food Stamp Outreach Program from $767,611 in the current year to $400,000 in the budget year. This is a reduction of $367,611, or 47.9 percent, from the current year. Almost all of this reduction is for contracts with community agencies to provide outreach services.

We have several concerns with the proposed expenditures for the Food Stamp Outreach program. First, the budget proposes to reduce expenditures for contracts by $362,183, or 66 percent, but makes no corresponding reduction in the number of staff positions responsible for monitoring and evaluating these contracts. Therefore, we recommend that the Food Stamp Outreach Unit be reduced by two Associate Governmental Program Analyst positions (including the proposed .3 position) and one Office Technician. If adopted, this recommendation would leave one Staff Services Manager I and two Associate Governmental Program Analyst positions to monitor the remaining contract funds.

Second, the department is unable to specify how $191,137 of the $400,000 will be allocated among contractors for outreach activities during 1979–80. Because food stamp outreach activities are mandated by the federal government and because the department has not made a final decision as to the allocation of the funds for outreach activities, we withhold recommendation on the funds for contracts pending receipt of further information from the department.

Social Service Positions

We recommend that Item 282 be reduced by $757,937, by eliminating 29.5 proposed positions for social services.

Reorganization Transfer. The 1978–79 budget proposed that 251.7 social service positions be transferred from the Department of Health to the new Department of Social Services to implement the agency reorganization. These positions are reflected in Table 6. An additional number of administrative positions were also transferred. These transfers were subsequently approved by the Legislature. The proposed budget now indicates that only 209.5 positions are currently assigned to the Social Services Division, now called the Adult and Family Services Division, a reduction of 42.2 positions. In addition, there has been a significant redirection of posi-

DEPARTMENTAL SUPPORT—Continued

tions within the division. Because the department has not submitted a reorganization report in conformance with Section 28.01 of the 1978 Budget Act, it is impossible to identify how it has reassigned positions transferred from the Department of Health for social service functions.

Table 6
Comparison of Social Service Program Positions for Fiscal Year 1978–79 As Identified in Governor's Budget for 1978–79 and Governor's Budget for 1979–80

Social Services Program Component	*Current Year Positions* Governor's Budget 1978–79	*Current Year Positions* Governor's Budget 1979–80	*Change*
Division Office	9.1	2.0	−7.1
Resources Control	15.0	—	−15.0
Planning and Evaluation	43.0	23.0	−20.0
Adult Services			
a. In-Home Supportive Services	34.5	16.5	−18.0
b. Other	22.0	30.0	+8.0
Family and Children's Services	128.1	138.0	+9.9
Total	251.7	209.5	−42.2

Budget Proposal. The budget proposes a total General Fund appropriation of $757,937 for 29.5 new positions to administer social service programs. These positions are to be assigned as follows: (a) five positions in the Adult Services Branch to monitor county adult social service programs, (b) 5.5 positions to implement a quality control system for in-home supportive services in the Licensing and Assessment Division, (c) three positions to assist in policy development in the Family and Children's Services Branch, and (d) 16 positions to assist in the implementation of a $5 million improved 24-hour child protective services response system. This program proposal is discussed separately in Item 287, Special Social Service Program.

Because the department has not yet identified to the Legislature how positions transferred from the Department of Health have been reassigned, we have no basis for evaluating the department's request for an additional 29.5 positions for social services. For example, positions specifically assigned for in-home supportive services have dropped from 34.5 to 16.5 positions, a reduction of 18 positions. We asked the department to identify how those 18 positions have been redirected and to provide justification for each redirection. The department indicated that 16 of these positions have been reassigned within the division and two positions have been reassigned outside the division but did not provide justification for the redirections. As a result, we are not able to verify that positions which were approved by the Legislature originally for in-home supportive services are continuing to be used in that manner.

In addition, we have also identified some functions which are currently being performed within the Adult and Family Services Division even though the Legislature has never approved any positions to perform those functions. Most of these are in the area of demonstration projects. For these reasons, we recommend that Item 282 be reduced by $757,937, by eliminating 29.5 proposed positions for social services.

Rural Youth Employment

We recommend continuation of eight positions for the Rural Youth Employment Project for a limited term ending September 30, 1979.

The budget reflects the transfer of eight positions for the Rural Youth Employment (RYE) Project from the Lieutenant Governor's Office to the Department of Social Services. This transfer was made pursuant to Executive Order D-3-78 effective January 3, 1979. These positions are to be funded from $94,982 in federal funds made available for the project in the budget year from the U.S. Department of Labor.

The RYE Project was established during the current year under authority of Section 28 for the period from September 1, 1978 through September 30, 1979. The Department of Social Services states that it has no plans to continue the project past that date. We recommend approval of the continuation of these positions in the Department of Social Services, but further recommend that they be approved for a limited term ending September 30, 1979 to coincide with the termination of the project.

Federally Funded Positions

We recommend that supplemental language be added to instruct the Department of Social Services to immediately terminate positions for the Indo-Chinese Refugee Assistance program and the Office of Child Abuse Prevention in the event federal funds for these programs are discontinued.

The budget proposes to continue 15 federally funded positions as follows: (a) 10 positions in the Office of Child Abuse Prevention to be funded from $285,089 in federal child abuse prevention funds, and (b) five positions to provide assistance for the Indo-Chinese Refugee Assistance program (IRAP) to be funded from $147,215 in federal IRAP funds.

During the current year, the IRAP positions were established administratively using federal funds. The child abuse positions have been established on a one-year limited term basis each year for a number of years. Since all of these positions are required for administration of federally funded programs, we recommend approval. However, we further recommend that supplemental language be added to the Budget Act to instruct the department to immediately terminate all of these positions in the event federal funds for these programs are discontinued. As previously stated, while the budget reflects full federal financing of IRAP during the budget year, existing law would terminate federal funding as of October 1, 1979.

Other Proposed Changes

Adoptions Legal Support. The budget proposes to continue 1.5 positions which were administratively established in the current year to provide legal support to the adoptions program. These positions were funded in the current year by $42,365 from the General Fund which was redirect-

DEPARTMENTAL SUPPORT—Continued

ed from departmental operating expenses. This redirection was continued in the budget year. As a result, the budget proposes no additional funds for these positions.

Adoptions Investigations. The budget proposes $53,202 from the General Fund to continue two adoption positions which were administratively established in the current year. These positions will be used to investigate irregular adoptive activities.

Transfers to the Health and Welfare Agency. The budget proposes to transfer a CEA I position and clerical position from the Government and Community Relations Division to the Health and Welfare Agency to assist the Rural and Migrant Affairs Coordinator. The proposed use of these positions is discussed in Item 35, Support for the Secretary of Health and Welfare.

Community Care Licensing. The budget proposes to continue 46 positions and to establish one new position for the Community Care Licensing program, for a total of 47 positions. The 46 continuing positions were established under the authority of Section 28 of the 1977 Budget Act during fiscal year 1977–78, and continued in fiscal year 1978–79 using federal funding from Title II of the Public Works Employment Act. The original proposal indicated that these positions were to become on-going state-funded positions beginning July 1, 1979. Of the 46 continuing positions, 31 will be used to provide investigative support for licensing enforcement, eight will be used to provide legal support, five will be used to evaluate current state licensing procedures, and two will be used to update a facilities information system. The one new position will be used to assist in the functions of the client's rights office. The budget proposes a total of $1,329,619 from the General Fund for the continuing and proposed positions. Included in this amount is $40,000 to provide medical and professional consultants to assist in facilities review.

Life Care Contracts. The budget proposes two positions to conduct management audits of life care facilities and to assist in the implementation of Chapter 1240, Statutes of 1978, regarding the supervision of life care contracts. These positions are to be funded from $57,332 in federal Title II funds. The department indicates that these positions will be ongoing and will need to be supported from the General Fund beginning July 1, 1980.

Disability Evaluation Determinations. The budget proposes $591,432, all funds, to establish 21 positions for the Disability Evaluation program. Of this amount, $322,331 is from the General Fund and $269,101 is from reimbursements from the Health Care Deposit Fund made available through the Department of Health Services. Nine of the positions will be used to process disability evaluations for the increasing caseload in the medically needy portion of the Medi-Cal program. The remaining 11 positions are to be used to process the increased number of medically indigent applicants referred to the medically needy program. The increase is due to a revision in the referral application procedures. The department estimates that 10 percent of medically indigent cases, which are funded 100 percent from the General Fund, are potentially eligible for the medically needy program which is funded by 50 percent federal funds and 50 percent state funds. This assumption is being tested in a demonstration project, and conclusive results are expected in March 1979. We will be reviewing the evaluation of the project when it is available.

State Council and Area Boards on Developmental Disabilities. The budget proposes to establish two accounting technician positions to provide staff support for the State Council and Area Boards on Developmental Disabilities. Chapter 432, Statutes of 1978, transferred responsibility for providing administrative support for the council and boards from the Department of Developmental Services to the Health and Welfare Agency. The agency has designated the Department of Social Services to provide such services. The two positions are to be funded from $34,346 in reimbursements from federal funds made available to the state council for administrative support. A further discussion of these programs is contained in Item 271, Department of Developmental Services.

Positions for the Federal Program Operations Bureau. The department proposes to permanently establish three Associate Governmental Program Analyst positions to assist in monitoring the state's participation in the SSP program. These positions are proposed to cost $96,088 in 1979–80, of which $74,949 will be from the General Fund and $21,139 will be federal funds.

Program Review and Fraud Prevention Branch. The department is proposing to permanently establish three Associate Governmental Program Analyst positions in the Program Review and Fraud Prevention Branch, and to replace Title II funds with General Funds. One position would be responsible for maintaining and developing various fraud detection systems. The remaining two positions would assist in monitoring county fraud prevention programs. The three positions were funded through Title II funds in the current year. General Fund costs in 1979–80 for these positions would be $47,542 and federal fund costs would be $43,885.

Minimum Income Level Maintenance Unit. The budget includes $83,534 and four positions for a minimum income level maintenance unit within the Federal Program Operations Bureau. The positions include one Associate Governmental Program Analyst and three Management Services Technicians. These positions are proposed to be limited term and federally funded. The purpose of the positions is to comply with federal requirements to recalculate mandatory state supplemental payments for specified SSI/SSP recipients.

AFDC—Boarding Homes and Institutions Positions. The budget proposes three positions for the AFDC Program Management Branch to expand and improve the department's monitoring and control of the AFDC Boarding Homes and Institutions program. The positions will cost $87,773, of which $43,887 will be from the General Fund and $43,886 will be federal funds.

DEPARTMENTAL SUPPORT—Continued

Monthly Reporting By Counties

We recommend that Section 10809.5 of the Welfare and Institutions Code, which establishes certain reporting requirements by the counties, be amended.

Section 10809.5 of the Welfare and Institutions Code requires county welfare departments to submit each month a copy of the Caseload Movement and Expenditure Report to the Department of Finance and the Department of Social Services. The Department of Finance is required to provide this information immediately to the Joint Legislative Budget Committee. Each month the Joint Legislative Budget Committee receives a copy of each county's monthly report.

When this reporting requirement was enacted in 1971, the Legislature was not receiving timely and complete data on caseloads and costs from the department. Since 1971, relations between the department and the Legislature have improved to the point where legislative staff receive data and estimates shortly after they are requested. Therefore, there is no longer any need for the Joint Legislative Budget Committee to receive each county's individual report. Because there is a cost associated with providing these unneeded reports, we recommend that Section 10809.5 of the Welfare and Institutions Code be amended to delete the requirement that a copy of the Caseload Movement and Expenditures Report be submitted to the Joint Legislative Budget Committee.

STATE ADMINISTRATION AND FUNDING OF MEDI-CAL AND PUBLIC ASSISTANCE PROGRAMS

Impact of Proposition 13

Passage of Proposition 13 significantly reduced the amount of revenues from property taxes available for local governments. Table 7 presents the estimated effect of Proposition 13 on county property tax revenues. County property tax revenues totaled $10.5 billion in 1976–77. In 1977–78, this revenue source totaled $11.4 billion, an increase of $939 million, or 8.9 percent. As a result of passage of Proposition 13, county property tax revenues for 1978–79 are estimated to total $5.6 billion, a decrease of $5.9 billion, or 51.5 percent.

Table 7
County Property Tax Revenues
1976–77 Through 1979–80
(In Millions)

	1976–77		*1977–78*		*1978–79*	
	Amount	*Percent Change*	*Amount*	*Percent Change*	*Amount*	*Percent Change*
County Property Tax Revenues..	$10,509	—	$11,448	8.9%	$5,552	–51.5%

Enactment of Chapter 292

In response to the passage of Proposition 13, the state assumed most of the county share of welfare program costs in 1978–79 through enactment of Chapter 292, Statutes of 1978 (SB 154). This act requires the state to pay:

(a) the county share of the State Supplementary Payment (SSP) program, (b) the county share of the unemployed and family group components of the Aid to Families with Dependent Children (AFDC) program, and (c) 95 percent of the county nonfederal share of the boarding homes and institutions component of the AFDC Program. The state is also required to pay the county cost for administration of (a) the AFDC program, (b) the Child Support Enforcement program, and (c) the Food Stamp program. The state also assumed the county share of Medi-Cal costs in 1978–79.

The Governor proposes to continue a program of fiscal relief for counties on a one-year basis in 1979-80. It is our understanding that the funds for this relief will be contained in a separate bill as yet unidentified. This relief will once again be based on the counties' Medi-Cal and welfare costs. The Governor, however, proposes to change the sharing ratio for the AFDC-BHI component from 95 percent state/5 percent county in 1978–79 to 50 percent state/50 percent county in 1979–80. The administration proposes to compensate for the additional costs by increasing the amount available to counties in block grants from $436.0 million in the current year to $498.4 million in the budget year.

Table 8 shows the county cost for the Medi-Cal and welfare programs assumed by the state in 1978–79. Table 8 also shows the amount of county welfare and Medi-Cal fiscal relief proposed by the Governor for 1979–80.

Table 8
Estimated Fiscal Relief for the County Share of Medi-Cal and Welfare Program and Administrative Costs 1978–79 and 1979–80 (In Millions)

Program	*1978–79*[a]	*1979–80*
Medi-Cal	$440.0	$484.0
SSI/SSP	181.6	200.4
AFDC Grants:		
Family Group and Unemployed Parents	250.3	271.8
Boarding Homes and Institutions	88.0	42.4
AFDC Administration	59.2	63.8
Child Support Enforcement Administration	25.2[b]	29.3
Nonassistance Food Stamp Administration	21.5	21.5
Total	$1,065.8	1,113.2

[a] Based on December 1978 estimates.
[b] The Department of Social Services states that this amount will be offset by $7.2 million from the federal government for the costs incurred in providing child support enforcement services to non-AFDC recipients.

As a result of Chapter 292, in 1978–79 the state is funding the county share of the Medi-Cal Program and the majority of the county welfare grant and administrative costs while the counties continue to administer several of the programs. The Governor proposes to continue this arrangement on a one-year basis in 1979–80. The Governor's proposal provides a temporary answer to the question of who should fund and administer welfare programs in California.

DEPARTMENTAL SUPPORT—Continued

Chapter 1241, Statutes of 1978, requires the Department of Social Services to prepare a report on state administration of welfare and social services programs that are now administered by county governments. It requires the department to submit a final report with its recommendations on state administration to the Legislature by March 15, 1979. The act states that the report is to determine whether state administration is in the best interest of recipients, taxpayers and efficient administration. In addition, the department is required to make recommendations on and prepare an estimated schedule for implementation of state administration. It is also required to consider a number of issues in its report including: payment systems and data management, county contracts, status of county employees, functions of programs, feasibility of contracting with counties to perform administrative functions, and the cost of a transfer to state administration.

In accordance with the requirements of Chapter 1241, the department submitted a preliminary report to the Legislature on October 13, 1978. We reviewed the department's interim report and reported to the Legislature on our findings and recommendations in December 1978. When the department's final report is submitted, we will review the findings and recommendations of the report. In the meantime, we offer a number of recommendations and observations regarding state administration of welfare.

1. SSI/SSP and Medi-Cal Programs

The SSI/SSP program provides cash grants to eligible aged, blind and disabled individuals. The Medi-Cal program provides health services to welfare recipients, the medically needy and the medically indigent.

The costs for both programs are shared by the federal, state and county governments to varying degrees. The federal government funds the SSI portion of the SSI/SSP grant while the state and counties finance the cost of the SSP component. The federal government funds approximately 50 percent of the Medi-Cal program with the exception of the medically indigent category which is funded 100 percent by the state. County costs for both the SSP and Medi-Cal programs are based on a formula which ties the county share to changes in assessed valuation of property.

We recommend that the state permanently assume the county costs of the SSI/SSP and Medi-Cal programs for the following reasons:

First, the counties do not administer these programs and have no direct control over program costs or content.

Second, the equivalent tax rates which support county contributions toward these programs vary significantly among counties, thereby placing an unequal burden upon taxpayers in different counties. Table 9 shows the tax rate equivalents which counties would have to set if they were to levy a separate property tax to cover their Medi-Cal and SSI/SSP obligations. Table 9 shows, for example, that a homeowner in San Diego county contributed 20 cents per $100 of assessed value to the Medi-Cal program in 1977–78, while a homeowner in San Francisco county contributed 60 cents per $100. The homeowner in San Diego county paid 11 cents per $100 of assessed value to the SSI/SSP program in 1977–78 while a homeowner in San Francisco county paid 35 cents per $100.

Table 9
County Property Tax Equivalents °
For the County Share of Medi-Cal and SSI/SSP Programs
1977–78

	Tax Rate Equivalents	
County	*Medi-Cal*	*SSI/SSP*
Alameda	$0.37	$0.18
Alpine	0.05	0.03
Amador	0.25	0.05
Butte	0.34	0.18
Calaveras	0.25	0.08
Colusa	0.17	0.05
Contra Costa	0.31	0.14
Del Norte	0.36	0.18
El Dorado	0.16	0.09
Fresno	0.63	0.20
Glenn	0.22	0.07
Humboldt	0.42	0.20
Imperial	0.20	0.17
Inyo	0.27	0.07
Kern	0.48	0.14
Kings	0.49	0.20
Lake	0.12	0.16
Lassen	0.27	0.11
Los Angeles	0.49	0.20
Madera	0.41	0.24
Marin	0.15	0.06
Mariposa	0.11	0.06
Mendocino	0.34	0.16
Merced	0.52	0.20
Modoc	0.32	0.09
Mono	0.06	0.02
Monterey	0.37	0.10
Napa	0.23	0.14
Nevada	0.39	0.11
Orange	0.22	0.05
Placer	0.32	0.10
Plumas	0.21	0.06
Riverside	0.35	0.16
Sacramento	0.59	0.28
San Benito	0.24	0.08
San Bernardino	0.33	0.13
San Diego	0.20	0.11
San Francisco	0.60	0.35
San Joaquin	0.60	0.26
San Luis Obispo	0.46	0.12
San Mateo	0.28	0.09
Santa Barbara	0.33	0.12
Santa Clara	0.27	0.10
Santa Cruz	0.35	0.14
Shasta	0.25	0.17
Sierra	0.11	0.06
Siskiyou	0.38	0.11
Solano	0.19	0.14
Sonoma	0.38	0.13

DEPARTMENTAL SUPPORT—Continued

Stanislaus	0.56	0.23
Sutter	0.45	0.11
Tehama	0.26	0.13
Trinity	0.58	0.09
Tulare	0.56	0.25
Tuolumne	0.32	0.11
Ventura	0.20	0.07
Yolo	0.39	0.13
Yuba	0.60	0.32

[a] Tax rate equivalent expressed per $100 of state and local assessed value.

2. AFDC-Family Group and Unemployed Parents (Costs for Grants and Administration) and Food Stamp Administration

The AFDC program provides cash grants for children and their parents or guardians whose income is insufficient to meet their basic needs. Eligibility is limited to families with children who are needy due to the death, incapacity, continued absence or unemployment of the parents or guardians. The Food Stamp program permits eligible low income families to purchase food stamps in order to increase their food buying power.

Because both the AFDC and Food Stamp programs are supervised by the state and administered by the 58 county welfare departments, the issues surrounding the financing and administration of these programs are more complex than those surrounding the SSI/SSP and Medi-Cal programs.

Many have argued that the counties have little or no control over program and administrative costs and therefore should be relieved of any financial participation. We do not believe this argument is completely accurate. Although grant levels and eligibility criteria for the AFDC program are set by the federal and state governments, the counties can

Table 10
AFDC Intake Actions Per Eligibility Worker and Costs Per Intake Action
1977–78

Counties	*Intake Actions Per Eligibility Worker* [a]	*Costs Per Intake Action* [b]
Alameda	26.08	$57.65
Contra Costa	27.07	58.73
Fresno	23.23	66.68
Los Angeles	22.81	72.51
Orange	25.06	54.53
Riverside	42.30	30.18
Sacramento	31.37	52.01
San Bernardino	30.68	41.11
San Diego	24.48	61.41
San Francisco	24.05	64.00
Santa Clara	29.26	51.37
Average	27.85	$55.47

[a] Excludes supervisors.
[b] Costs include eligibility workers' salaries and benefits. Excludes support costs.

significantly affect the cost and operation of the welfare system. The fact that eligibility worker productivity and costs vary significantly among counties suggests that there is considerable local control over the administration of welfare programs in California.

Table 10, for example, shows the number of intake actions per eligibility worker and the costs per intake action for the 11 largest counties during 1977–78. During this period, the average number of intake actions per eligibility worker in these counties was 27.85. This ranged from a high of 42.30 intake actions in Riverside to a low of 22.81 in Los Angeles. Table 10 also shows that the cost per intake action varies significantly among counties. The average cost per intake action for the 11 largest counties was $55.47. This cost varied from a high of $72.51 per intake action in Los Angeles to a low of $30.18 in Riverside.

Under a system of full state financing and county administration, there would be less incentive for the counties to control program and administrative costs. This is because a county which has a financial stake in the grant and administrative costs of the welfare program would be more inclined to keep payment errors low and administrative productivity high than a county with no financial investment in the program. Any proposed legislation which would relieve the counties of their grant and administrative costs for these programs should contain sanctions for high error rates and provisions to insure that counties improve their productivity.

3. AFDC—Boarding Homes and Institutions Program

The AFDC-BHI program provides cash grants for eligible children residing in foster care homes and institutions. Children are placed in foster homes or institutions because they have been abused, abandoned or neglected by their parents, or because they cannot be managed by their parents. Children are eligible to receive financial assistance under the AFDC-BHI program based primarily upon the limited income and resources of the parents.

Among the AFDC program components, BHI is unique for a number of reasons. First, although the state supervises the BHI program, counties have been given a great deal of discretion in administering it. For example, counties set their own rates of reimbursement for foster home care and establish the criteria for placing children in foster homes. (As a result of Chapter 292, in 1978–79 the department is required to approve requests by foster care providers for rate increases.)

Second, because counties set their own BHI rates, considerable variation exists among counties. For example, in 1976–77 the average monthly payment per recipient in the 11 largest counties was $357. This average payment ranged from a high of $454 in Contra Costa County to a low of $197 in Fresno County.

Third, Table 11 shows that while the level of state expenditures for the BHI program remained essentially unchanged during the last five years, the county share of this program more than doubled. During this period, county expenditures for this program grew at an average annual rate of 18.4 percent while total expenditure increases for this program averaged 13.5 percent.

DEPARTMENTAL SUPPORT—Continued

Table 11
Expenditures for the AFDC—Boarding Homes and Institutions Program 1973–74 Through 1978–79 (In Millions)

	Total		Federal		State		County	
Fiscal Year	*Amount*	*Percent Change*	*Amount*	*Percent Change*	*Amount*	*Percent Change*	*Amount*	*Percent Change*
1978–79....	$151.2	14.5%	$33.9	23.7%	$23.4[a]	−2.9%	$93.9[a]	16.5%
1977–78....	132.1	8.4	27.4	−6.2	24.1	2.1	80.6	16.6
1976–77....	121.9	10.2	29.2	22.2	23.6	0.9	69.1	9.2
1975–76....	110.6	11.2	23.9	14.4	23.4	−3.7	63.3	16.6
1974–75....	99.5	23.4	20.9	26.7	24.3	4.3	54.3	33.1
1973–74....	80.6	—	16.5	—	23.3	—	40.8	—
Average *Annual Change*	13.5%		16.2%		0.1%		18.4%	

[a] Shows the state and county share as if Chapter 292 had not been enacted.

An increase in the state share of the BHI program should be accompanied by increased state control over the setting of reimbursement rates.

4. Child Support Enforcement Program

Federal and state law recognizes the obligation of parents to support their children. In order to ensure that parents meet this responsibility, the state has created a Child Support Enforcement program which is state supervised and locally operated. The district attorney's office in each county is responsible for the day-to-day activities related to determining paternity, locating absent parents and enforcing child support of both welfare and nonwelfare recipients.

Child support payments collected from absent parents whose children are receiving aid through the AFDC program are used to offset county, state and federal expenditures for this program. These collections are shared by federal, state and county governments based on their share of AFDC program costs.

In addition, incentive payments are made to counties and other states for collecting child support payments. The incentive payments paid to counties and other states total 27.75 percent of collections and consist of two components: (a) a federal incentive of 15 percent of collections and (b) a state incentive of 12.75 percent of collections.

The costs for administering the Child Support Enforcement program are shared by the federal and county governments, with the federal government paying 75 percent and the counties paying 25 percent. As a result of Chapter 292, the state assumed the county's share of the program for 1978–79.

Table 12 shows the amount of child support collections made in 1976–77 and 1977–78, the local assistance administrative costs related to these collections and the ratio of costs to collections. Because the federal and county governments share the local assistance costs for administering this program, the state has had no local assistance costs but has received substantial benefits. For example, the state had no local assistance costs in 1976–77 but received $19.0 million in child support payments collected by the counties from absent parents of welfare recipients. These payments were used to offset the state's AFDC expenditures. If the state assumes the counties' administrative costs, the state's ratio of collections to administrative costs will probably more closely approximate those of the counties shown in Table 12.

Table 12

Child Support Enforcement Collections and Local Assistance Administrative Costs (Dollar Amounts In millions)

Fiscal Year	Distribution of AFDC Collections				Child Support AFDC Administrative Costs				Ratio of Collections to Administrative Costs			
	Total	Federal[a]	State[a]	County[b]	Total	Federal	State	County	Total	Federal	State	County
1976–77	$65.9	$19.9	$19.0	$27.0	$49.9	$37.4	—	$12.5	1.32:1.00	0.53:1.00	NA	2.16:1.00
1977–78	74.6	22.3	20.5	31.8	57.7	43.3	—	14.4	1.29:1.00	0.51:1.00	NA	2.20:1.00

[a] Net collections after incentive payments to counties.
[b] Includes federal and state incentive payments to the counties.

The state has not imposed adminstrative cost controls on the Child Support Enforcement program because the costs are shared by the federal and county governments. If the state assumes the county share of the administrative costs for the Child Support Enforcement program, the state should develop a plan to control those costs.

5. General Relief

Needy California residents who are not eligible for either SSI/SSP or AFDC benefits may receive aid through the county's general relief program. Section 17000 of the Welfare and Institutions Code requires counties to provide assistance to indigent individuals who lack adequate means of support. Each county is permitted to design its own general relief program including eligibility criteria and payment levels. The program and administrative costs for general relief are borne by the counties. This arrangement was unaffected by Chapter 292.

County costs for the general relief program are estimated at $112.9 million in 1978–79. Of this amount, $31.5 million (27.9 percent) is for administration and $81.4 million (72.1 percent) is for grants.

There is wide program variation in costs from county to county because counties are permitted to determine eligibility and grant levels. For example, the average grant for a one-person case in the 11 largest counties in June 1978 was $106. However, the average grant level for one person varied significantly among these counties ranging from $70 in Sacramento County to $141 in Santa Clara and $172 in Los Angeles. A state financed general relief program would probably eliminate such disparities by establishing a uniform grant level. However, this would probably result in increased costs for general relief statewide, and thus the increased state costs would probably exceed $112.9 million by a considerable amount.

DEPARTMENTAL SUPPORT—Continued

6. Social Services Programs

Counties are responsible for administering 10 mandated and 14 optional social services including in-home supportive services, child and adult protective services, information and referral and others. These services are supported by federal funds from Title IV-B and Title XX of the Social Security Act, by state funds and by county funds. In addition, counties are responsible for providing WIN-related social services. Total proposed county funding for Title IV-B and Title XX social services for fiscal year 1979–80 is $44,858,133. Total proposed county funding for WIN social services is $1,372,539. These costs were not taken over by the state as part of the state buy-out of county welfare costs during the current year which occurred as a result of Chapter 292, Statutes of 1978.

Social service programs currently administered by counties are characterized by a lack of program definition or minimum performance standard, lack of uniform needs assessment or allocation procedures, lack of quality or cost control mechanisms, and inadequate management information. If the state should assume responsibility for these programs, it would be faced with the task of attempting to define and standardize them, and to balance current funding and service inequities among the counties. Because federal Title IV-B and Title XX funds are capped, any additional support for program expansion would have to come from the General Fund.

AFDC CASH GRANTS-CONTROL SECTION 32.5

The Budget Bill does not contain an item which appropriates funds for the Aid to Families with Dependent Children (AFDC) program because the Welfare and Institutions Code provides a continuous appropriation to fund the program. However, Section 32.5 of the proposed Budget Bill limits available funds to a specified amount and permits the Director of Finance to increase the expenditure limit in order to provide for unexpected caseload growth or other changes which increase aid payment expenditures.

The budget proposes a limit of $661,967,800 in Section 32.5, which is $49,603,800, or 8.1 percent, more than is estimated to be expended in the current year. In addition to these funds, there are state costs of $16,624,037 for AFDC grants in the current year and $14,449,400 in the budget year in Items 289 and 290 for executive and legislative mandated costs. Thus, the total General Fund cost for AFDC grants in fiscal year 1979–80 is estimated to be $676,417,200, which is an increase of $47,429,163, or 7.5 percent, over the amount estimated to be expended in the current year. Table 13 shows the amount proposed in Control Section 32.5 for AFDC cash grants and the major cost increases and offsetting savings.

AFDC Caseload

The Governor's Budget projects that the AFDC caseload will increase by 1.5 percent in 1979–80, as shown in Table 14.

Table 13

Proposed General Fund Budget Increases for AFDC GRANTS

1979–80

		Cost	Total
A.	Base Budget		$612,364,000
B.	Budget Adjustment		
	1. 6 Percent Cost-of-Living adjustment	$42,717,600	
	2. Increased Caseload due to Reduced Abortion Funding	5,368,600	
	3. Increased Costs due to Court Cases	1,033,400	
	4. Reduced Costs due to Minimum Wage Increases	−2,016,800	
	5. Basic Caseload and Grant Increases	5,632,700	
	6. Effect of Increased Child Support Collections	−5,209,300	
	7. Increased Costs for Child Support Incentive Payments	1,903,500	
	8. Other Adjustments	174,100	
	Total Budget Increase		49,603,800
Proposed General Fund, Section 32.5			$661,967,800

Table 14

AFDC Average Monthly Caseload (Person Count)

1979–80 Governor's Budget

	1978–79	1979–80	Change from 1978–79 Amount	Change from 1978–79 Percent
AFDC Family Group	1,254,400	1,271,692	17,292	1.4%
AFDC Unemployed	164,111	167,833	3,722	2.3
AFDC Foster Children	27,895	28,742	847	3.0
AFDC Aid for Adoption of Children	1,960	2,017	57	2.9
Total	1,448,366	1,470,284	21,918	1.5%

Proposed Regulations—Garcia vs. Swoap

We recommend that the limit in Control Section 32.5 be reduced by $1,698,500 pending the issuance and review of new regulations.

The budget proposes a General Fund appropriation of $2,204,500 for proposed regulations resulting from the Garcia vs. Swoap case. Of this amount, $1,698,500 for grant supplemental payments is included within Control Section 32.5 and $506,000 for county implementation costs is included in Item 288.

Under existing regulations, a recipient is required to report income received in the prior month as a basis for determining the grant level to be received in the next month. However, a Superior Court has concluded that the department's prior-month budgeting system is inadequate and has required the department to submit revised regulations for its approval. The proposed regulations would require that should a change in income occur to create a hardship, a supplemental payment would be issued upon the request of the recipient. However, the regulations have not been issued because the department has appealed the case to the State Court of Appeal.

We recommend that the funds subject to Control Section 32.5 be reduced by $1,698,500 because: (a) the proposed regulations related to Garcia vs. Swoap have not yet been issued and (b) the case is presently pending in the court of appeal.

DEPARTMENTAL SUPPORT—Continued

Cost-of-Living Increases for AFDC Recipients

We recommend that:

1. *Current law be amended to establish December 1977 as the base month and year for calculating changes in the consumer price index (CPI) when determining the cost-of-living increase for AFDC recipients. The comparison month to be used annually thereafter would be December.*
2. *Current law be changed so that the percentage change in the consumer price index from December 1977 to the comparison month of December be applied against the AFDC grant levels in effect in June 1979.*
3. *The limit in Control Section 32.5 be increased by $6,478,800 to provide a 6.91 percent cost-of-living increase for AFDC recipients effective July 1, 1979, in order to reflect the change in the consumer price index between December 1977 and December 1978.*

Background. Assistance payments made under the Aid to Families with Dependent Children (AFDC) program consist of two components: (1) the basic grant and (2) the cost-of-living factor. The basic grant represents the cost of obtaining necessary living needs such as food, clothing, shelter and utilities. The basic grant is adjusted annually based on changes in the average of the separate consumer price indices for Los Angeles and San Francisco.

As passed by the Legislature, the Budget Act of 1978 contained funds for a 2.5 percent cost-of-living increase for AFDC recipients and state employees. In passing SB 154, the Legislature provided that the annual cost-of-living increase for AFDC recipients in 1978–79 would not exceed the cost-of-living adjustment provided state employees. The Governor eliminated from the Budget Act of 1978 all appropriations for state employee salary increases and funds for cost-of-living increases for AFDC recipients. As a result, AFDC recipients were not provided a cost-of-living increase in fiscal year 1978–79. Because of this action, we requested an opinion from the Legislative Counsel concerning the requirements of existing law relative to the cost-of-living increase in 1979–80. Specifically, we asked whether the actions taken for the current year permanently eliminated the requirement that a cost-of-living increase be provided to cover the increase in prices between December 1976 and December 1977.

The Legislative Counsel has concluded that: (1) the actions of the Legislature and administration merely suspended the cost-of-living adjustment for AFDC recipients for the 1978–79 fiscal year and (2) in the absence of intervening legislation, the cost-of-living adjustment provided on July 1, 1979, will have to include the cost-of-living adjustment which would have been provided on July 1, 1978. The Counsel's opinion states in part: "The suspension of the July 1, 1978, cost-of-living adjustments for the 1978–79 fiscal year with respect to AFDC . . . will result in increases on July 1, 1979, which would include the percentage increases which would otherwise have been included in the respective inoperative adjustments of 1978."

Section 11453 of the Welfare and Institutions Code specifies the procedures for calculating the cost-of-living adjustment. The section establishes December 1975 as the base month and year from which changes in the consumer price index are measured. It also provides that the Department of Social Services shall select a comparison month for computation of the percentage change in the cost-of-living. The department has selected December as the comparison month and is required to use the same comparison month annually. In computing the cost-of-living increase, the department is required to determine the percentage change in the average of the separate consumer price indices for Los Angeles and San Francisco between December 1975 and the comparison month. Because of this procedure, any cost-of-living adjustment not provided in one year is automatically contained in the subsequent year calculations.

Under current law, the cost-of-living increase for 1979–80 would include two components: (1) the adjustment which would have been provided in 1978–79 and (b) the increase that normally would become effective July 1, 1979. Under current law, the combined cost-of-living increase would be 15.16 percent.

General Fund costs for providing a 6 percent cost-of-living adjustment as proposed by the administration would total $42.7 million. The General Fund cost of a 15.16 percent cost-of-living increase, as required by current law, would be $107.9 million.

How Much Of An Increase Should Be Granted? We have several concerns with the Governor's proposed 6 percent cost-of-living adjustment. First, the purpose of a cost-of-living increase is to help the purchasing power of grants to welfare recipients keep pace with the rising costs of food, shelter, transportation, and other necessities of life. However as far as we can determine, the administration's proposed cost-of-living increase is an arbitrary percentage adjustment which does not reflect a direct relationship between current grant levels and changes in economic conditions.

Second, it is our understanding that the administration's proposal is pı edicated upon a change in current law. However, it is unclear whether the Governor proposes to change permanently the statutory requirement for a cost-of-living adjustment based on the consumer price index, or whether he intends simply to suspend the requirements for a second year (as SB 154 waived these requirements for 1978–79). If he is proposing merely to suspend current statutory authority for another year, then existing law would require AFDC recipients to be given cost-of-living adjustments covering a three-year period, with a resulting heavy impact on the 1980–81 budget.

We also have some problems reconciling the provisions of current law with the actions taken by the Governor and Legislature in enacting the Budget Act of 1978 and SB 154. On the one hand, their intent may have been to defer the cost-of-living adjustment on the AFDC grant until 1979–80. This action would produce a one-time savings, but would not permanently reduce the level of state expenditures under this program. On the other hand, the purpose of the Governor and Legislature in denying the cost-of-living adjustment may have been to permanently reduce program costs, thereby providing increased state funds for use in assisting local governments on a permanent basis. This would suggest that the cost-of-living increase not be restored in 1979–80.

DEPARTMENTAL SUPPORT—Continued

We have no basis for determining the intent of the Governor and Legislature in denying the 1978–79 cost-of-living adjustment called for under existing law. We believe, however, that AFDC recipients should not suffer a further reduction in the purchasing power of their benefit checks in 1979–80, and therefore we recommend that these recipients be given a 6.91 percent cost-of-living adjustment effective July 1, 1979 (rather than the 6 percent increase proposed in the budget). Any increase above this 6.91 percent level for 1979–80 would result in an increase in the real income of program beneficiaries when compared to the grant levels approved by the Governor and Legislature for 1978–79 and we have no basis for recommending such an increase.

We further recommend that current law be amended to establish December 1977 as the new base month and year for computing changes in the consumer price index when calculating annual cost-of-living increases for AFDC recipients. The comparison month to be used annually thereafter should also be December. We further recommend that current law be amended so that the percentage change in the index from December 1977 to the comparison month of December of each subsequent year be applied annually against the AFDC grant levels in effect in June 1979.

If legislation is adopted which incorporates these recommendations, AFDC recipients would receive a 6.91 percent cost-of-living increase effective July 1, 1979. This would mean that a family of three who received $356.00 per month in the current year would be entitled to $381.00 per month in the budget year. The same family would receive $377.00 under the administration's proposal and $410.00 under current law.

The General Fund cost for a 6.91 percent cost-of-living increase in 1979–80 would be $49,196,400. Because the Governor's Budget contains $42,717,600 for a 6 percent cost-of-living increase, we recommend that the limit in Control Section 32.5 be increased by $6,478,800.

Department of Social Services

ATTORNEYS' FEES AND COSTS AWARDED TO WELFARE APPLICANTS OR RECIPIENTS

Item 283 from the General Fund — Budget p. 785

Requested 1979–80	$15,000
Estimated 1978–79	N/A
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Current law provides that welfare applicants or recipients can file a petition with the Superior Court requesting a review of a fair hearing decision issued by the director of the department. Current law also provides that "the applicant or recipient shall be entitled to reasonable attorney's fees and costs, if he obtains a decision in his favor."

This item provides funds pursuant to Section 10962 of the Welfare and Institutions Code for the payment of attorney fees to welfare recipients or applicants who successfully litigate complaints against the Director of the Department of Social Services. This item is identified separately for the first time in the budget year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes $15,000 from the General Fund to pay the attorneys' fees and costs of welfare recipients and applicants who have received a favorable court decision.

Expenditures for the first six months of 1978–79 totaled approximately $7,000 for four claims. Information provided by the department indicates that the fees for 1978–79 were paid to both private practice attorneys and public interest law firms.

Department of Social Services

STATE SUPPLEMENTARY PAYMENT PROGRAM FOR THE AGED, BLIND, AND DISABLED

Item 284 from the General Fund — Budget p. 772

Requested 1979–80	$706,156,442
Estimated 1978–79	734,844,300
Actual 1977–78	721,202,706
Requested decrease $28,687,858 (3.9 percent)	
Total recommended increase	$21,639,400

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *SSI/SSP Cost-of-Living Increase. Augment Item 284 in the amount of $21,639,400.* Recommend that current law for calculating SSI/SSP cost-of-living adjustment be amended to provide a 6.91 percent cost-of-living increase. — 776

GENERAL PROGRAM STATEMENT

The SSI/SSP program is a federally-administered program under which needy and eligible aged, blind, and disabled persons receive financial assistance. The program began on January 1, 1974, when the Federal Social Security Administration assumed responsibility for direct administration of cash grant welfare assistance for California's aged, blind and disabled recipients. Prior to that time, California's 58 county welfare departments administered a joint federal-state-county program which provided cash assistance to these recipients.

Under provisions of state and federal law, California supplements the basic Federal Supplemental Security Income (SSI) payment with an additional State Supplementary Payment (SSP).

STATE SUPPLEMENTARY PAYMENT PROGRAM FOR THE AGED, BLIND, AND DISABLED—Continued

ANALYSIS AND RECOMMENDATIONS

Combined State and County Costs

The budget proposes $706,156,442 from the General Fund as the state share of the SSI/SSP program in 1979–80. This is a decrease of $28,687,858, or 3.9 percent, from estimated expenditures in the current year.

Although the Governor's Budget provides for a 6 percent cost-of-living increase for SSI/SSP recipients, the total cost of this program to the state and counties will increase only slightly in 1979–80. Combined state and county expenditures for the SSP Program are estimated at $906,572,000 in 1979–80. As shown in Table 1, this is an increase of $4,152,300, or 0.5 percent, above the current year.

Table 1
State and County Expenditures For the SSP Program 1978–79 and 1979–80

			Change	
	1978–79	*1979–80*	*Amount*	*Percent*
State	$734,844,300	$706,156,442	$−28,687,858	−3.9%
County [a]	167,575,400	200,415,558	+32,840,158	+19.6
Total	$902,419,700	$906,572,000	$+4,152,300	+0.5%

[a] SB 154 provided that the state would pay the county share in 1978–79. The Governor's Budget proposes the county share for 1979–80 also be paid by the state.

Under the Governor's proposal, the federal government would pay for most of the 6 percent cost-of-living increase in the SSI/SSP grant. This is why the proposed 6 percent increase results in only a small increase in *combined* state and county expenditures for this program.

Table 2 shows how the grant for an aged or disabled individual would be determined in 1979–80. This individual is receiving a monthly SSI/SSP check of $307.60 in 1978–79. The Governor proposes to increase the total grant by 6 percent, or $18.46, in 1979–80. Because the federal government will provide a cost-of-living increase on its SSI grant of 8.4 percent, or $16.00, the state only has to contribute an additional $2.46 to reach the total grant adjustment of $18.46.

Table 2
SSI/SSP Grant Level for an Aged or Disabled Individual 1978–79 and 1979–80

			Cost-of-Living Increase			
Program	*1978–79*		*Percent*		*Amount*	*1979–80*
SSI Grant	$189.40	×	8.4% [a]	=	$16.00	$205.40
SSP Grant	118.20		N/A		2.46	120.66
Total	$307.60	×	6.0%	=	$18.46	$326.06

[a] Does not equal $16 exactly due to the manner in which the federal government calculates the cost-of-living adjustment.

General Fund Costs

Two factors account for the $28.7 million (3.9 percent) decrease in the cost to the General Fund of the SSP program in 1979–80. First, current year state expenditures of $734.8 million include $14.1 million for the SSP program which would have been paid by the counties if legislation (SB 154) had not been enacted to shift the counties' share of program costs to the state. This $14.1 million expenditure resulted from a greater-than-anticipated increase in assessed property valuations in 1978–79. During the hearings on SB 154, it was assumed that assessed valuations in the counties would increase by only 1.5 percent under Proposition 13. In fact, reassessments increased assessed valuations by approximately 10 percent. Because the county share of the SSP program is based on increases in assessed valuation, the county obligation rose by 10 percent to $181.6 million. SB 154 appropriated only $167.6 million of this amount, leaving $14.1 million to be funded from Item 271 of the Budget Act of 1978.

Second, General Fund costs for the SSP program in 1979–80 will decrease because of the present funding formula. As noted above, the county share of the SSP program is not tied to changes in program costs, but rather to changes in assessed valuations. If assessed valuations increase by more than program costs (as they are expected to in 1979–80), the county share of the program grows accordingly, thereby reducing the state share.

Components of Change

Table 3 shows the components of change in the proposed General Fund expenditures for the SSP program.

Table 3
Proposed General Fund Budget Adjustments in the SSP Program
1979–80

	Cost	*Total*
A. Budget Base		$734,844,300
B. Budget Adjustments		
1. Six percent Cost-of-Living Adjustment for 1979–80	$21,060,600	
2. Cost to the State of Passing on the Federal SSI Cost-of-Living Increase in 1979–80	45,325,800	
3. Reduced Grant Costs due to Increases in Recipient Unearned Income	−60,182,700	
4. Increased County Share of the SSP Program for 1978–79 Resulting from Reassessments	−14,061,100	
5. Two-month Cost-of-Living Increase for 1978–79	−18,817,800	
6. Decrease in Estimated Costs for the 1978–79 SSI Cost-of-Living Adjustment	−1,127,800	
7. Other Adjustments	−884,858	
Total, Budget Decrease		$−28,687,858
Proposed Total General Fund, Item 284		$706,156,442

Federal Revenue Sharing Funds

Budget Bill language in Item 432 specifies that $276.2 million shall be appropriated from the Federal Revenue Sharing Fund to the General Fund and transferred to Item 284 to partially fund the SSP program. Language in Item 284 specifies that the revenue sharing money is to be

STATE SUPPLEMENTARY PAYMENT PROGRAM FOR THE AGED, BLIND, AND DISABLED—Continued

expended prior to the expenditure of the remaining $429,956,442.

Cost-Of-Living Increase for SSI/SSP Recipients

We recommend that:

1. *Current law be changed to establish December 1977 as the base month and year for calculating changes in the consumer price index when determining the cost-of-living increase for SSI/SSP recipients. The comparison month to be used annually thereafter would be December.*

2. *Current law be changed so that the percentage change in the consumer price index from December 1977 to the comparison month of December be applied against the total SSI/SSP grant levels in effect in June 1979.*

3. *The Budget Bill be augmented by $21,639,400 to provide a 6.91 percent cost-of-living increase for SSI/SSP recipients effective July 1, 1979, in order to reflect the change in the consumer price index between December 1977 and December 1978.*

Background. Each month, recipients receive from the federal government a single monthly check comprised of the federal grant payment for SSI and the state grant payment for SSP. Both the SSI and the SSP grants consist of a basic grant amount and a statutorily set cost-of-living factor which increases the basic grant annually. The cost-of-living increase on the federal SSI grant is based on the percentage change in the U.S. Consumer Price Index. The cost-of-living increase on the state SSP grant is based on the percentage change in the separate consumer price indices for Los Angeles and San Francisco.

As a result of the actions taken by the Legislature and the Governor in enacting the Budget Act of 1978 and Chapter 292, Statutes of 1978 (SB 154), the cost-of-living increase on the SSP grant was provided for only two months (July and August) during 1978–79. The federal cost-of-living increase on the SSI grant is being provided for the entire fiscal year. These two measures had the effect of overriding existing law that required a 7.71 percent increase in SSI/SSP grants—at least during 1978–79.

We requested an opinion from the Legislative Counsel concerning the status of the cost-of-living increase on the SSP grant provided for in existing law, after the end of fiscal year 1978–79. Specifically, we asked whether the actions of the Governor and the Legislature had permanently eliminated the cost-of-living increase on the SSP grant for the ten-month period September 1978 through June 1979.

The Legislative Counsel has concluded that: (1) the actions of the Governor and the Legislature merely suspended the cost-of-living adjustment on the SSP grant for 10 months in 1978–79 and (2) in the absence of intervening contrary legislation, the cost-of-living adjustment provided on July 1, 1979, would have to include the cost-of-living factor which would have been provided on July 1, 1978 (in addition to the factor required on July 1, 1979). The opinion of the Legislative Counsel states in part: "Thus, in the absence of intervening contrary legislation in 1979 which would take effect on or before July 1, 1979, under Sections 11453 and 12201

(Welfare and Institutions Code), the amount of the respective July 1, 1979, AFDC and SSI/SSP state cost-of-living adjustments would include the percentage increases which would otherwise have been included in the respective inoperative adjustment of 1978."

Under current law, the cost-of-living increase required on July 1, 1979, is based on the change in the consumer price index from December 1976 to December 1978, and is estimated to be 15.16 percent.

Table 4 shows the cost of providing (a) a 6 percent cost-of-living adjustment as proposed by the Governor and (b) a 15.16 percent cost-of-living increase as required by existing law. Total costs for a 6 percent cost-of-living increase would be $148.5 million, of which $66.4 million would be from the General Fund. This consists of $21.1 million for the SSP cost-of-living and $45.3 million for passing on the federal cost-of-living increase on the SSI grant. (Current law requires the state to pass-on federal increases on the SSI grant to SSI/SSP recipients. Because the federal government provides only enough funds to cover the cost-of-living increase for SSI recipients, there is a cost to the state for providing the SSI increase to the remaining SSP recipients who do not qualify for SSI because their income is too high.)

Table 4 also shows that the cost of providing a 15.16 percent cost-of-living adjustment would be $365.3 million. Of this amount, the state would contribute $283.2 million and the federal government would provide $82.1 million.

Table 4

Cost-of-Living Increases for SSI/SSP Recipients in 1979–80 Under Various Assumptions (in millions)

Program *SSI/SSP*	*Current law 15.16 percent increase*	*Administration's proposed 6 percent increase*
General Fund	$283.2	$66.4
SSP Cost-of-Living	(237.9)	(21.1)
Cost for passing on the federal cost-of-living increase on the SSI grant	(45.3)	(45.3)
Federal Funds:		
Cost to the federal government for providing SSI cost-of-living increase	82.1	82.1
Total, SSI/SSP	$365.3	$148.5

Problems With the Cost-of-Living Formula Used Under Existing Law. We have some concerns with the provisions of current law regarding cost-of-living adjustments for SSI/SSP recipients. First, because of the formula in the Welfare and Institutions Code, the total SSI/SSP grant and the SSP portion increase annually at a rate greater than the rate of increase in the consumer price index. This is illustrated in Table 5, which compares the change in the SSI/SSP grant for an aged or disabled person with the change in the consumer price index for Los Angeles and San Francisco. As the table indicates, if the full cost-of-living increase had been provided in 1978–79, the total SSI/SSP grant would have grown 8.8 percent and the SSP grant would have risen 12.2 percent, even though the consumer price index rose only 7.7 percent between December 1976 and

STATE SUPPLEMENTARY PAYMENT PROGRAM FOR THE AGED, BLIND, AND DISABLED—Continued

December 1977 (the period used to determine the cost-of-living adjustment for 1978–79). Table 5 also shows that in 1977–78, the SSI/SSP grant increased 7.2 percent, the SSP grant grew 9.2 percent, but the consumer price index rose 5.3 percent between December 1975 and December 1976.

Table 5
SSI/SSP Grant for an Aged or Disabled Individual and Change in the Consumer Price Index 1977–78 and 1978–79
(Dollar amounts shown for 1978–79 are based on the assumption that the cost-of-living increase was granted)

	Total SSI/SSP Grant		*SSI Grant*		*SSP Grant*		*Change in Consumer Price Index*	
Fiscal Year	*Amount*	*Percent Change*	*Amount*	*Percent Change*	*Amount*	*Percent Change*	*Period*	*Percent Change*
1978–79	$322.00	8.8%	$189.40	6.5%	$132.60	12.2%	12-77/ 12-76	7.7%
1977–78	296.00	7.2	177.80	6.0	118.20	9.2	12-76/ 12-75	5.3

Second, the distortion between the change in the consumer price index and the increase in the SSI/SSP grant results in an inequity between the cost-of-living adjustment provided for AFDC and SSI/SSP recipients. Table 6 compares the change in the grant level for a one-person AFDC recipient with that for an aged or disabled SSI/SSP recipient. It shows that if the full cost-of-living increase had been provided in 1978–79, the total SSI/SSP grant would have increased 8.8 percent, while the grant level for an AFDC recipient would have risen 7.4 percent, or an increase approximately equal to the percentage change in the consumer price index. For 1977–78, the SSI/SSP grant rose 7.2 percent, the AFDC grant increased 5.4 percent and the consumer price index change was 5.3 percent.

Table 6
Grant Levels for an Aged or Disabled Individual on SSI/SSP and One Person on AFDC 1977–78 and 1978–79
(Dollar amounts shown for 1978–79 are based on the assumption that the cost-of-living increase was granted)

	Aged or Disabled SSI/SSP Recipient		*One Person AFDC Recipient*		*Change in Consumer Price Index*	
Fiscal Year	*Grant*	*Percent Change*	*Grant*	*Percent Change*	*Period*	*Percent Change*
1978–79	$322.00	8.8%	$188.00	7.4%	12-77/ 12-76	7.7%
1977–78	296.00	7.2	175.00	5.4	12-76/ 12-75	5.3

In view of the above, we recommend that current law be changed to establish December 1977 as the new base month and year for computing changes in the consumer price index when calculating the cost-of-living increase for SSI/SSP recipients. The comparison month to be used annually thereafter should be December. We further recommend that current law be amended so that the percentage change in the consumer price index be applied against the total SSI/SSP grant in order that the grant increase will more closely reflect the amount required to offset changes in the cost-of-living.

How Much of an Increase Should be Granted? We have several concerns with the Governor's proposed 6 percent cost-of-living increase. First, the intent of a cost-of-living adjustment is to help maintain the purchasing power of grants to welfare recipients as the costs of food, shelter, transportation and other necessities of life rise. As far as we can determine, the Governor's proposed cost-of-living increase is an arbitrary percentage adjustment, and does not reflect a direct relationship between current grant levels and a change in any economic index that we can identify.

Second, it is our understanding that the Governor's proposal is predicated upon a change in current law. Specifically, it is unclear whether the Governor proposes to change permanently the statutory requirement for a cost-of-living increased based on the consumer price index, or whether he proposes to simply suspend the requirements of current law for a second year (as SB 154 suspended these requirements for 1978–79). If he is proposing merely to suspend current statutory authority for another year, then existing law would require SSI/SSP recipients to be given cost-of-living adjustments covering a three-year period, with a resulting heavy impact on the 1980–81 budget.

We also have some problems reconciling the provisions of current law with the actions taken by the Governor and Legislature in enacting the Budget Act of 1978 and SB 154. On the one hand, their intent may have been to defer the cost-of-living increase on the SSP grant until 1979–80. This would produce a one-time savings but would not permanently reduce the level of government expenditures under the program. On the other hand, the Governor's and Legislature's purpose in denying the cost-of-living adjustment may have been to permanently reduce program costs, thereby providing increased monies for use in assisting local government on a permanent basis. This would suggest that the cost-of-living increase not be restored in 1979–80.

We have no basis for determining the intent of the Governor and Legislature in denying the 1978–79 cost-of-living adjustment called for under existing law. We believe, however, that SSI/SSP recipients should not suffer a further reduction in the purchasing power of their benefit checks in 1979–80, and therefore we recommend that these recipients be given a 6.91 percent cost-of-living adjustment effective July 1, 1979 (rather than 6 percent increase called for in the budget). Any increase above the 6.91 percent cost-of-living would result in an increase in the real income of program beneficiaries when compared to the grant levels approved by the Governor and Legislature for 1978–79. We have no basis for recommending such an increase.

In conclusion then, we recommend that the total SSI/SSP grant levels

STATE SUPPLEMENTARY PAYMENT PROGRAM FOR THE AGED, BLIND, AND DISABLED—Continued

in effect in June 1979 be established in law as the grant levels against which changes in the consumer price index are annually applied. If legislation is adopted which incorporates our recommendations, an aged or disabled individual who received $307.60 in the current year would be entitled to $328.86 in 1979–80. This same person would receive $326.06 under the governor's proposal and $353.00 under current law.

Table 7 shows that the General Fund cost for a 6.91 percent cost-of-living increase in 1979–80 would be $88.0 million. Because the Governor's Budget contains only $66.4 million for a 6 percent cost-of-living increase, we recommend that the budget be augmented by $21.6 million.

Table 7

Cost-of-Living Increases for SSI/SSP Recipients in 1979–80 Under Various Assumptions

Program	*6.91 Percent Increase*	*Administration's Proposed 6 Percent Increase*	*Difference*
SSI/SSP			
General Fund	$88,025,800	$66,386,400	+$21,639,400
SSP Cost-of-Living	(42,700,000)	(21,060,600)	(+21,639,400)
Cost for Passing On the Federal Cost-of-Living Increase on the SSI Grant	(45,325,800)	(45,325,800)	—
Federal Funds:			
Cost to the Federal Government for Providing SSI Cost-of-Living Increase	$82,114,400	$82,114,400	—
Total, SSI/SSP	$170,140,200	$148,500,800	+$21,639,400

Related Programs

Current law requires that adjustments be made to maximum aid payments for severely impaired and nonseverely impaired recipients of in-home supportive services who are at the existing maximum and who have additional unmet needs. This adjustment is based on the formula for calculating cost-of-living for SSI/SSP recipients. IHSS recipients, however, received an increase in maximum aid payments for fiscal year 1978–79, even though SSI/SSP recipients did not receive the full cost-of-living adjustment called for under existing law. As a result, failure to provide a catch-up cost-of-living increase to SSI/SSP recipients for 1978–79 would not affect in-home supportive services recipients.

Because the cost-of-living adjustment for a recipient under the Aid to the Potentially Self-Supporting Blind program is determined using the same formula used for SSI/SSP recipients, a revision of the current cost-of-living formula will affect the APSB recipients. This issue is discussed under Item 285.

Department of Social Services
SPECIAL ADULT PROGRAMS

Item 285 from the General Fund — Budget p. 772

Requested 1979–80	$5,968,700
Estimated 1978–79	5,437,596
Actual 1977–78	5,305,204
Requested increase $531,104 (9.8 percent)	
Total recommended increase	$13,600

1979–80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
285(a)	Special Circumstances	General	$2,710,200
285(b)	Special Benefits	General	115,900
285(c)	Aid to the Potentially Self-Supporting Blind	General	1,582,600
285(d)	Emergency Payments	General	1,560,000
285(e)	Repatriated Americans	General	35,000
285(f)	Repatriated Americans	Federal	−35,000
	Total		$5,968,700

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Aid to the Blind Cost-of-Living. Increase Item 285(c) by $13,600.* Recommend augmentation to provide a 6.91 percent cost-of-living increase in order to conform to the recommendation in Item 284. 782

GENERAL PROGRAM STATEMENT

Chapter 1216, Statutes of 1973 (AB 134), established a program to provide for the emergency and special needs of SSI/SSP recipients. The program's special allowances, paid entirely from the General Fund, are administered by county welfare departments.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a General Fund appropriation of $5,968,700 for Special Adult Programs administered by the Department of Social Services. This is an increase of $531,104, or 9.8 percent, over estimated current year expenditures.

Special Circumstances (Item 285(a))

The special circumstances program provides adult recipients with special assistance in times of emergency. Payments can be made for replacement of furniture, equipment or clothing which is damaged or destroyed by a catastrophe. Payments are also made for moving expenses, housing repairs and emergency rent.

The budget proposes $2,710,200 for fiscal year 1979–80 which is an increase of $590,800, or 27.9 percent, over the estimated current year ex-

SPECIAL ADULT PROGRAMS—Continued

penditure. The primary reason for this increase is caseload growth.

Special Benefits (Item 285(b))

The special benefits program is for blind SSP recipients who have guide dogs. This program provides a special monthly allowance to cover the cost of dog food. The budget proposes $115,900 for fiscal year 1979–80 which is an increase of $5,504, or 5.0 percent, over the current year. The primary reason for this increase is an increase in caseload.

Aid to Potentially Self-Supporting Blind (Item 285(c))

We recommend an augmentation of $13,600 to provide a 6.91 percent cost-of-living increase in order to conform to the recommendation in Item 284.

The Aid to Potentially Self-Supporting Blind (APSB) program provides payments to blind recipients who earn more income than is allowed under the basic SSI/SSP program. The purpose of the program is to provide an incentive to these individuals to become economically self-supporting. The budget proposes $1,582,600 for fiscal year 1979–80, which is an increase of $347,700, or 28.2 percent, over the estimated current year expenditure. The reasons for this increase are a proposed 6 percent cost-of-living adjustment and increased caseload.

Section 13100(a) of the Welfare and Institutions Code requires that the grant for a recipient under the Aid to the Potentially Self-Supporting Blind Program be adjusted annually. This adjustment is based on the formula for calculating the cost-of-living increase for SSI/SSP recipients. The Governor's Budget contains a 6 percent cost-of-living adjustment for APSB recipients. We recommended in our analysis of Item 284 that the current formula for calculating the SSI/SSP cost of living be revised to provide a 6.91 percent increase (instead of a 15.16 percent increase, as existing law requires) in 1979–80. If that recommendation is adopted, it will affect the cost-of-living adjustment for APSB recipients.

We therefore recommend an augmentation of $13,600 to provide a 6.91 percent cost-of-living adjustment for the APSB program, in order to be consistent with the recommendation in Item 284.

Emergency Payments (Uncollectible Loans) (Item 285(d))

Chapter 1216, Statutes of 1973, mandates that counties provide emergency loans to aged, blind and disabled recipients whose regular monthly check from the federal Social Security Administration has been lost, stolen or delayed. The budget proposes $1,560,000 for fiscal year 1979–80 which is $412,900, or 20.9 percent, below the estimated current year expenditures.

This estimated decrease is due to Chapter 724, Statutes of 1978 (SB 1631), which allows the department to adopt regulations basing eligibility for receipt of a loan on the repayment of previous loans.

Temporary Assistance for Repatriated Americans (Item 285(e))

The federal repatriate program is designed to provide temporary help to needy U.S. citizens returning to the United States from foreign countries because of destitution, physical or mental illness or war. Recipients can be provided temporary assistance to meet their immediate needs and continuing assistance for 12 months or less. County welfare departments administer the program based on federal and state guidelines. The program is 100 percent federally funded. Expenditures in the current year are estimated at $35,000 and the same amount is proposed for 1979–80.

Department of Social Services

HARRINGTON VS. OBLEDO COURT CASE

Item 286 from the General Fund — Budget p. 773

Requested 1979–80	$5,798,600
Estimated 1978–79	N/A
Total recommended reduction	$5,798,600

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	*Analysis page*
1. *Harrington vs. Obledo. Reduce Item 286 by $5,798,600.* Recommend deletion because final court decree has not been issued.	784

GENERAL PROGRAM STATEMENT

This item provides $5,798,600 from the General Fund to pay the prospective costs of the California Court of Appeals decision in the Harrington vs. Obledo court case.

ANALYSIS AND RECOMMENDATIONS

Prior to January 1974, adult welfare recipients in California were provided aid through the following programs: Old-Age Assistance, Aid to the Blind, and Aid to the Totally Disabled. The federal government helped finance these adult welfare programs through grants-in-aid to California, and the programs were administered by the county welfare departments. Beginning January 1, 1974, these programs were replaced by the SSI/SSP program through enactment of PL 92-603 (HR 1) and Chapter 1216, Statutes of 1973 (AB 134).

The *Harrington vs. Obledo* case concerns two welfare recipients who received aid under the adult welfare program in effect in California prior to January 1, 1974, but who were not eligible to receive aid under the SSI/SSP program. At the time the SSI/SSP program was implemented, Ms. Harrington was a recipient under the Aid to the Totally Disabled program. However, she was dropped from the SSI/SSP program because she did not meet the new federal definition of "disabled." Similarly, Ms. Cruz was a recipient under the Old Age Assistance Program but did not meet the new federal eligibility requirement for aliens established for the SSI/SSP program.

HARRINGTON VS. OBLEDO COURT CASE—Continued

Both former welfare recipients brought suit against the state after being dropped from the federal SSI program, claiming that they were entitled to receive SSP benefits at state expense. At issue was whether the Legislature had intended to establish a separate state-administered and state-financed adult welfare program for former recipients who were ineligible for SSI. The state argued that the Legislature had not intended to provide for such persons under SSP.

The Los Angeles Superior Court ruled in favor of the state. This decision was reversed by the Court of Appeals. The Court of Appeals concluded that recipients who are ineligible for SSI benefits under the Social Security Act are eligible for SSP benefits as a result of language contained in Section 12151 of the Welfare and Institutions Code. Section 12151 identifies eligibility requirements for SSP recipients and makes reference to PL 93-66.

The crux of the issue, according to the court, is whether the state intended to fix eligibility based on standards in effect when PL 93-66 was enacted, rather than based on the standards established by later federal amendments contained in PL 93-233. Under standards in effect when PL 93-66 was enacted, a recipient was eligible for the new SSI/SSP program if he had received aid in December 1973. Use of this standard would allow Harrington to qualify for the federal program. However, PL 93-233 amended PL 93-66 to require that a recipient must have received aid in December 1973 and for at least one month prior to July 1973 in order to be eligible. Use of this standard would exclude Harrington from federal eligibility because she did not start to receive aid until October 1973.

The court concluded that originally the Legislature had enacted a state law with eligibility requirements that were consistent with the federal law. However, the court found that, when the federal law was amended by PL 93-233, the Legislature failed to change state law to fully conform to federal law, thus leaving a class of persons, including Ms. Harrington, eligible to receive state benefits.

In the case of Ms. Cruz, the court ruled that she was entitled to continued state welfare payments, even though she no longer met the federal requirements, and that her alien status should be determined by requirements in state, rather than federal, law. Section 11104 of the Welfare and Institutions Code, which defines eligible alien status for AFDC recipients, requires that an alien's certification of legal status be verified by the U.S. Immigration and Naturalization Service and that aid continue pending such verification. Because such verification was never sought by the state, the court has ruled that Ms. Cruz is entitled to the payment of benefits.

The Court of Appeals has remanded the case to the Los Angeles Superior Court to prepare a final judgment. Although the state appealed the case to the California Supreme Court, it has been denied a petition for hearing.

Governor's Proposal

We recommend deletion of $5,798,600 in Item 286 for costs related to the Harrington vs. Obledo case.

The Budget Bill proposes to appropriate $5,798,600 from the General

Fund to pay the prospective costs of the Court of Appeals' decision. This includes funds for the following purposes:

(a) $5,410,100 for retroactive grant costs,

(b) $360,000 for prospective grant costs and

(c) $28,500 for implementation costs.

In addition, Item 286 contains language which permits funds to be transferred to Item 282, Department of Social Services support, or Item 288, County Administration, since it is not clear whether the court will require the state or the counties to administer a separate new program for SSP recipients.

Unresolved Issues

During hearings on the 1978–79 budget, the Department of Finance submitted a budget amendment letter proposing funds to pay the partial year costs related to the Harrington court case. At that time we pointed out several unresolved issues in connection with this case which suggested that approval of the request was premature. The Legislature did not include funds in the Budget Act for these costs.

Many of the unresolved issues which we identified last year have not yet been resolved. Specifically: (1) we do not know what specific action the Superior Court will require of the department in its final decree, (2) we do not know whether the state will be required to make retroactive payments as well as prospective payments to recipients, (3) we do not know the extent to which the state and/or counties will be required by the court to undertake extensive search activities to find and notify eligible recipients, (4) we do not know whether the state or counties will be required to administer a separate program for this class of recipients, and (5) the Legislature has not had an opportunity to fully review the court's decision or final judgment, or to consider the policy question of establishing a separate SSP program for recipients who are eligible under old federal state welfare programs but who are not eligible for the SSI program. Since the court's decision is based on its interpretation of legislative intent, it is appropriate for the Legislature to review that interpretation.

AB 3464, which would have amended Section 12151 of the Welfare and Institutions Code to conform state eligibility standards with existing federal eligibility requirements for SSI, was introduced in March 1978 and was referred to the Assembly Human Resources Committee. This bill would have eliminated the necessity for prospective payments to recipients such as Ms. Harrington and Ms. Cruz. However, the bill was not acted on by the committee.

Because there has been no final court decree in this case and because the Legislature has not had an opportunity to fully review the policy question involved, we recommend deletion of the proposed $5,798,600.

28—78673

Department of Social Services
SOCIAL SERVICE PROGRAMS

Item 287 from the General Fund Budget p. 777

Requested 1979–80	$177,143,755
Estimated 1978–79	132,113,865
Actual 1977–78	N/A
Requested increase $45,029,890 (34.1 percent)	
Total recommended reduction	$67,467,029

1979–80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
287	Social Services Program	General	$173,118,755
	Chapter 892, Statutes of 1977	General	125,000
	Budget Act of 1978, Item 274	General	1,500,000
	Welfare and Institutions Code, Section 16151	General	2,400,000
	Total		$177,143,755

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS *Analysis page*

1. *In-Home Supportive Services Program.*
   (a) *Reduce by $33,927,057.* Recommend General Fund reduction of $33,927,057 for increased program costs. 795
   (b) Recommend that Budget Act language be added to make counties liable for the expenditure of funds which exceed the budgeted amount, and to require the Department of Social Services to implement a plan for controlling program costs. 797
   (c) *Reduce by $14 million.* Recommend General Fund reduction of $14 million by eliminating funds for proposed regulations. 797
2. *Other County Social Services Program.*
   (a) Recommend that legislation be enacted to identify and define county-administered social services more clearly and to limit the number of services which counties are required to provide. 799
   (b) *Reduce by $14,339,972.* Recommend reduction by transferring $14,339,972 in federal funds from other county social services to in-home supportive services and reducing General Fund support for in-home supportive services by an equal amount. 801
   (c) *Reduce by $5 million.* Recommend a General Fund reduction of $5 million for an augmentation for child protective services in accordance with legislative intent. 801

3. *Title XX Training.* Recommend a reduction of $16,863,300 in federal and county funds and reimbursements by eliminating funds for Title XX training programs. 805
4. *Demonstration Projects. Reduce by $200,000.* Recommend a General Fund reduction of $200,000 by eliminating funds for unspecified demonstration projects. 805
5. *Title XX Funding Transfer.* Recommend that Budget Items 271, 275, and 287 be revised so that the proposed allocation of federal Title XX funds to the Department of Developmental Services and the Department of Mental Health will be replaced by General Fund support. 807

GENERAL PROGRAM STATEMENT

The Department of Social Services is responsible for administering a number of social service programs. These programs differ in terms of services provided, clients served, source of funding, and organizational point of delivery. The Governor's Budget has grouped these programs into Adult Services and Family and Children's Services. We have identified the major components of these programs below.

Title XX Social Services

The department is designated the single state agency for purposes of receiving federal social service funds from Title XX of the Social Security Act. Federal regulations require that at least three services be provided for SSI/SSP recipients and that at least one service be directed to achieving each of five federal program goals including self-support, self-sufficiency, protection of children and adults, deinstitutionalization and institutionalization where necessary. The only specific service mandated by federal law is family planning for AFDC recipients.

County Administered Services. The majority of Title XX social services are administered by county welfare departments. State law and regulations require counties to provide ten specific services and permit counties to provide any of 14 additional services. One of the mandated services is provided through the In-Home Supportive Services (IHSS) program. The remaining services are provided through the Other County Social Service (OCSS) program.

Of the ten mandated services, four are required to be available to all persons: information and referral, protective services for children, protective services for adults, and court-ordered foster care. Other services are provided to individuals who receive SSI/SSP or AFDC, or who are eligible by virtue of their low income. Federal regulations require that 50 percent of Title XX funds be used to provide services to cash grant recipients. In addition, the state requires that specific services be provided to individuals whose annual gross income does not exceed 80 percent of California's adjusted median income (or $15,145 in 1978).

State Administered Services. The Governor's Budget proposes that Title XX social services also be provided by the Department of Health Services (family planning), the Department of Mental Health (continuing care services), the Department of Developmental Services (continuing care services and regional centers), and the Department of Education

SOCIAL SERVICE PROGRAMS—Continued

(child development).

Title XX Program Funding. In 1972, Congress enacted legislation establishing a cap of $2.5 billion on federal Title XX funds, with the amount to be distributed to the states on the basis of population. California's share for fiscal year 1979–80 is $250,629,981, which includes a $2.1 million increase over last year's allocation to reflect a change in California's population. An additional $33,154,900 is available in the budget year as a result of PL 95-600 (HR 13511) for a total federal Title XX allocation of $283,784,881. Federal law requires that $263,784,881 of available Title XX funds be matched on the basis of 75 percent federal funds and 25 percent state and county funds. As a result of the federal funding cap, California is now providing support for social services which far exceeds the 25 percent required match. For fiscal year 1979–80, state and county expenditures for social services will be $119.5 million above the amount required.

In addition, Section 15151.5 of the Welfare and Institutions Code requires that at least 66 percent of federal Title XX funds be allocated to the counties. The budget proposes that $209,625,400, or 73.9 percent of available funds be allocated to counties in 1979–80. The remaining federal funds are allocated to state programs. Of the $209,625,400 allocated to the counties, $77,215,300 is for in-home supportive services and $132,410,100 is for other county social services. Section 12306 of the Welfare and Institutions Code requires the state to provide the 25 percent match for federal funds used for in-home supportive services. Counties are required to provide the 25 percent match for other county social services although the state has provided an additional amount of General Fund support for these services in prior fiscal years.

Other Social Service Activities

The department is also responsible for administering the following social service programs:

1. Child welfare services which are funded under Title IV-B of the Social Security Act. The state receives an annual allocation of $3.4 million in federal Title IV-B funds for which the counties are required to provide a 25 percent match. These funds are used to supplement protective services for children.
2. Maternity care services which are funded from a continuing annual General Fund appropriation of $2.4 million made by Section 16151 of the Welfare and Institutions Code. These funds are used to reimburse nonprofit licensed maternity homes for the cost of care and services provided to unmarried pregnant women.
3. WIN social services which are funded through a combination of federal, state and county funds.
4. Services to Indo-Chinese refugees which are 100 percent federally funded through September 30, 1979.
5. Adoption services which are 100 percent state funded.
6. Community care licensing services provided by counties which are 100 percent state funded.

Impact of Proposition 13

At this time, it is unclear what impact Proposition 13 has had on social services. One problem is that it is difficult to separate the effect of Proposition 13 reductions on local revenues from the effect of legislative reductions on social service funding for fiscal year 1978–79. The action taken by the Legislature was further compounded by a related change in the allocation of remaining funds to counties.

A second problem is that Proposition 13 not only had an impact on available local revenues but also may have changed local administrator's perceptions about how they should spend those revenues. For example, it appears that some county boards of supervisors reduced their social service spending primarily because they interpreted Proposition 13 as a voter demand to reduce welfare services and not because of an actual reduction in available funds.

For these reasons, any reduction in county social service expenditures may be explained by several factors other than Proposition 13 revenue reductions.

There have been a number of surveys made by various organizations to identify the current situation in county social service programs. According to a 49-county survey conducted by the County Welfare Directors Association during October 1978, counties reported a total reduction of 560 social services positions during fiscal year 1978–79 below the prior year level. These reductions were made primarily by eliminating vacant positions and to a lesser extent through layoffs and demotions. It is difficult to identify the extent to which these positions were vacant as a result of a hiring freeze or for other reasons. In addition, it is difficult to identify the impact of the elimination of positions on the level and quality of services provided.

The department also conducted a survey during November 1978 of 11 large county welfare departments serving areas containing 85 percent of the total population. All 11 counties indicated they would continue to provide a county match for available federal funds at the rate of 25 percent or more. In addition, all 11 counties reported that they would be willing to provide a county match for any additional federal or General Fund support for other county social services should it be made available. However, the survey was not designed to identify if counties had reduced any existing overmatch.

ANALYSIS AND RECOMMENDATIONS

The budget proposes $177,143,755 from the General Fund for social service programs in 1979–80. The total includes $173,118,755 from this item, $2,400,000 for maternity care services appropriated by Section 16151 of the Welfare and Institutions Code, $125,000 for centers for victims of domestic violence appropriated by Chapter 892, Statutes of 1977, and $1,500,000 for multipurpose senior service centers carried over from the Budget Act of 1978. The proposed General Fund amount is $45,029,890, or 34.1 percent, above estimated current year expenditures. Table 1 identifies the major components of this cost increase.

SOCIAL SERVICE PROGRAMS—Continued

Table 1
Proposed General Fund Budget Adjustments for Social Service Programs Fiscal Year 1979–80

	Adjustment	*Total*
A. Budget Base		$132,113,865
B. Budget Adjustments		
1. In-Home Supportive Services		
a. Caseload growth	$17,801,757	
b. Provider benefits	−2,086,500	
c. Minimum wage increase	13,478,200	
d. Impact of Chapter 1362, Statutes of 1978	182,000	
e. Statutory cost-of-living adjustment for grants at maximum level	2,647,100	
f. Proposed regulations	9,056,400	
g. Title XX funding consolidation	−5,634,808	
h. Transfer from demonstration projects	3,573,551	
i. Replacement of one-time federal funds for community care licensing	1,527,000	
		$40,544,700
2. Other County Social Services		
a. Augmentation for child protective services	5,000,000	
		$5,000,000
3. Demonstration Projects		
a. Carry over from Budget Act of 1978	1,500,000	
b. Termination of HR 3387 projects and transfer to IHSS	−2,073,551	
c. Continuation of Family Protection Act Project	−317,000	
d. Termination of other project funding	−284,814	
		−$1,175,365
4. Adoptions		
a. Decrease in placements	−1,322,800	
b. Six percent cost of living	868,800	
		−$454,000
5. Community Care Licensing		
a. Six percent cost of living	845,100	
b. Technical adjustment	−8,900	
		$836,200
6. WIN Child Care		
a. Transfer of funds previously budgeted in separate item	278,355	
		$278,355
Total General Fund Increases		$45,029,890
Proposed Total General Fund from Item 287, Section 16151 of the W&I Code, Chapter 892, Statutes of 1977, and carry over from Budget Act of 1978		$177,143,755

Total expenditures for programs supported in Item 287 by state, federal and county funds as well as by reimbursements are projected to be $567,075,289 for 1979–80. This is an increase of $65,523,963, or 13.1 percent, over total estimated current year expenditures. Table 2 identifies total proposed expenditures for social service programs for the budget year.

Table 2
Total Proposed Expenditures for Social Service Programs
Fiscal Year 1979–80

Program	General Fund in Item 287	General Fund in Other Items	Federal Funds in Item 287	County funds	Reimbursements	Total
A. Title XX Social Services						
1. In-Home Supportive Services	$141,524,900	—	$77,215,300	—	—	$218,740,200
2. Other County Social Services	5,000,000	—	132,410,100	$43,724,800	—	181,134,900
a. Adult Services	—	—	(23,568,900)	(7,444,400)	—	(31,013,300)
b. Family and Children's Services	(5,000,000)	—	(108,841,200)	(36,280,400)	—	(150,121,600)
3. Child Development (Department of Education)	—	$10,671,314	52,013,942	—	—	62,685,256
4. Family Planning (Department of Health Services)	—	444,444	4,000,000	—	—	4,444,444
5. Regional Centers and Continuing Care Services (Department of Developmental Services)	—	3,212,200	9,636,600	—	—	12,848,800
6. Continuing Care Services (Department of Mental Health)	—	2,836,313	8,508,939	—	—	11,345,252
B. Title XX Training						
1. State Administered	—	—	9,997,500	—	$3,332,500	13,330,000
2. County Administered	—	—	2,650,000	883,300	—	3,533,300
C. Other Social Services						
1. Demonstration Projects	3,158,000	—	430,075	—	17,887	3,605,962
2. Adoptions	12,389,900	—	—	—	—	12,389,900
3. Community Care Licensing	12,392,600	—	—	—	—	12,392,600
4. Services to Indochinese Refugees	—	—	7,182,400	—	—	7,182,400
5. WIN Child Care	278,355	—	3,711,405	134,023	—	4,123,783
6. WIN Separate Administrative Unit	—	—	11,146,643	1,238,516	—	12,385,159
7. Child Welfare Services (Title IV-B)	—	—	3,400,000	1,133,333	—	4,533,333
8. Maternity Care	2,400,000	—	—	—	—	2,400,000
Total	$177,143,755	$17,164,271	$322,302,904	$47,113,972	$3,350,387	$567,075,289

Availability of Additional Federal Funds

PL 95-600 (HR 13511) increased the $2.5 billion ceiling on federal Title XX funds available to the states for federal fiscal year 1979 by $400 million. The federal ceiling will revert to the $2.5 billion level beginning in federal fiscal year 1980 unless additional federal legislation is enacted. California's share of this increase is $40 million. Of this amount, $20 million is a continuation of federal funds made available during fiscal years 1977–78 and

SOCIAL SERVICE PROGRAMS—Continued

1978–79 for federal interagency day care requirements as a result of PL 95-171 (HR 3387) and PL 94-401 (HR 12455). A discussion of the proposed use of these funds is found in Item 328, Child Development Programs. An additional $20 million is available for Title XX social services.

Table 3 identifies how the budget proposes to allocate the $40 million in the current and budget years. We anticipate that the Department of Finance will submit a letter under Section 28 of the 1978 Budget Act notifying the Legislature of its intent to approve the expenditure of those funds identified for the current year. A discussion of the proposed use of these funds is included in our analysis of the individual programs.

Table 3
Proposed Use of One-Time Federal Funds Made Available by PL 95-600 (HR 13511) for Social Service Programs

Program	*Amount*
I. Fiscal Year 1978–79	
Other County Social Services—to replace General Fund support pursuant to Budget Act language	$6,845,100
II. Fiscal Year 1979–80	
A. Other County Social Services	
1. To continue 1978–79 funding	6,845,100
2. To provide portion of cost of living	6,309,800
B. Child Development	20,000,000
Total	$40,000,000

In addition, California's allocation of federal funds received under Title XX of the Social Security Act has been increased as a result of an adjustment for California's population growth. This represents an on-going increase of $2,130,000 in California's annual allocation. The budget indicates that these funds will be used for in-home supportive services in the current year and for in-home supportive services and other county social services in the budget year. We anticipate receiving a Section 28 letter from the Department of Finance for the proposed current year expenditure of these funds.

Departmental Progress in Addressing Social Service Issues

Last Year's Budget Issues. Last year during budget hearings, there was substantial legislative discussion regarding the lack of adequate program information to use as a basis for assessing appropriate funding levels for county-administered Title XX social services. As a result, our office recommended that $750,000 in one-time federal funds be allocated to the department for the purpose of establishing a planning group and developing a data base for other county social services. The Department of Finance opposed our recommendation, claiming that it was unnecessary. The department stated that the Department of Social Services already had adequate resources and staff to perform these functions, and in fact had established a number of departmental subcommittees to address these issues. Subsequent to that time, these subcommittees were discontinued.

Administration's Lack of Response. Because of the statements made by the Department of Finance during budget hearings, the Legislature added supplemental language requesting that the Department of Finance identify those existing positions and resources to be utilized by the Department of Social Services in defining and standardizing social services and developing a data base. Supplemental language also requested that the Department of Social Services report to the Legislature by December 1, 1978 on its progress in developing program goals and objectives, service standards, procedures for assessing service needs and priorities, and measures of service impact. To date, neither of these reports has been submitted to the Legislature.

On September 26, 1978, the Governor approved Chapter 1235, Statutes of 1978, the Social Services Planning Act. This act is intended to establish a comprehensive planning and allocation process for social services during a three-year period. The first cycle is to begin July 1, 1979. In the department's assessment of issues relating to the implementation of Chapter 1235, it reaffirmed that there existed (a) no uniform approach or structure for social service programs, (b) no uniform criteria for determining needs, assessing performance, or allocating resources, (c) ineffective public involvement in the planning process, (d) inadequate management information, (e) fragmented management control, (f) lack of departmental leadership, and (g) unclear priorities.

Because we had failed to receive departmental responses to the supplemental language requests, we sent a letter to the Director of Social Services on December 14, 1978. In that letter, we requested that the department identify what progress it had made in these problem areas during the first six months of fiscal year 1978–79 and what plans it had in the months ahead. To date, we have not received a written response from the department.

Based on our discussions with departmental staff, we have identified that the department intends to (a) establish an eight-member departmental task force to identify program goals and objectives, (b) develop a claims form which would require counties to report service costs by program, (c) develop a cost comparison report for in-home supportive services, and (d) develop a characteristics survey of recipients of other county social services. In addition, the department has previously indicated that it will develop a master plan for a three-year phase-in of the Social Services Planning Act during January 1979. In response to a supplemental language request, the department also has stated that it will implement new reporting forms for the in-home supportive services program by August 15, 1979, and that it established a departmental social services information system task force as of December 1978. This task force is to analyze data needs, assess current reporting systems, and present its recommendations to the department by July 1979.

Continuing Budget Problems. We anticipate that significant program accomplishments may be achieved by these activities if sustained. At the same time, it is clear that the department's approach in dealing with the major administrative and program issues in social services during the first

SOCIAL SERVICE PROGRAMS—Continued

six months of fiscal year 1978–79 has been unnecessarily delayed and fragmented. Part of this problem is due to the fact that the departmental division responsible for administering the social service program was under the management of an acting director for most of that time. A permanent deputy director was named during December 1978. Nonetheless, the Legislature is faced with the same lack of adequate information which was evident during last year's budget hearings.

IN-HOME SUPPORTIVE SERVICES PROGRAM

Program Description

The In-Home Supportive Services (IHSS) program provides domestic and personal care services to approximately 85,000 aged, blind and disabled low-income individuals. County welfare departments administer the program. However, services may be provided either directly by county employees, by agencies under contract with the counties, or by providers hired directly by the recipient.

Section 12304 of the Welfare and Institutions Code defines a severely impaired recipient as one who requires 20 or more hours of service a week to carry out specified functions of daily living. The program defines a nonseverely impaired recipient as one who receives less than 20 hours of specified services per week. As of July 1, 1978, the maximum monthly allowance was $621 per month for severely impaired clients and $431 per month for nonseverely impaired clients.

Section 12306 of the Welfare and Institutions Code requires the state to match available federal Title XX funds for the cost of the program from the General Fund. The federal matching basis is 75 percent federal funds and 25 percent state funds. However, in fiscal year 1974–75, the state began providing increased state funds while federal funds remained the same. Of the funds proposed in the budget, 65 percent are state and 35 percent are federal. County administrative costs for in-home supportive services are included in the cost of the Other County Social Services program which is supported from federal, state and county funds. Table 4 shows the growth in the IHSS program from fiscal year 1974–75 to 1979–80.

Table 4

Total Expenditures for the In-Home Supportive Services Program
Fiscal Years 1974–75 to 1979–80

Fiscal Year	*General Fund*	*Federal Funds*	*Total*	*Annual Percent Increase*
1974–75	$25,927,000	$52,750,002	$78,677,002	—
1975–76	44,953,000	51,415,152	96,368,152	22.6%
1976–77	28,908,943	86,726,828	115,635,771	20.1
1977–78	53,647,157	82,743,379	136,390,536	18.0
1978–79 (Budgeted)	90,766,284	80,736,134	171,502,418	25.7
1978–79 (Estimated)	100,980,200	82,866,134	183,846,334	34.8
1979–80 (Proposed)	141,524,900	77,215,300	218,740,200	19.0

Current Year Deficiency

Funds appropriated for the IHSS program for fiscal year 1978–79 totaled $171,502,418. This included $159,288,618 in state and federal funds made available by the Budget Act of 1978 and $12,213,800 made available by Chapter 463, Statutes of 1978 for provider benefits. However, the budget indicates that estimated expenditures for in-home supportive services will total $183,846,334, an increase of $12,343,916, or 7 percent over budgeted funds. The budget indicates that this deficiency will be funded as follows: (a) $6,845,100 from the General Fund redirected from Other County Social Services as a result of one-time federal funds made available by HR 13511, (b) $2,573,105 from the General Fund made available as a result of a current year savings in the Adoptions program, (c) $761,287 from the General Fund made available as a result of a current year savings in the county community care licensing program, (d) $2,130,000 from federal funds made available as a result of a population adjustment for California's Title XX allocation, and (e) $34,424 from a proposed deficiency appropriation.

According to an opinion from the Legislative Counsel, the Legislature is not required to make available additional funds for in-home supportive services during the current year for counties which exceed their allocation.

Budget Proposal

The budget proposes a General Fund appropriation of $141,524,900 for in-home supportive services, which is an increase of $40,544,700, or 40.2 percent, above the current year estimated expenditure. The primary reasons for the $40.5 million increase are: (a) $17.8 million for a 12 percent increase in caseload, (b) $13.5 million for minimum wage increases, (c) $2.6 million for statutory cost-of-living adjustments for grants which are currently at the maximum level, (d) $9 million for the additional cost of proposed regulations, (e) $5.1 million to replace federal funds made available during the current year as a result of HR 3387, and (f) $0.2 million for the cost of providing services to disabled employed individuals pursuant to Chapter 1362, Statutes of 1978. These costs are offset by the following General Fund reductions: (a) $5.6 million used to replace federal Title XX funds, and (b) $2.1 million resulting from a decrease in the cost of provider benefits.

Total program expenditures including federal funds are estimated at $218,740,200 for the budget year, which is an increase of $34,893,866, or 19 percent, over estimated current year expenditures, and an increase of $47,237,782, or 27.5 percent, over the current year appropriation.

Continuing Program Problems

We recommend that Item 287 be reduced by $33,927,057 from the General Fund by reducing funds for the In-Home Supportive Services Program.

A number of long-standing problems plaguing the IHSS program continue to limit our ability to assess the appropriateness of the proposed funding level.

SOCIAL SERVICE PROGRAMS—Continued

Unknown Program Results. One problem is lack of measurable program goals or data to assess whether the program is effective in meeting those goals. Some groups contend that the program's purpose is to provide an alternative to immediate institutionalization of eligible recipients. Other advocate groups have argued that the purpose of the program is to provide for the comfort and safety of eligible recipients in their own homes. In two letters to the department, we asked the department to identify: (a) its interpretation of the program goal, (b) its efforts to measure the effectiveness of the program in meeting that goal, and (c) the effect of the proposed level of funding on the department's ability to meet that goal. The department has not responded to our request.

One of the contributing problems is lack of clear program intent as identified in the enabling legislation. Nevertheless, the department has not indicated whether it intends to propose amendments to existing law to more clearly define the program. Nor has it adopted a narrow construction of the purpose of the program in order to ensure that program costs will stay within the available funds, an action the Legislative Counsel believes is permissible.

Unjustified Program Variations. A second problem is that among county programs, there continue to be unexplained variations in funds received, funds expended and services provided.

1. *Funds Received.* There is a close relationship between a county's SSI/SSP caseload and its IHSS caseload. This is probably explained by the fact that most IHSS recipients are SSI/SSP recipients. As a result, we would expect that a county's allocation of IHSS funds would bear some relationship to its SSI/SSP caseload. However, based on our review of data for 1978–79, we determined that the annual amount of IHSS funds received by some counties relative to their SSI/SSP caseload is more than four times greater than that received by other counties.

2. *Funds Expended.* The average monthly payment per client made by counties ranges from a high of $295 per month in some counties to a low of $57 per month in other counties. In addition, costs for services provided by contract providers range from a high of $9 an hour to a low of $4 an hour.

3. *Services Provided.* The average monthly hours of service per client provided by counties range from a high of 140 hours per month in some counties to a low of 10 hours per month in other counties.

These variations suggest that the state may be providing more General Fund support than is necessary to maintain a quality program.

Recommendation. According to an opinion from the Legislative Counsel, the Legislature is not required to increase the level of state funding for in-home supportive services, for the budget year above the level of funds appropriated for services in the current fiscal year. Because the department is unable to identify what program results it expects to achieve with the proposed funding for in-home supportive services, or to justify why such a broad range of variations is permitted among the county programs, we recommend that Item 287 be reduced by $33,927,057. This would be achieved by deleting funds for caseload growth, minimum wage increases and adjustments for grants at the maximum level. Any increased expenditures for these components should be absorbed within the existing funding level.

Uncontrolled Program Growth

We recommend that Budget Act language be added to Item 287 to: (a) make the counties liable for the expenditure of funds for in-home supportive services which exceeds the amount of funds contained in the budget, and (b) require the Department of Social Services to implement a plan for controlling the costs of the In-Home Supportive Services program.

An additional problem of the IHSS program is the continued spiraling of program costs. Of particular concern is the $12.3 million deficiency in the current year and the inability of the department to avert this deficiency. As indicated in Table 4, total program costs have almost tripled in a five-year period. If the rate of program growth continues at the same rate as it has in the past, the program will cost an estimated $2 billion dollars by fiscal year 1989–90.

There has been much confusion regarding the department's authority to control or limit county expenditures for services and whether funding for in-home supportive services should be considered open-ended or close-ended. We asked the department to define its role in administering the program and to identify what it had done during the current year to assure that program expenditures did not exceed funds appropriated. We also asked the department to identify what plans it had to develop regulations which would require counties to keep program expenditures within the level of appropriated funds. The department has not responded to our request.

In order to assure that unjustified program costs do not continue to exceed the amount of funds appropriated by the Legislature, we recommend that Budget Act language be added to: (a) make the counties liable for the expenditure of funds for in-home supportive services which exceeds the amount of funds contained in the budget, and (b) require the Department of Social Services to implement a plan for controlling the costs of the IHSS program. The Legislative Counsel has advised us that both of these provisions are valid conditions on the expenditure of funds appropriated in the Budget Act.

Program Regulations

We recommend that Item 287 be reduced by $14 million from the General Fund by eliminating funds for proposed in-home supportive services regulations.

Last year the Legislature added Budget Act language which required the department to issue emergency administrative regulations for in-home supportive services by July 15, 1978 and to develop additional program regulations to establish a uniform range of services. These program regulations were to be presented to the Legislature for review by November 15, 1978 and to be adopted by April 1, 1979. In addition, the budget appropriated $1 million for the emergency administrative regulations and $3 million for the three-month cost of the additional program regulations for fiscal year 1978–79.

SOCIAL SERVICE PROGRAMS—Continued

The department has implemented the emergency regulations in conformance with the July 15 deadline and has submitted draft program regulations in conformance with the November 15 deadline.

The emergency administrative regulations alter a number of procedures in the areas of eligibility determination and service authorization. The proposed program regulations contain the following changes:

1. A restatement of the purpose and content of the program.

2. The establishment of a range of services to be provided in each county. This range excludes medically-related personal services, protective supervision, and teaching and demonstration services, and limits the provision of transportation services to those which are medically related.

3. Further amendments to the application and needs assessment processes.

The department estimates that the proposed program regulations will result in an annual General Fund cost to social service programs of $19,774,400. This amount is composed of the following: (a) a cost of $27,891,500 to the Other County Social Services program for the transfer of protective supervision services and other staff requirements, (b) a savings of $8,117,100 resulting from the elimination or restriction of certain services. In addition, the proposed regulations will result in a cost of $1,694,000 to the Medi-Cal program for the provision of medically-related personal care and a savings of $409,000 to the SSP program resulting from the placement of a small number of individuals in out-of-home care facilities as a result of changes in protective supervision services. The total General Fund cost of the regulations is estimated at $21,059,400.

Item 287 contains a total of $14 million for the proposed regulations even though the department estimates they will cost $19,774,400 for social services programs. The department indicates that the regulations will be further amended to reflect the $5 million reduction and to reflect the concerns expressed as a result of public hearings held on January 15 and 16, 1979.

The program regulations attempt to establish a uniform range of services in conformance with legislative intent. However, we believe the Legislature should have a number of concerns with the regulations as submitted on November 15, 1978:

1. The regulations restate the program's definition but not in such a way as to permit measurement of accomplishments. The proposed regulations state that in-home supportive services are those activities and resources provided to eligible individuals who could not remain in their own homes without them and that the program is an alternative to out-of-home care. They also state that clients who are found to be able to live at home in comfort and safety without such services are not to be granted services. This definition does not provide a clear statement for eligibility determination or program evaluation. As a result, the department is unable to identify what actual program outcome can be anticipated as a result of providing a specified range of services in each county.

2. The proposed regulations do not contain provisions which would

assist the state or counties in limiting the cost of the program to the amount of funds appropriated through the budget process.

In addition, the department is unable to identify at this time how the regulations will be further amended to reflect the amount of funds currently contained in the Governor's Budget. As a result, we cannot recommend approval of funds for the proposed regulations. We therefore recommend that Item 287 be reduced by $14 million from the General Fund.

OTHER COUNTY SOCIAL SERVICE PROGRAM

Program Description

The Other County Social Services (OCSS) program consists of nine mandated and 14 optional services administered by counties under the provisions of Title XX of the Social Security Act. The mandated services include protective services for children, protective services for adults, out-of-home services for children, out-of-home services for adults, health-related services, employment services, information and referral, family planning services, and child care services. Under this program, counties are required to provide the 25 percent match for any federal Title XX funds received, unlike in-home supportive services where the state provides the match. However, in fiscal year 1976–77 the state began to provide an increasing amount of state support because of the cap on federal funds.

This year, Item 287 includes funds for the OCSS program in two subitems, Adult Services and Family and Children Services. These subitems also contain funds for in-home supportive services, Indo-Chinese services, WIN social services, and social services administered by other state agencies. These program components are discussed separately in other parts of our analysis.

Unclear Statutory Basis

We recommend that legislation be enacted to identify and define county administered social services more clearly and to limit the number of services which counties are required to provide.

A Department of Finance report dated June 1978 states that there is no legislatively established social services program. Rather, the law "specifies a collection of diverse programs, each with its own purpose, scope of benefits, and eligibility criteria. . ." It further points out that the statutes are particularly unclear in identifying whether all counties are required to provide those services mandated by state regulation. We asked the Legislative Counsel to identify those services which are required to be provided by state statute. The Counsel indicated that eight services are required in statute but that protective services for adults and out-of-home services for adults are not mandated by law.

Because of the confusion regarding the legal basis for provision of specific social services, we recommend that legislation be enacted to more clearly define county-administered social services. The Legislature may wish to consider requiring only those services which are most critically needed and where program effectiveness can be identified most clearly, thus reducing the number of services which counties are required to provide.

SOCIAL SERVICE PROGRAMS—Continued

Current Year Budget

The budget as approved by the Legislature and the Governor provided $166,553,669 for the OCSS program of which $118,070,128 is federal funds, $6,845,100 is state funds, and $41,638,441 is county funds. In addition, Budget Act language required that in the event additional federal Title XX funds became available, such funds shall be used in lieu of General Fund dollars for support of that program. The Governor's Budget indicates that $6,845,100 in federal funds made available as a result of HR 13511 will be used to replace the General Fund appropriation for OCSS in the current year and that the released General Fund dollars will be used to fund part of the current year deficiency in the In-Home Supportive Services program.

Proposed Budget

The Governor's Budget for fiscal year 1979–80 proposes a total amount of $181,134,900, including $132,410,100 in federal funds, $5 million in state funds, and $43,724,800 in county funds. This is a total program increase of $15,058,872, or 9.1 percent, over estimated current year expenditures. Included in the $15.1 million increase is a $5 million General Fund increase for child protective services and a $7,494,872 increase in federal funds for a 6 percent cost-of-living adjustment. Table 5 presents a break-out of funding by source for the OCSS program for fiscal year 1979–80.

Table 5
Breakout of Funding by Source for Other County Social Services Program for Fiscal Year 1979–80

Source	*Amount*
A. Federal Funds	
a. Continuing Title XX allocation	$118,070,128
b. HR 13511 funds to replace General Fund support	6,845,100
c. HR 13511 funds to provide portion of cost-of-living	6,309,800
d. Title XX population adjustment to provide portion of cost-of-living	1,185,072
B. General Fund	5,000,000
C. County Funds	43,724,800
Total	$181,134,900

The budget indicates that the $181,134,900 will be distributed as follows: (a) $155,535,700 for the nine mandated services, and (b) $25,599,200 for optional services, although the budget does not identify these by individual services.

The department indicates that the distribution of funds by services is not based on actual expenditure data because the department does not yet receive this information from the counties. Instead it is based on how counties planned to spend their 1978–79 planning allocation in their Title XX plans last year. For this reason, the budget estimates are probably not highly accurate since the Title XX plan is not regarded as being particularly valid.

Legislative Concerns

We recommend that Item 287 be reduced by $14,339,972 by transferring $14,339,972 in federal funds from other county social services to in-home supportive services and reducing the General Fund appropriation for in-home supportive services by an equal amount.

In our analysis last year, we identified a number of problems with the OCSS program, including the fact that the program lacked standard program definitions or minimum service requirements and was unable to demonstrate the extent to which it was successful in meeting program goals. As a result, the Legislature reduced state funding to the 1976–77 level. Budget Act language was added which stated it was the intent of the Legislature that state funds appropriated for support of the program for fiscal year 1978–79 be made on a one-time basis only and that any future General Fund appropriations be based on the department's ability to identify the effectiveness of such services in meeting program goals.

In a letter to the department dated December 14, 1978, we asked what effort it had made in this regard, and what program outcomes it anticipates will be achieved as a result of the funding level proposed in the Governor's Budget. The department has not responded to our request.

The budget proposes to use $14,339,972 in new federal funds for support of the OCSS program. These funds will be used in lieu of General Fund support. Because these federal funds alternatively could be used to offset General Fund costs in other social service programs the effect of the budget's proposal is the same as it would have been had the $14,339,972 been requested from the General Fund directly. We believe this is contrary to the Legislature's intent not to provide support for other county social services above the level for fiscal year 1975–76 unless the effectiveness of those services could be conclusively demonstrated. The department has not been able to provide that demonstration. We therefore, recommend that Item 287 be reduced by $14,339,927. This would be accomplished by transferring $14,339,972 in new federal funds to the In-Home Supportive Services program and reducing the General Fund appropriation for in-home supportive services by an equal amount.

Child Protective Services Proposal

We recommend that Item 287 be reduced by $5 million by eliminating a General Fund augmentation for child protective services in accordance with stated legislative intent.

Current Program. The budget proposes $79,269,333 in federal and county funds for child protective services funded under Title XX and Title IV-B of the Social Security Act. In addition, the budget contains an additional $47,138,000 in federal and county funds for related out-of-home and child care services and an unspecified amount of funds for optional children's services.

Under current procedures, each county is permitted to determine how much of its appropriation for other county social services will be used for child protective services. The basis for determining how the state allocates funds to counties and how counties allocate funds to individual services is not based on a rational needs assessment process. Moreover, the depart-

SOCIAL SERVICE PROGRAMS—Continued

ment was unable to provide a break-out of estimated child protective service expenditures by counties.

Regulations implemented in 1969 require that child protective service intervention be available 24 hours a day. According to a Department of Health report dated October 1977, 42 of the 58 counties report that their welfare departments provide 24-hour child protective services. However, the characteristics of the existing systems vary from county to county.

Proposal. The budget proposes a $5 million augmentation for child protective services. According to the department's proposal, these funds are to be used to develop and implement improved 24-hour child protective service response systems in all 58 counties. The proposal identifies 14 requirements which counties must meet in providing such a system. The department indicates that these requirements will later be formalized as regulations, although it has provided no schedule for doing so. Counties which already meet these requirements will be permitted to use augmentation funds for other child protective services.

The department indicates that the funds will be allocated to each county based on the number of children aged 17 and under, with a minimum base for small counties. The allocation formula will not take into account how much money counties are currently spending for child protective services. The department states that counties are expected to provide a 25 percent match for any funds received, although these funds are not identified in the budget. In addition, the department proposes to establish 16 new positions to oversee implementation of the new response system at a General Fund cost of $417,190. These positions are discussed separately in Item 282, Departmental Support.

Program Concerns. We have a number of concerns with the department's augmentation proposal:

1. Budget Act language for fiscal year 1978–79 specifically stated it was the Legislature's intent not to provide additional General Fund support for other county social services, of which child protective services is a part, in the event the department is unable to demonstrate the effectiveness of the programs. The department has not done this.

2. Counties are currently spending $25,599,200 for optional services. We believe that counties should be required to use these funds to satisfy existing requirements of mandated services before using funds for optional services.

3. At this time, the department is unable to identify how budgeted funds are currently spent for child protective services or how the proposed $5 million augmentation will be spent for services by the counties.

4. There is a need to revise and update existing child protective services and child welfare services regulations prior to providing additional funding. For example, current regulations permit counties to spend their Title IV-B funds for child welfare services for specialized needs such as camp or tutoring. We believe that if an improved 24-hour response system is identified as an important need, counties should be required to use available funds for that service first.

For these reasons, we recommend that Item 287 be reduced by $5 million.

TITLE XX TRAINING

Section 28 Letter

On November 3, 1978, the Director of Finance submitted a letter to the Joint Legislative Budget Committee under the provisions of Section 28 of the Budget Act of 1978, regarding the proposed use of federal Title XX training funds. These funds are in addition to the state's allocation of Title XX funds for services. Federal training funds are currently uncapped but must be matched by 25 percent in state or local funds. The letter stated that the Director of Finance: (a) had approved $2.4 million to continue three state university training programs begun in fiscal year 1977–78, (b) intended to approve an expenditure of $1.8 million to permit the Department of Social Services to contract with the Southwest Regional Laboratory (SWRL) for Educational Research and Development for Title XX planning and training activities after 30 days, and (c) intended to approve an expenditure of $0.9 million to contract with three additional educational institutions to conduct new training programs.

On December 5, 1978, the Chairman of the Joint Legislative Budget Committee requested that the Director of Finance allow the Department of Social Services to contract with the three educational institutions only until February 1, 1979, in order to provide the committee an opportunity to review the appropriateness of these contracts. The chairman did not make specific recommendations on the remaining proposals. However, the chairman identified a number of problems with the proposed contracts including the fact that some of the institutions had proceeded with their training programs in spite of the fact that their contracts had not been reviewed by the Legislature or given final approval by the Department of Finance.

On February 6, 1979, the Chairman of the Joint Legislative Budget Committee responded to a subsequent request by the Director of Finance to continue the contracts through June 30, 1979. The chairman approved that request on the grounds that to do otherwise would unnecessarily penalize students and faculty. However, the chairman conditioned his approval on the department's willingness to discontinue immediately the practice of beginning training programs prior to executive or legislative approval. He informed the director that the issue of social service training would be reviewed fully by the fiscal subcommittees of the Legislature during budget hearings.

Current Year Expenditures

The Governor's Budget indicates that the state and counties will spend a total of $16,440,700 during the current year for social services training, to be funded from federal funds, county funds and reimbursements. However, the department has stated that, because of the concerns expressed by the Joint Legislative Budget Committee, it does not intend to expend the amount reflected in the budget and will instead spend only the $7,898,852 approved in the Budget Act of 1978 and the Section 28 letter.

Identification of Problems

As we indicated to the Chairman of the Joint Legislative Budget Committee, there are a number of problems with the way the administration has administered Title XX training funds during the current year:

SOCIAL SERVICE PROGRAMS—Continued

1. The Department of Finance approved contracts to continue several training programs even though funds were not included in the Budget Act and the Legislature had not been given prior notification.

2. Several of the educational institutions either continued to provide training services after their 1977–78 contracts had expired or began new programs before contracts had been approved. In order to reimburse the institutions for expenses already incurred, the Department of Social Services then backdated these contracts.

3. The Department of Social Services did not adhere to procedures for the selection of contract providers as identified in the State Administrative Manual (SAM). According to an opinion by the Legislative Counsel, SAM does not contain any provision which would have exempted the SWRL contract from the request-for-proposal procedures. As a result, the SWRL contract probably would have been subject to the requirement that three qualifying proposals be secured. The department did not seek any proposals but instead contacted SWRL and worked directly with it in preparing a proposal. The Counsel does point out, however, that there are no statutory provisions which require that a request-for-proposal process be followed for professional consultant services.

4. Continuing training programs at the state universities have been criticized by the department and were not adequately evaluated prior to the selection of new programs.

5. The department does not have any formal procedures for identifying training needs or reviewing program proposals based on their ability to meet those needs.

6. Several of the programs will provide training and stipends to students seeking a Master's of Social Work degree in spite of the fact that counties are terminating a substantial number of social service positions as a result of the passage of Proposition 13. In addition, the state has not developed regulations for the selection of students or the awarding of stipends. These decisions are left to the individual institutions.

7. The department has not made an effort to coordinate state-administered university training programs with county administered training programs. Instead, this responsibility has been delegated to the educational providers. As a result, services may be duplicative in some areas and inadequate in others. In at least one case, the state approved a contract to provide training services to social service providers in a specific county. However, the county welfare department had not been given an opportunity to review that contract and indicated it already had plans to enter into similar training contracts on its own.

Budget Proposal

We recommend that Item 287 be reduced by $16,863,300 in federal and county funds and reimbursements by eliminating funds for Title XX training programs.

The budget proposes a total of $16,863,300 in federal and county funds and reimbursements for state and county administered Title XX training programs. In addition, the budget proposes $341,250 in federal funds in Item 282, Departmental Support, for departmental training contracts.

The department indicates it is attempting to improve its management of Title XX training programs. For example, it states that it intends to do a statewide training needs assessment through its contract with SWRL and that it is attempting to develop a model request for proposal, and evaluative criteria for reviewing such proposals. Its contract with SWRL also indicates that SWRL is responsible for evaluating existing training contracts by June 1979. In addition, the department states it is drafting regulations to require counties to develop needs assessment and evaluation procedures for individual county Title XX training plans. However, these regulations will not be implemented in time for the 1979–80 planning process. At this time, the department is unable to identify what training programs counties have conducted in prior years or what impact these have had.

Because we are unable to identify how funds budgeted for social services training will be spent in fiscal year 1979–80, and because we are unable to identify how adequately the department will resolve current management problems, we recommend that Item 287 be reduced by $16,863,300 in federal and county funds and reimbursements by eliminating funds for Title XX training.

OTHER SOCIAL SERVICE ACTIVITIES

Demonstration Projects

We recommend that Item 287 be reduced by $200,000 by eliminating funds for unspecified demonstration projects.

The budget proposes $3,158,000 from the General Fund for demonstration projects, which is a decrease of $1,175,365, or 27.1 percent, below current year expenditures. Total funds budgeted for projects including federal funds and reimbursements are estimated at $3,605,962, which is a decrease of $1,222,735, or 25.3 percent, below total current year expenditures. The major reason for this decrease is an elimination of funds for one-time projects.

The budget indicates that funds for demonstration projects will be expended as follows: $125,000 for domestic violence projects to be funded from Chapter 892, Statutes of 1977, $1,333,000 for a family protection pilot project, $178,869 for a federally funded project for families at risk, $269,093 for federally funded child abuse projects, $200,000 from the General Fund for unspecified projects, and $1.5 million to be carried forward from the Budget Act of 1978 for multipurpose senior service centers. The proposed use of the $1.5 million is discussed in Item 35, Secretary of Health and Welfare, and Control Section 10.08.

Last year, we recommended deletion of $200,000 for unspecified demonstration projects because the department was unable to identify how these funds were to be spent. Subsequent to that time, the department identified several proposals to be funded from the $200,000 and we recommended approval. Since budget hearings, the department has changed a number of those proposals. At the time this analysis was prepared, the department has not actually executed the contracts for funds available in the current year, nor is it able to identify how the $200,000 contained in the proposed budget will be spent.

The department is already committing a substantial amount of time and resources to social service demonstration projects. For example, during the current year, the department is responsible for administering 17 social

SOCIAL SERVICE PROGRAMS—Continued

service demonstration projects. Many of these were established as a result of special legislation. Ten of these projects are expected to continue into the budget year. Several of these involve as many as three individual sites.

In addition, the department is faced with major problems in defining and restructuring social service systems. We believe that the department would achieve better program results by committing its staff and resources to these efforts rather than additional demonstration projects. We therefore recommend that Item 287 be reduced by $200,000 from the General Fund by eliminating funds for unspecified demonstration projects.

Adoptions

The budget proposes $12,389,900 from the General Fund for support of county administered adoption programs in 28 counties. This is a decrease of $454,000, or 3.4 percent, below estimated current year expenditures. This reflects an increase of $868,800 to provide a 6 percent cost-of-living adjustment, which is more than offset by a reduction of $1,322,800 to reflect a decline in caseload. The state is also responsible for the provision of state-administered adoption services in a number of additional counties. This program component is funded in Item 282, Departmental Support.

Community Care Licensing

The budget proposes $12,392,600 from the General Fund to support county-administered community care licensing activities. This is an increase of $836,200, or 7.2 percent, over estimated current year expenditures. This increase reflects $845,100 for a 6 percent cost-of-living adjustment which is partially offset by a $8,900 technical adjustment. Forty-seven counties contract with the state to license 71 percent of the state's 40,000 community care facilities. These activities are reimbursed from the General Fund. Remaining licensing activities are conducted by state personnel funded in Item 282, Departmental Support.

Social Services for Indo-Chinese Refugees

The Budget Act of 1978 did not contain funds for social services to Indo-Chinese refugees. However, the Governor's Budget indicates that $7,182,400 in federal funds will be expended in the current year for this purpose. In addition, the budget proposes a total of $7,182,400 in federal funds for Indo-Chinese social services in 1979–80. These funds will be used to continue contracts with private agencies, to provide education, employment and training services, to reimburse counties for the provision of social services, and to provide English language training.

As we discussed in Item 282, Departmental Support, federal funding for the Indo-Chinese Refugee Assistance Program (IRAP) is expected to terminate September 30, 1979. If no additional federal legislation is enacted, federal funding for IRAP social services could be overstated in the budget by $4,926,100. At that time, the state and counties would have to decide if they wished to continue these services using the same sharing ratios as for existing programs. If this is the case, it would result in a state cost of $3.8 million and a county cost of $1.1 million.

WIN Social Services

The budget contains $12,385,159 in federal and county funds for the cost of administering WIN Separative Administrative Units (WIN-SAUs). WIN-SAUs are administered by county welfare departments to provide social services to WIN registrants. These funds have not been reflected in the budget in previous years.

The budget also contains $4,123,783 for WIN child care services including $278,355 from the General Fund, $3,711,405 from federal funds, and $134,023 from county funds. These services are funded on the basis of 90 percent federal funds and 10 percent state and county funds. This is the same amount which is estimated to be expended in the current year.

Title XX Funding Transfer

We recommend that Budget Items 271, 275, and 287 be revised so that the proposed allocation of federal Title XX funds to the Department of Developmental Services and the Department of Mental Health be replaced by General Fund support.

The Department of Social Services has been designated the single state agency for purposes of administering Title XX funds. However, the department enters into a number of interagency agreements in order for other state departments to provide services supported in part by federal Title XX funds. The budget proposes that these include the Department of Education (child care), the Department of Health Services (family planning), the Department of Mental Health (continuing care services), and the Department of Developmental Services (continuing care services and regional center workshops) in 1979–80. The federal funds for these services are contained in Item 287. However, the General Fund match is appropriated in other departmental budget items. Because federal Title XX funds have been capped since 1972, the amount of federal funds traditionally allocated to these agencies has remained fairly constant, except for child care which has received augmentations as a result of the availability of one-time federal funds.

Last year, the department redirected federal Title XX funds from the community care licensing program by replacing them with General Fund overmatch from the in-home supportive services program. This resulted in no net change in support for either program but resulted in the elimination of federal funds in community care licensing and an increase in federal funds for in-home supportive services. The budget proposes to redirect federal Title XX funds from the Department of Rehabilitation for blind counselors and from the Department of Social Services for administrative support through the same transfer mechanism.

There are a number of administrative efficiencies which can be achieved by reducing the number of state programs which currently receive Title XX funds:

1. *Reduced Planning and Reporting Activities.* Federal regulations require that each program which receives federal Title XX funds satisfy complicated planning and reporting requirements. These requirements may not synchronize with state planning and reporting requirements. In addition, they place an unnecessary burden on state staff which results in

SOCIAL SERVICE PROGRAMS—Continued

no identifiable program benefit.

2. *Reduced Confusion Regarding Program Monitoring.* The current arrangement of funneling federal funds through the Department of Social Services to other departments has resulted in confusion regarding departmental responsibility for program monitoring. Because the department has been designated the single state agency by the federal government, it is responsible for ensuring that federal requirements are met. However, the Department of Social Services does not have the staff or authority to perform on-going review and enforcement functions for other departments. In addition, the current funding arrangement requires that each department devote a considerable amount of staff time to ensure the proper budgeting of funds and negotiation of interagency agreements.

Currently the Department of Mental Health uses Title XX funds for continuing care services to individuals who no longer require hospitalization. The Department of Developmental Services uses Title XX funds for continuing care services as well as regional center workshops. Table 6 identifies how much Title XX funds are currently budgeted for these departments.

Table 6
Allocation of Title XX Funds
to the Department of Mental Health
and the Department of Developmental Services

	Department of Developmental Services	*Department of Mental Health*
1. Federal Title XX Funds (75 percent)		
a. Item 287	$9,636,600	$8,508,939
2. General Fund (25 percent)		
a. Item 271	3,212,200	—
b. Item 275	—	2,836,313
Total	$12,848,800	$11,345,252

The proposed continuation of Title XX funds in these programs will not result in any significant program or administrative benefit. As a result, we recommend that Budget Items 271, 275, and 287 be revised so that the proposed allocation of federal Title XX funds to the Department of Developmental Services and the Department of Mental Health be replaced by General Fund support. This can be accomplished by transferring federal funds currently allocated to these programs to the In-Home Supportive Services program and transferring an equal amount of General Fund dollars from in-home supportive services to programs for the mentally and developmentally disabled.

This redirection will not have any impact on total funds available to each of these programs. However, it will result in greater administrative efficiency and an indeterminate General Fund savings by eliminating unnecessary planning, reporting, budgeting and monitoring activities. Because state law in effect July 1, 1979 will require that any General Fund dollars allocated to county mental health programs be matched by 10 percent in county funds, we further recommend that Budget Act language be added to Item 275 to exempt counties from providing a match for the redirected funds. In this way, counties will not be penalized for a funding transfer at the state level by having to provide additional funds. However, we continue to recommend that counties be required to provide a 10 percent match for all other General Fund support received for local mental health programs, as discussed in Item 275.

Department of Social Services
COUNTY ADMINISTRATION

Item 288 from the General Fund — Budget p. 774

Requested 1979–80	$79,008,300
Estimated 1978–79	71,420,291
Actual 1977–78	70,344,248
Requested increase $7,588,009 (10.6 percent)	
Total recommended reduction	$506,000

1979–80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
288(a)	AFDC	General	$63,830,100
288(b)	Special Adult Programs	General	973,600
288(c)	Food Stamp Administration	General	12,978,800
288(d)	Emergency Payments	General	465,600
288(e)	Nonmedical Out-of-Home Care Certification	General	760,200
288(f)	County Staff Development	General	7,301,153
288(g)	County Staff Development	Federal	−7,301,153
	Total		$79,008,300

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS — *Analysis page*

1. *Proposed Regulations. Reduce Item 288 by $506,000.* Recommend reduction for the cost of proposed regulations relating to the Garcia vs. Swoap case which is still pending. — 811
2. *Administrative Cost Control.* Recommend modifications to the Administrative Cost Control Plan. — 811

COUNTY ADMINISTRATION

GENERAL PROGRAM STATEMENT

This item contains the General Fund appropriation for the state's share of administrative costs incurred by counties for the following program activities: (a) AFDC eligibility determination, (b) administration of the Food Stamp program, and (c) administration of the special benefit and emergency payment programs which provide services to aged, blind and disabled recipients. County staff development training, which is reimbursed by federal funds, is also shown in this item's schedule.

COUNTY ADMINISTRATION—Continued

ANALYSIS AND RECOMMENDATIONS

The budget proposes a General Fund appropriation of $79,008,300 for the state share of county welfare department administrative costs. This is an increase of $7,588,009, or 10.6 percent, over the estimated current year expenditures. Table 1 shows the major components of this increase. The largest component is $4,238,300 to provide a 6 percent cost-of-living increase for county welfare departments' salaries and nonpersonal services. Expenditures for food stamp administration are anticipated to increase by $3,339,300. Of this amount, almost $2.0 million reflects the net increase in administrative costs due to the Food Stamp Reform Act of 1978.

Table 1
Proposed General Fund Budget Adjustments for County Welfare Department Administration 1979–80

	Cost	*Total*
A. Budget Base		$71,420,291
B. Budget Adjustments		
1. Administration of AFDC Programs		
a. Growth in caseload and cost per case	$2,711,800	
b. Six percent cost-of-living increase for salaries and nonpersonal services	2,688,800	
c. Other adjustments	–733,600	
		$4,667,000
2. Administration of Special Adult Programs		
a. Termination of minimum income level retrieval project—one year (1978–79)	–231,100	
b. Caseload growth in special circumstances and APSB programs	76,800	
c. Six percent cost-of-living increase for salaries and nonpersonal services	39,000	
		$–115,300
3. Food Stamp Administration		
a. Net increase in administrative costs due to Food Stamp Reform Act	1,969,200	
b. Six percent cost-of-living increase for salaries and nonpersonal services	1,461,500	
c. Increased costs due to court cases	518,500	
d. Other adjustments	–609,900	
		$3,339,300
4. Emergency Payments		
a. Six percent cost-of-living increase for salaries and nonpersonal services	18,400	
b. Other adjustments	19,700	
		$38,100
5. Nonmedical Out-of-Home Care Certification		
a. Six percent cost-of-living increase for salaries and nonpersonal services	30,600	
b. Deficiency appropriation for 1976–77	–300,000	
c. Other Adjustments	–71,691	
		$–341,091
Total Budget Increases		$7,588,009
Proposed Total from General Fund, Item 288		$79,088,300

Proposed Regulations—Garcia Vs. Swoap

We recommend a General Fund reduction of $506,000 pending the issuance and review of new regulations.

The budget proposes a total General Fund appropriation of $2,204,500 for proposed regulations resulting from the Garcia vs. Swoap case. Of this amount, $1,698,500 for grant supplemental payments are included within the funds specified in Control Section 32.5, and $506,000 for county implementation costs are in Item 288. In our discussion of Control Section 32.5, we recommended that the funds proposed for supplemental payments be eliminated because: (a) the proposed regulations related to Garcia vs. Swoap have not yet been issued and (b) the case is presently pending in the court of appeals. We recommend that the $506,000 proposed for county implementation costs contained in this Item be eliminated for the same reasons.

COUNTY ADMINISTRATIVE COST CONTROL

Implementation of Plan

Prior to 1975–76, administrative costs of county welfare departments were growing more rapidly than the growth in workload and prices combined. As a result, the Budget Act of 1975 required the Department of Benefit Payments to establish a plan to control county administrative costs. During fiscal year 1975–76, the Department designed and implemented a cost control plan based on input from counties and other interested parties.

The basic concept behind the existing administrative cost control plan is that each county receives an allocation of funds within which it must operate. County allocations are based on productivity expectations. Counties in which productivity per worker is low compared to other counties receive smaller allocations than required to continue operating at current staff levels. Such counties can either improve worker productivity or provide additional funds of their own to cover the resulting deficit.

Several elements are especially important to the success of an administrative cost control plan of this kind. First, the state must not be too lenient when it establishes productivity expectations. If it is, the resulting county allocations are too large, and counties have no fiscal incentive to make major improvements in their operations.

Second, the state must not increase allocations except for acceptable cost-of-living increases, unanticipated workload increases or other exceptional circumstances beyond the counties' control. This means that if the state has excess funds in its appropriation, it should not "bail-out" a county which has failed to meet its productivity requirements or the discipline imposed by a cost control plan will be eroded and the benefits of such a plan will be lost.

Need for Revised Plan

We recommend that the county administrative cost control plan be revised to include more stringent productivity standards by changing the base year to 1977–78.

AFDC workload within a county welfare department can be divided

COUNTY ADMINISTRATION—Continued

into two functions. There is intake workload which is related to processing applications (approval and denials), intercounty transfers, and changes from one aid category to another. There is also continued case workload associated with maintaining, reviewing and updating existing cases.

The County Administrative Cost Control program has resulted in improvements in welfare department productivity. For example, welfare worker productivity has increased statewide since 1974–75. In addition, while administrative costs for the AFDC program have continued to increase during the last few years, the rate of growth has slowed.

Despite recent improvements in productivity, significant variations in eligibility worker productivity still exist among counties. Table 2 shows the number of intake actions and continuing cases per eligibility worker for the 11 counties with the largest caseloads.

Table 2
AFDC Intake Actions and Continuing Cases Per Eligibility Worker
1977–78

Counties	*Intake Action Per Eligibility Worker*[a]	*Continuing Cases Per Eligibility Worker*[a]
Alameda	26.08	113.72
Contra Costs	27.07	108.79
Fresno	23.23	141.18
Los Angeles	22.81	135.59
Orange	25.06	135.30
Riverside	42.30	143.07
Sacramento	31.37	127.10
San Bernardino	30.68	129.73
San Diego	24.48	112.21
San Francisco	24.05	118.04
Santa Clara	29.26	124.62
Average	27.85	126.30

[a] Excludes supervisors.

Similar variations in productivity exist among the medium and small counties.

The productivity of the 11 largest counties has improved over the last four years from an average of 23.06 intake actions per eligibility worker in 1974–75 to 27.85 intakes in 1977–78. Although productivity has improved, the cost control plan continues to rely upon productivity expectations which were established in 1974–75. While these productivity expectations were reasonable as a beginning point, we believe that they should be adjusted upward periodically to reflect the progress made in productivity as well as to encourage further improvements in productivity.

In order to encourage further improvements in welfare department performance, we recommend that the county Administrative Cost Control Plan be revised to include more stringent productivity standards by changing the base year to 1977–78. For example, the department should determine the average number of intake actions per eligibility worker for the large, medium and small counties using the 1977–78 base year. A county whose performance is below its respective group's mean level would be required to increase its activity to equal the average level of its group. If a county is unable to improve worker productivity to operate within its allocation, the county would have to provide additional funds to cover the deficit.

If this recommendation is adopted, it will result in savings to the state for the cost of welfare administration by encouraging greater productivity by county welfare departments. For example, Orange County, which averaged 25.06 intake actions per eligibility worker in 1977–78, would be allocated only enough funds in 1979–80 for 27.85 intake actions thereby requiring an improvement in worker productivity. (The 27.85 intake actions is the average number of intake actions in 1977–78 for the 11 largest counties.)

Provisions for Overhead Costs

We recommend that county allocations be calculated on the assumption that no county will spend more than $1 on overhead support for each $1 spent on eligibility worker salaries and benefits.

On a statewide basis, counties spend approximately $1 on overhead for each $1 spent on eligibility worker costs. Eligibility workers are the employees who deal with the public and make the eligibility determinations. Overhead costs consist of expenditures for administrative staff, clerical backup staff, rent, travel, data processing, charges made by the other county agencies, and other operating costs. Table 3 shows the wide variations between counties in the amounts spent on overhead support.

Table 3
AFDC Program
County Welfare Department
Overhead Cost Ratios
1977–78

	Overhead per $1.00 of eligibility worker cost
Fresno	$.57
Sacramento	.63
San Diego	.65
San Bernardino	.74
Orange	.88
Santa Clara	.88
Alameda	.97
San Francisco	.96
Contra Costa	1.05
Riverside	1.01
Los Angeles	1.24

We do not believe that these wide variations between the 11 largest counties are justified. In order to reduce county variations in overhead costs, we recommend that county allocations be calculated on the assump-

COUNTY ADMINISTRATION—Continued

tion that no county will spend more than $1 on overhead for every $1 spent on eligibility worker salaries and benefits. If this recommendation is adopted, it will result in savings to the state because it would require that counties reduce their overhead cost ratios to no more than $1 for every $1 spent on eligibility worker salaries and benefits. For example, Contra Costa County would be required to reduce its overhead costs from $1.05 to $1.

Phase-in of Revised Allocations

We recommend that the department develop a plan for phasing-in revised productivity standards to avoid immediate sizable reductions for individual counties. Such phase-in recommendations should be presented to the Legislature by April 1, 1979.

Some counties might not be able to reach the recommended productivity standards in a single year without having to either layoff existing staff or commit substantial additional county funds to the system. Therefore, we recommend that the department develop a system of phased allocation reductions and be prepared to present the proposal to the Legislature by April 1, 1979. We further recommend that the department not allocate phase-in funds to a county until the state and county have signed a memorandum of understanding outlining the steps the county will take to improve its productivity.

Avoidance of Cost Overruns

We recommend language be included in the Budget Bill to clarify the department's authority to refuse funding for county cost overruns.

Current Budget Act language states that funds for county welfare department administration will be controlled within the amount appropriated. Some counties have argued that if there is a year-end surplus in the county administrative item, the state is obliged to fund county cost overruns, including overruns caused by a county's failure to meet its productivity goals.

If the state were to use remaining funds to cover these cost overruns, the incentives to improve productivity and efficiency would be weakened significantly. For this reason, we recommend that surplus funds not be used for county cost.

Because the current Budget Bill language is general, we recommend the following language be added specifying that the department shall not fund county cost overruns caused by a county's failure to meet its productivity goals.

"Provided further that during the 1979–80 fiscal year the department in administering the plan to control county administrative costs shall not allocate funds to cover county cost overruns which result from county failure to meet minimum productivity expectations."

Department of Social Services
EXECUTIVE MANDATES

Item 289 from the General Fund — Budget p. 777

Requested 1979–80	$42,100
Estimated 1978–79	42,100
Actual 1977–78	N/A
Requested increase—None	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The Governor's budget proposes a General Fund appropriation of $42,100 to reimburse counties for the cost of implementing state regulations for the Aid to Families with Dependent Children (AFDC) program and the Aid to the Potentially Self-Supporting Blind program, in accordance with Section 2231 of the Revenue and Taxation Code.

1. *Work Related Equipment.* The department has implemented regulations which exclude the entire value of an AFDC recipient's work-related equipment from property value in determining eligibility for benefits. Previous regulations provided a maximum exemption of $200.

2. *Treatment of Loans.* The department proposes to implement regulations which would change the method of treating loans when calculating a recipient's grant level under the AFDC and APSB programs. Under current regulations, outside loans made to recipients are counted as income when determining a recipient's grant. The proposed regulations would exclude loans which the recipient is required to repay from income.

Department of Social Services
LEGISLATIVE MANDATES

Item 290 from the General Fund — Budget p. 783

Requested 1979–80	$14,407,300
Estimated 1978–79	16,581,937
Actual 1977–78	20,792,310
Requested decrease $2,174,637 (13.1 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Chapter 348, Statutes of 1976, increased the AFDC welfare payment standard by 6 percent, effective January 1, 1977, in order to support a higher standard of living for AFDC recipients. Normally, counties pay a portion of AFDC grant costs. However, because the state mandated the

LEGISLATIVE MANDATES —Continued

increase, it has an obligation to reimburse counties for the local share of the 6 percent increase.

Chapter 348 disclaims any obligation on the state's part to reimburse counties for cost-of-living increases in payment standards. As a result cost-of-living increases do not affect the state's level of reimbursement on a cost-per-case basis.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget requests $14,407,300 for fiscal year 1979–80 to reimburse counties for their portion of the cost of AFDC grant increases which became effective January 1, 1977. The proposed $14,407,300 is a decrease of $2,174,637, or 13.1 percent, below the current year. Expenditures in the current year are estimated at $16,581,937. This includes $1.5 million of a prior year balance to cover claims filed against fiscal year 1976–77.

We recommend approval of this amount with the understanding that the appropriation is subject to adjustment when the Department of Finance submits the May revision of expenditures to the Legislature.

Health and Welfare Agency

CALIFORNIA HEALTH FACILITIES COMMISSION

Item 291 from the California Health Facilities Commission Fund — Budget p. 793

Requested 1979–80	$1,941,679
Estimated 1978–79	1,830,658
Actual 1977–78	1,096,747
Requested increase $111,021 (6.1 percent)	
Total recommended reduction	$8,150

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS — *Analysis page*

1. *Cost Containment Study. Augment Item 291 by $65,000.* Recommend the commission conduct study of state cost containment programs. — 818
2. *Research Support. Reduce Item 291 by $73,150.* Recommend reduction of funds budgeted for increased research staff. — 819
3. Patient Billing Data. Recommend legislation requiring hospitals to provide the commission with patient discharge and billing data. — 820

General Program Statement

The California Health Facilities Commission collects financial data from health facilities and discloses financial information on the facilities to the public.

The commission was created by Chapter 1242, Statutes of 1971, which also required that a uniform accounting and reporting system be developed for hospitals. Chapter 1171, Statutes of 1974, applied this reporting requirment to long term care facilities. The purposes of the reporting requirement are to: (1) encourage economy and efficiency in providing health care services, (2) enable public agencies to make informed decisions in purchasing and administering publicly financed health care, (3) encourage organizations which provide health care insurance to take into account financial information provided to the state in establishing reimbursement rates, (4) provide a uniform health data system for use by all state agencies, (5) provide accurate information to improve budgetary planning, (6) identify and disseminate information regarding areas of economy in the provision of health care consistent with quality of care, and (7) create a body of reliable information which will facilitate commission studies that relate to the implementation of cost effectiveness programs.

Chapter 1337, Statutes of 1978 (SB 1903), expanded commission responsibilities by requiring the commission to: (1) establish standards of effectiveness for health facilities, and (2) forecast hospital operating and capital expenditures for each of the state's Health Systems Areas and for the state as a whole. Health Systems Agencies must then consider these standards and forecasts in developing their area health plan.

ANALYSIS AND RECOMMENDATIONS

The commission proposes expenditures in the budget year of $1,941,679 which is an increase of $111,021 (6.1 percent) over the $1,830,658 shown in the budget for the current year. The primary reason for the increase is the addition of funds to establish five new positions.

Cost Containment Study

We recommend that the commission prepare a report for the Legislature, to be submitted on or before January 1, 1980, which (1) describes existing state cost containment systems, (2) reviews any evaluations of these systems which have been performed, (3) discusses the applicability of these systems to California, (4) presents a range of options for California specifying the costs and the benefits of each and (5) recommends a specific system. We further recommend that Item 291 be increased by $65,000 to support the costs of the study.

Inflation Rate Excessive. Health care costs in the nation as well as in California have increased at an alarming rate. Data presented in the commission's 1978 Annual Report demonstrate that:

1. Increases in hospital expenditures in California have averaged over 18 percent per year from 1972 to 1977.

2. During 1977 alone, hospital costs in California rose from $4.5 billion to $5.3 billion even though the service level did not change.

3. Between 1972 and 1976, Californians experienced a 93 percent in-

crease in hospital costs while the Consumer Price Index rose by only 36 percent.

4. If the inflation rate continues at 18 percent per year, California hospital costs will rise from the present $5.3 billion to $21.6 billion by 1985.

The commission estimates that government pays for approximately 60 percent of hospital costs in California. Specifically, it estimates that 7.2 percent of hospital revenues comes from county governments, 14.7 percent comes from Medi-Cal, 33.3 percent comes from Medicare, and approximately 5 percent comes from government paid employee health benefits and income tax deductions for health care.

Influence of Payment Systems. One factor which may be contributing significantly to the rapid rise in hospital cost is the payment system. In California, Medicare, Medi-Cal and Blue Cross pay hospitals retroactively for almost all expenditures they incur. Thus, government is providing what amounts to an open-ended appropriation for reimbursement of hospital operating costs in these program areas.

This type of reimbursement system does not provide hospitals with any incentive to control costs because they receive total reimbursement for their charges.

Twelve states have implemented cost containment programs which rely on prospective reimbursement systems. Under this method, hospital budgets and rates are set in advance and reimbursement is made only for the amount established at the beginning of the fiscal year. Nine of these states have mandatory programs, while three are voluntary. The systems being utilized vary considerably, from rate setting by formula (New York) to budget review (Indiana) to a combined system in Washington state.

Even though the first prospective rate setting system was implemented over 10 years ago, only a few attempts have been made to analyze the effect of the systems on hospital costs. The Health Care Financing Administration (HCFA) in the U.S. Department of Health, Education and Welfare (HEW) has received evaluations on four state systems (New Jersey, Rhode Island, Indiana and New York) and a program in western Pennsylvania, which show that prospective reimbursements lessened the pace of inflation in hospital costs from 1 to 3 percent per year. These evaluations are the first in the nation to carefully document the effect of prospective reimbursement. (A 2 percent reduction in California in 1977 would have resulted in a savings of almost $900 million.) Additionally, the Secretary of HEW recently released data which demonstrated that in 1977, states with mandatory cost containment programs had an average inflation rate for hospital costs of 12 percent, while states with voluntary programs experienced an average rate of 15.6 percent and states with no programs experienced a 15.8 percent average rate.

Study Needed. The state's considerable financial interest in controlling health care costs requires that California consider the adoption of a prospective budgeting system for hospitals. We believe that before a specific system is adopted, however, a review of existing systems should be conducted. We recommend, therefore, that the commission prepare by January 1, 1980, a report for the Joint Legislative Budget Committee and the fiscal subcommittees which (1) describes existing cost containment programs implemented by other states (both mandatory and voluntary), (2) reviews any evaluations of these systems which have been performed, (3) discusses the applicability of each system to California, (4) presents a range of options for California including an analysis of the costs and benefits of each option and (5) recommends a specific system.

The commission estimates the cost of preparing a report of this nature at $65,000. We believe that this is a reasonable estimate and recommend an augmentation of $65,000 to Item 291 from the California Health Facilities Commission Fund.

Research Support

We recommend deletion of the four positions requested to support the commission's research functions, for a savings of $73,150.

Last year, the Legislature authorized 25 new positions to augment the commission's research activities. Specifically, the additional positions were intended to undertake the following projects: (1) establish a soundly based peer grouping system for hospitals, (2) develop a detailed analysis of hospitals' present and future capital costs and their impact on patient cost, (3) analyze hospital cost per capita by county, (4) study the reimbursement practices of private health insurance companies, (5) examine the effect of increased staffing on hospital costs (for each health systems area), (6) produce information on the efficiency of hospitals, (7) study the compensation of hospital based physicians, (8) report on the costs of excess bed capacity in hospitals, (9) develop a uniform budget and rate system for hospitals, and (10) develop a system for the collection of patient and discharge data.

Because it was estimated that the revenue in the California Health Facilities Commission Fund would not be adequate to fund them, the Legislature appropriated $195,000 from the General Fund to support the positions. The Governor vetoed the $195,000 General Fund appropriation and the Department of Finance subsequently deleted five of the positions.

The commission proposes to add four positions in the current year. These positions would assist the 20 which were established in the current year in carrying out the research activities listed above.

Data provided to the Legislature during last year's hearings indicate that the first phase of seven of these projects will be completed by January 1980, and that staff will then perform "ongoing activities." There are no data available which specifically detail the ongoing functions resulting from these research projects.

We do not believe that four requested positions should be approved unless workload data demonstrate that the ongoing functions of these projects require a staffing level higher than the existing 20 positions. Consequently, we recommend deletion of the four proposed positions.

Accounting Position

We recommend approval of the requested account clerk II position.

Last year the commission's staff doubled in size from 32 to 64 positions. The commission is requesting an additional position for its business services section to assist with the additional workload generated by the staff

CALIFORNIA HEALTH FACILITIES COMMISSION—Continued

increase. We believe the position is justified.

Patient Billing Data Needed

We recommend that legislation be introduced requiring hospitals to provide the commission with patient discharge and billing data.

The commission is charged with identifying and disseminating information on ways of promoting economy in the provision of health care, consistent with high quality care. One of the tools critical to the analysis of hospital costs is the capacity to review patient discharge and billing data. Having access to this information would permit the commission to (1) assess the complexity of an individual hospital's patient load, (2) group and compare hospitals by difficulty of patient load, and (3) compare the charge structures of hospitals for delivery of similar services. Patient discharge and billing data are collected in abstracts, without patient or physician name. Thus, supplying the data to the commission would not violate confidentiality requirements. Further, a format for data collection has already been established (the Uniform Hospital Discharge Data Set for California). This format is being used by many California hospitals and is endorsed by the California Hospital Association.

In our analysis of Items 257 and 346, we have recommended that county and university hospitals be required to provide these data to the commission. While some hospitals are providing the data on a voluntary basis, we believe that the state's substantial investment in controlling health care costs warrants mandatory compliance with this vital information requirement. We therefore recommend that all hospitals be required to submit patient and discharge data to the commission.

Health and Welfare Agency

DEPARTMENT OF CORRECTIONS

Items 292–293 and 296–299 from the General Fund, Item 294 from the Inmate Welfare Trust Fund, and Item 295 from the Correctional Industries Revolving Fund — Budget p. 796

Requested 1979–80	$268,339,741
Estimated 1978–79	257,873,733
Actual 1977–78	253,824,967
Requested increase $10,466,008 (4.0 percent)	
Total recommended reduction	$1,491,754

1979–80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
292	Departmental Operations	General	$263,198,273
293	Workers' Compensation—Inmates	General	1,247,600
294	Inmate Welfare Fund	Trust	(6,339,900)
295	Correctional Industries	Revolving	(20,812,841)
296	Transportation of Prisoners	General	233,200
297	Returning Fugitives from Justice	General	816,200
298	Court Costs and County Charges	General	924,550
299	Local Detention of Parolees	General	1,919,918
	Total		$268,339,741

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS *Analysis page*

1. *Canteen Manager. Reduce Item 292 by $16,338.* Recommend that prison canteen manager position be funded by the Inmate Welfare Fund. 826
2. *New Positions. Reduce Item 292 by $35,498.* Recommend deletion of two security positions requested for special housing units at Deuel Vocational Institution. 827
3. Headquarters Car Pool. Recommend that three cars permanently assigned to executive/administrative staff be placed in the departmental car pool for the benefit of all headquarters staff. 828
4. *County Reimbursement for Detaining Parolees. Reduce Item 299 by $1,439,918.* Recommend elimination of overbudgeting. 829

GENERAL PROGRAM STATEMENT

The Department of Corrections, established in 1944 under the provisions of Chapter I, Title 7 (commencing with Section 5000) of the Penal Code, operates a system of correctional institutions for adult felons and nonfelon narcotic addicts. It also provides supervision and treatment of parolees released to the community as part of their prescribed terms, and advises and assists other governmental agencies and citizens' groups in programs of crime prevention, criminal justice, and rehabilitation.

To carry out its functions, the department operates 12 major institutions, 19 camps, two community correctional centers and 58 parole units. The department estimates these facilities and services will provide for an average daily population of 22,980 in institutions and 14,677 on parole (including felons and nonfelon drug addicts).

ANALYSIS AND RECOMMENDATIONS

The budget proposes $268,339,741 from the General Fund for support of the Department of Corrections in 1979–80. This is $10,466,008, or 4 percent more than estimated expenditures in the current year.

The department's proposed budget provides for program and personnel increases in the institutional program and decreases in the community correctional program. Other departmental programs generally would be continued at their previously authorized level. Total expenditures of the department, the Narcotic Addict Evaluation Board, and special items of

DEPARTMENT OF CORRECTIONS—Continued

expense, from all funding sources (General Fund, special and federal funds, and reimbursements), are summarized in Table 1.

Control Sections 27.1 and 27.2

Control Sections 27.1 and 27.2 of the Budget Act of 1978 require that the Department of Finance restrict expenditures for personal services and operating expenses and equipment in order to achieve a specified funding reduction in the current year. The proposed budget for the department indicates that the following savings will be achieved pursuant to these provisions:

a. $1.5 million savings in operating expenses and equipment and;
b. $363,000 savings in personal services from the reduction of 16.5 positions.

The budget proposes the continued deletion of the positions.

Table 1
Department of Corrections
Expenditures Summary

	Estimated 1978–79	*Proposed 1979–80*	*Change From Current Year*	
			Amount	*Percent*
General Fund	$257,873,733	$268,339,741	$10,466,008	4.0%
Correctional Industries Revolving Fund	20,197,764	20,812,841	615,077	3.0
Inmate Welfare Fund	5,919,240	6,339,900	420,660	7.1
Federal funds	108,777	91,777	−17,000	−15.6
Reimbursements	10,758,295	8,008,880	−2,749,415	−25.6
Total	$294,857,809	$303,593,139	$8,735,330	3.0%
Program				
I. Reception and diagnosis	$2,939,876	$3,039,477	$99,601	3.4%
Personnel-years	126.9	128.1	1.2	.9
II. Institution	244,296,471	252,095,773	7,799,302	3.2
Personnel-years	6,955.6	7,021.1	65.5	.9
III. Community correctional program	27,329,020	26,283,643	−1,045,377	−3.8
Personnel-years	817.2	725.1	−92.1	−11.3
IV. Administration (undistributed)	16,398,574	18,280,378	1,881,804	11.5
Personnel-years	322.5	311.3	−11.2	−3.5
V. Special items of expense	3,893,868	3,893,868	—	—
Totals	$294,857,809	$303,593,139	$8,735,330	3.0%
Personnel-years	8,222.2 [a]	8,185.6 [b]	−36.6	−.5

[a] Reflects a reduction of 16.5 positions as required by Section 27.2, Budget Act of 1978.
[b] Reflects an additional reduction of 50 positions.

Impact of Determinate Sentencing

On July 1, 1977, California's Determinate Sentencing Law took effect, replacing the indeterminate sentencing structure and replacing both the Adult Authority (for male felons) and the Women's Board of Terms and Paroles (for female felons) with a Community Release Board. The stated purpose of imprisonment is no longer rehabilitation of the offender. The law declares that "the purpose of imprisonment for crime is punishment."

The Determinate Sentencing Law, as modified by Chapter 165, Statutes of 1977 (AB 476), and Chapters 579 and 582, Statutes of 1978 (SB 709 and SB 1057, respectively), establishes a scale of three sentences for most felonies, with some crimes carrying a penalty of death or life imprisonment with or without the possibility of parole. There are ten such sentencing scales, with the minimum being 16 months. In sentencing an individual to prison, judges must initially select one of the three basic terms set for each offense. The law establishes a presumption in favor of the middle term, with the upper and lower terms allowed for special aggravating or mitigating circumstances, respectively. In addition, judges can "enhance," or increase, sentences for the following reasons: use of weapons, prior felony convictions, excessive property damage, and consecutive sentences. Judges are not required to sentence all felons to prison; they retain the discretion to impose a fine, a county jail term, or probation, or to suspend sentence, as provided by law.

Good behavior and work participation credits can reduce the amount of time served by one-third. Credits are vested every eight months on the basis of three months for good behavior and one month for prescribed work participation.

The law stipulates a maximum of three years on parole for prisoners with determinate sentences and five years for those without determinate sentences (lifers). When an individual with a determinate sentence has been continuously on parole for one year after release from confinement, the Community Release Board must discharge him, unless the board determines that there is "good cause" to retain him on parole. For felons without a determinate sentence, it is presumed that the parolee will be discharged after three continuous years unless the board determines there is "good cause" to retain the felon on parole.

The maximum time for any single reincarceration resulting from a technical violation of parole is one year (two years for paroled lifers). Any such period of reincarceration is not credited to an individual's parole period. Thus, the maximum amount of time persons with determinate sentences can be retained under parole and custody for a parole violation is four years; for persons with a life sentence the maximum period is seven years.

Persons convicted of crimes committed through June 30, 1977, were sentenced under the Indeterminate Sentencing Law and individuals convicted of crimes committed after that date are sentenced under the Determinate Sentencing Law. Table 2 shows the proportion of male felons convicted under the two laws. In cases where a person is convicted of a series of crimes, some of which predate the Determinate Sentencing Law, he may be sentenced under both laws. In these situations the Community Release Board (discussed in Item 300) is responsible for setting a determinate sentence. After the Determinate Sentencing Law became effective, it was nine months before 50 percent of the felony convictions in a month were sentenced under the new law. As of December 1978 this figure had increased to 75 percent.

DEPARTMENT OF CORRECTIONS—Continued

Table 2
Type of Commitment
Total Number of Male Felons Newly Received From Court
July 1977–December 1978

	Number				Percent		
Date	*Total*	*DSL*[a]	*ISL*[b]	*Both*	*DSL*	*ISL*	*Both*
1977							
July	582	—	579	3	—	99.5	0.5
August	593	8	581	4	1.3	98.0	0.7
September	506	32	459	15	6.3	90.7	3.0
October	509	53	433	23	10.4	85.1	4.5
November	557	125	410	22	22.4	73.6	4.0
December	674	223	405	46	33.1	60.1	6.8
1978							
January	652	258	330	64	39.6	50.6	9.8
February	589	276	258	55	46.9	43.8	9.3
March	808	410	323	75	50.7	40.0	9.3
April	732	416	241	75	56.8	32.9	10.3
May	761	456	223	82	59.9	29.3	10.8
June	895	585	240	70	65.4	26.8	7.8
July	666	439	184	43	65.9	27.6	6.5
August	795	540	195	60	67.9	24.5	7.6
September	690	483	163	44	70.0	23.6	6.4
October	722	502	170	50	69.5	23.6	6.9
November	751	570	140	41	75.9	18.6	5.5
December[c]	690	517	126	47	74.9	18.3	6.8

[a] Determinate Sentence Law.
[b] Indeterminate Sentence Law.
[c] Tentative.

I. RECEPTION AND DIAGNOSIS PROGRAM

Through four reception centers, the department processes four classes of persons: those committed to the department for diagnostic study prior to sentencing by the superior courts, those sentenced to a term of years, those returned because of parole violation, and nonfelon addicts.

The department provides the courts, on request, a comprehensive diagnostic evaluation and recommended sentence for convicted felon offenders awaiting sentencing. For individuals committed to prison, an extensive personal history is compiled for determining suitable custody and program needs. The new felon commitments are received at reception centers located adjacent to and operated as part of regular penal institutions for males at Vacaville and Chino, for females at Frontera, and for nonfelon addicts at Corona.

The proposed expenditure of $3,039,477 for this program is $99,601, or 3.4 percent, above estimated current-year expenditures. The increase is for merit salary adjustments and price inflation in order to continue the existing program level.

II. INSTITUTION PROGRAM

This program includes the department's 12 institutions, which range from minimum to maximum security, including two medical-psychiatric institutions and a treatment center for narcotic addicts under civil commitment.

Major programs include 25 correctional industry operations and seven agricultural enterprises which seek to reduce idleness and teach good work habits and job skills, vocational training in various occupations, academic instruction ranging from literacy classes to college correspondence courses, and group and individual counseling. The department will also operate 19 camps which will house an estimated 1,280 inmates during the budget year. These camp inmates perform various forest conservation, fire prevention and suppression functions in cooperation with the Department of Forestry. The institution program will provide for a projected average daily population of 22,980 inmates in the budget year, an increase of 1,555 inmates over the current year.

Need for Increased Special Housing Units

The department maintains special housing units for three types of inmates to keep them isolated from the general, "mainline," population:

(1) Security Housing Units. These are the most secure "lock-up" facilities within an institution. They are used for inmates who pose difficult management problems and endanger the safety of other inmates.

(2) Management Control Units. These are secure units used to segregate from the mainline population inmates who are identified as affiliated gang members. Segregation of gang members is intended to reduce fights between the gangs and reduce pressure on other inmates to become gang members.

(3) Protective Housing Units. These units are used for inmates who are vulnerable to pressure (for any number of reasons) or are threatened and require protection from other inmates.

The department is filled to capacity in all three types of units. Furthermore, there is a waiting list of approximately 75 for bedspace within these special housing units. The increased need for security housing units primarily results from four factors: (1) the department estimates that the prison population will increase by 1,555 during the budget year; (2) the proportion of the prison population that is violence prone or predatory is increasing; (3) the size of prison gangs appears to be increasing both inside and outside the prisons; and (4) the intensity of warfare between gangs is increasing.

To increase capacity within these facilities the department is proposing modifications in four institutions:

1. Folsom State Prison. Convert, on a temporary basis, 31 cells to a security housing unit;

2. San Quentin State Prison. Convert 229 cells from a protective housing unit to a security housing unit, and convert 244 cells from an honor-block to a protective housing unit;

3. Deuel Vocational Institution (DVI). Convert 299 cells to a protective housing unit and 50 cells to a security housing unit.

DEPARTMENT OF CORRECTIONS—Continued

4. California Institution For Men. Convert 50 cells to a protective housing unit and 50 cells to a security housing unit.

These modifications will provide the department with an additional 360 cells for security housing and 364 cells for protective custody. The department estimates that these conversions will solve only its short-term needs.

To implement the conversions listed above, the department is requesting 133.9 new positions at a total annual cost of $2,559,891. The increased staffing is primarily necessitated by the increased security requirements of special housing units. We believe all but two of these new positions are justified by workload, and recommend that they be approved. However, among the new positions requested for DVI is one that should be funded by the Inmate Welfare Fund and two which should be deleted.

New Prison Facilities

New prison facilities are being proposed by the department and are discussed under Item 475a. This office is also recommending that up to three base centers operated jointly by the Department of Forestry and the California Conservation Corps be returned to their original use as inmate conservation camps operated by the Departments of Forestry and Corrections, as discussed in Item 188.

Improper Funding

We recommend that a prison canteen manager proposed for the special housing units at Deuel Vocational Institution be funded by the Inmate Welfare Fund for a savings to the General Fund of $16,338 (Item 292).

A Prison Canteen Manager I position is proposed to receive, fill and deliver canteen orders of inmates in the special housing units at DVI. (Inmates confined in these units are not allowed normal access to the prison canteen.) An additional task would be to inspect canteen orders to insure that contraband items, such as glass, are not given to the inmates. The Inmate Welfare Fund, which receives revenues from the sale of canteen products and inmate handicraft items, supports canteen activities throughout the department. Because this position is totally related to providing canteen service to the special housing units, it should be supported from the Inmate Welfare Fund, rather than from the General Fund. This would conform to existing policy.

Excess Recreational Time

We recommend deletion of two security positions proposed for the protective housing unit at Deuel Vocational Institute for a savings of $35,498 (Item 292).

Two new correctional officer positions are proposed for the protective housing unit at DVI to supervise the recreation yard—one from the yard itself and the other from a gun tower. This augmented staffing (two existing correctional officers positions used to supervise the yard will be continued) would allow 16 hours a day for outside recreational activity. Also programmed for this protective custody unit is an existing crafts program, a new vocational wood-working program, as well as academic instruction.

Given these other activities, we believe that eight hours of outside recreation per day is sufficient for this group of inmates. The protective custody units at other institutions have a maximum of eight hours per day for such activity and the department has provided no justification for providing a higher level of recreation for this unit. Therefore, we recommend deletion of the two new correctional officer positions.

III. COMMUNITY CORRECTIONAL PROGRAM

The community correctional program includes conventional and specialized parole supervision, operation of community correctional centers, outpatient psychiatric services, anti-narcotic testing and community resource development. The program goal is to provide public protection as well as support and services to parolees to assist them in achieving successful parole adjustment.

For the Community Correctional program, the department proposes an expenditure of $26,283,643 in the budget year, which is a decrease of $1,045,377 or 3.8 percent below estimated current-year expenditures.This decrease reflects a decline in the parole population and the closing of the Sacramento Valley Community Center.

The felon parole population has decreased primarily as a result of the Determinate Sentencing Law, which limited parole to one year for all parolees except those who had been sentenced to life terms. Also contributing to the decline in parole has been a decrease in the non-felon, civil narcotic addict parole population. These narcotic addicts are criminal offenders whose drug addiction is recognized by the court as having contributed to the offense. For this reason, their felony convictions are suspended and they are committed to the department for treatment of their addiction under Section 3152 of the Welfare and Institutions Code. Increasing numbers of these defendants prefer sentencing on a felony conviction with a set term and one year on parole, rather than risk the possibility of serving a total period of seven years (including incarceration and parole) under Section 3152. This appears to be a direct result of the Determinate Sentencing Law.

We concur with the closing of the Sacramento Valley Community Center, a half-way house which serves as a temporary residence for parolees. Since the facility was opened, there have been problems maintaining the population at staffed bed capacity. The facility was previously used as a work furlough center, but insufficient numbers of inmates with the required security classification wanted to participate in the program in the Sacramento area. More recently, following conversion of the center to a half-way house, there has been a shortage of parolees using its facilities. The department will attempt to find a community vendor to operate the center on a contractual basis. Because payment to such vendors would be on a per capita basis, costs of operation should decline from present levels.

IV. ADMINISTRATION

The administration program, including centralized administration at the departmental level headed by the director, provides program coordination and support services to the institutional and parole operations. Each institution is headed by a warden or superintendent and has its own

DEPARTMENT OF CORRECTIONS—Continued

administrative staff. Institutional operations are divided into custody and treatment functions, each headed by a deputy warden or deputy superintendent. The parole operation is headed by a chief parole agent, assisted by centralized headquarters staff. Each of the 4 parole regions is directed by a parole administrator, and the parole function is subdivided into districts and parole units.

Headquarters Car Pool

We recommend that three cars permanently assigned to executive/ administrative staff be placed in the departmental car pool for the benefit of all headquarters staff.

The department has five vehicles permanently assigned to executive/ administrative staff: (1) Director, (2) Chief Deputy Director, (3) Deputy Director, Institutions, (4) Assistant Director, Law Enforcement Liaison, and (5) Senior Special Agent, Law Enforcement Liaison. Three of these automobiles should be placed in the departmental car pool—those assigned to: (1) Chief Deputy Director, (2) Deputy Director, Institutions, and (3) Assistant Deputy Director, Law Enforcement Liaison.

Travel logs for these three vehicles have not be filled in on a daily basis during the past year as required by Sections 4143.1 and 4143.2 of the State Administrative Manual. This has made it impossible to determine to what extent and for what purposes these cars are needed on an individual basis. Furthermore, Fleet Administration of the Department of General Services specifically disapproved the Home Storage Request permits for all three of these cars, in August 1978, on the basis that using these cars for commute purposes was not necessary for these individuals to meet their administrative responsibilities.

Therefore, we recommend that these three cars be permanently assigned to the departmental car pool for the benefit of all headquarters staff. This will reduce the departments' need to obtain other automobiles from Fleet Administration, and thereby provide more efficient use of state vehicles.

V. SPECIAL ITEMS OF EXPENSE

Items 296 to 299 provide reimbursements to the counties for expenses relating to transportation of prisoners and parole violators to state prisons, returning fugitives from justice to the state, court costs and all other charges relating to trials of inmates for crimes committed in prison and local detention costs of state parolees held on state orders. These reimbursements are made by the State Controller on the basis of claims filed by the counties. As shown in Table 3, costs in three categories are expected to remain the same as in the current year, while court costs and county charges are expected to decrease by $800,000 or 46.4 percent.

Table 3

Function	Actual 1977-78	Estimated 1978-79	Proposed 1979-80	Change From Prior Year Amount	Change From Prior Year Percent
Transportation of Prisoners (Item 296)	$220,000	$233,200	$233,200	—	—
Returning Fugitives from Justice (Item 297)	770,000	816,200	816,200	—	—
Court Costs and County Charges (Item 298)	1,626,934	1,724,550	924,550	$-800,000	-46.4%
County Charges for Detention of Parolees (Item 299)	616,000	1,919,918	1,919,918	—	—

County Reimbursements for Detaining Departmental Parolees Overbudgeted

We recommend that the amount proposed to reimburse county costs incurred in detaining certain department parolees be reduced by $1,439,918 (Item 299).

Chapter 1237, Statutes of 1974, requires the department to reimburse counties for detaining its parolees when the detention is related solely to a violation of the conditions of parole and not to a new criminal charge. The $1,919,918 budgeted for this purpose is based on the anticipated number of confinement days multiplied by the estimated average per capita daily cost of operating county jails. However, the Attorney General has ruled that under Chapter 1237 the department can reimburse counties only for the *added* (that is, the incremental) costs of detaining state parolees. The department estimates that conforming to the Attorney General's opinion would reduce payments to counties by approximately 75 percent of the budgeted amount.

Based on the Attorney General's opinion, this item is overbudgeted. Therefore, we recommend that Item 299 be reduced from $1,919,918 to $480,000.

Health and Welfare Agency
COMMUNITY RELEASE BOARD

Item 300 from the General Fund — Budget p. 821

Requested 1979–80	$4,742,085
Estimated 1978–79	5,208,857
Actual 1977–78	4,868,127 [a]
Requested decrease $466,772 (9.0 percent)	
Total recommended reduction	None

[a] The Governor's Budget reports these expenditures in the Department of Corrections.

GENERAL PROGRAM STATEMENT

The Determinate Sentencing Law (Chapter 1139, Statutes of 1976) created a Community Release Board, replacing both the Adult Authority for male felons and the Women's Board of Terms and Paroles for female felons. The board has nine members, all appointed by the Governor with the advice and consent of the Senate. In past years, program and budget data for this board and its predecessor agencies have been shown in the

COMMUNITY RELEASE BOARD—Continued

Governor's Budget under the Department of Corrections. Beginning with the budget year, the board's budget is being shown separately, reflecting its independent status.

As discussed more fully in our analysis of the Department of Corrections' budget request, the Community Release Board sets a determinate prison sentence and establishes the length and conditions of parole for male and female felons originally sentenced under the old Indeterminate Sentence Law. It also considers parole release for persons sentenced to life imprisonment with the possibility of parole. The one-third reduction in time served for good behavior and program participation, which the new law allows, is initially determined by the Department of Corrections, subject to review by the board on appeal from an inmate.

The board decides whether and for how long to reincarcerate parolees for technical violations of parole. It is required to review the sentences of all felons committed to the Department of Corrections within one year of commitment to ascertain whether specific sentences are in conformity with sentences received by other inmates for similar offenses. The board also advises the Governor on applications for clemency.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a General Fund expenditure of $4,742,085 for support of the Community Release Board in 1979–80. This is a decrease of $466,772, or 9 percent, from estimated current-year expenditures.

As shown in Table 1, staff requirements are expected to decline by 10 personnel-years from 104.2 in 1978–79 to 94.2 during the budget year. This reflects the deletion of 18 limited-term positions and 2.5 miscellaneous positions, which are partially offset by the addition of 10.5 new positions as discussed below. The board was not required to reduce staff under Section 27.2 of the Budget Act of 1978.

Table 1
Community Release Board
Budget Summary

	Personnel-Years	*Amount*
1978–79 Expenditures	104.2	$5,208,857
Positions Limited to June 30, 1979	−18.0	−664,903
In re Carroll Decision	3.5	365,570
Disparate Sentence Review	7.0	82,865
Other Adjustments	−2.5 [a]	−250,304
1979–80 Request	94.2	$4,742,085

[a] Includes 1.7 positions transferred to the Department of Corrections and an increase of 0.8 position of salary savings.

Decline in Workload Resulting From Sentencing Law Change

As discussed earlier, the Determinate Sentence Law replaced the Indeterminate Sentence Law on July 1, 1977. It required the board to set a determinate sentence for all inmates sentenced before that date. To accomplish this, the board was authorized 18 limited-term positions which will terminate on June 30, 1979. Workload changes are summarized in Table 2.

Table 2
Community Release Board
Workload Indicators

Workload	*Number of Cases* 1978–79	*Number of Cases* 1979–80	*Change from current year* Number	*Change from current year* Percent
1. Parole Consideration Hearings				
a. Life Term Prisoners	1,949	1,543	−406	−21%
b. Non-Life Indeterminate Sentence Law	8,048	3,298	−4,750	−59%
2. Extended Term Hearings	2,416	232	−2,184	−90%
3. Parole Revocation Hearings	3,838	3,327	−511	−13%
4. Rescission Hearings	640	480	−160	−25%
5. Denial of Good Time Credit	525	788	263	50%
6. Review Length and Condition of Parole	675	675	—	—
7. Discharge Review	9,215	7,954	−1,261	−14%
8. Decision Review	10,414	5,204	−5,210	−50%

The three most significant workload decreases are for: (1) Inmates sentenced for nonviolent crimes under the Indeterminate Sentence Law (Category 1(b) in Table 2) for which the board must set a parole release date. This element is expected to decrease by 4,750 cases or 59 percent; (2) Inmates convicted of violent crimes under the Indeterminate Sentence Law for which the board must conduct extended term hearings. This category will decrease by 2,184 cases or 90 percent; and (3) Headquarters review of every decision rendered by a board panel for legality and consistency, which decreases by 5,210 cases or 50 percent.

Court Decision Increases Costs

In re Carroll, a California appellate court decision, held that the board must issue subpoenas for witnesses upon request of parolees, inmates or counsel at parole revocation hearings. The board is requesting 3.5 positions and $365,570 (including subpoena service costs and witness fees) to implement this decision.

Permanent Staff for Disparate Sentence Review

The Determinate Sentence Law requires that the board review the sentence of each inmate to insure consistency with sentences received by other inmates sentenced for similar crimes and under similar circumstances. In the current-year, the board is using university workstudy students for this purpose. Because of rapid turnover of this type of employee and the resultant lack of consistency in review decisions, the board is requesting seven permanent positions and $82,865 for 1979–80.

Due to the increasing workload (from 8,000 cases in 1978–79 to 17,000 in 1979–80) and the importance of consistency, we concur with the board's request.

Health and Welfare Agency

DEPARTMENT OF THE YOUTH AUTHORITY

Items 301–306 from the General Fund Budget p. 823

Requested 1979–80	$176,929,571
Estimated 1978–79	193,621,122
Actual 1977–78	124,009,031
Requested decrease $16,691,551 (8.6 percent)	
Total recommended reduction	$654,459

1979–80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
301	Department Support	General	$118,439,941
302	Transportation of Persons Committed	General	43,540
303	County Delinquency Prevention Commissions	General	33,300
304	Delinquency Prevention Projects, Research and Training Grants	General	200,000
305	Detention Costs of Parolees	General	75,500
306	County Justice System Subvention Program	General	58,137,290
	Total		$176,929,571

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Camp Program Underutilized. Recommend department identify steps taken to insure that camp program is fully utilized. 839
2. *Reception Center Capacity Misallocated. Reduce Item 301 by $136,000.* Recommend coeducational program be terminated and additional reception capacity made available. 840
3. *Additional Institutional Capacity Needed. Augment Item 301 by $278,048.* Recommend staff and operating expenses be provided to house 40 additional wards. 841
4. *Grant Overhead Funds. Reduce Item 301 by $134,406.* Recommend workload adjustments because of reduced grant activity. 842
5. *Teacher Costs. Reduce Item 301 by $17,000.* Recommend savings from reduced work-year option be recognized. 842
6. *Disciplinary Decision-Making System. Reduce Item 301 by $156,940.* Recommend positions added administratively be deleted. 842
7. *Cadet Corps Program. Reduce Item 301 by $42,310.* Recommend equal pay for all camp programs. 844
8. *Out-of-State Travel. Reduce Item 301 by $14,310.* Recommend out-of-state travel funds be reduced to level of 844

recent experience.

9. *Local Justice Training. Reduce Item 301 by $76,041.* Recommend local training program be reimbursable. 845
10. Chapter 461 Evaluation. Recommend evaluation address potential state savings. 845
11. Chapter 461 Repayment Possibilities. Recommend definition of potential penalties. 846
12. *County Reimbursement for Detaining Parolees. Reduce Item 305 by $55,500.* Recommend overbudgeting be eliminated. 846
13. *Crime and Delinquency Prevention. Reduce Item 301 by $100,000 and eliminate Item 304 ($200,000).* Recommend the Office of Criminal Justice Planning become single state agency for crime and delinquency prevention. 846

GENERAL PROGRAM STATEMENT

The responsibility of the Youth Authority Board and the Department of the Youth Authority, as stated in the Welfare and Institutions Code, is " . . . to protect society more effectively by substituting for retributive punishment, methods of training and treatment directed toward the correction and rehabilitation of young persons found guilty of public offenses." The board and the department have attempted to carry out this mandate through the program areas discussed below.

Youth Authority Board

The Youth Authority Board, consisting of eight members, is charged with personally interviewing, evaluating and recommending a treatment program for each offender committed to the department. It also sets terms of incarceration and is the paroling authority for all such wards.

Administration

The administration program consists of (1) the department director and immediate staff, who provide overall leadership, policy determination and program management; and (2) a support services element, which provides staff services for fiscal management, data processing, management analysis, personnel, training, and facility construction, maintenance and safety.

Prevention and Community Corrections

The prevention and community corrections program provides services to local public and private agencies and administers the County Justice System Subvention Program (Chapter 461, Statutes of 1978) and other local programs relating to delinquency prevention. The program consists of three elements: Financial aid, information, and juvenile detention facilities regulation.

Institutions and Camps

The institutions and camps branch is organized on a north-south regional basis. It operates four reception centers, eight institutions and five forestry camps as follows:

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

Facility	*Location*
Reception Centers:	
Northern Reception Center/Clinic	Sacramento
Southern Reception Center/Clinic	Norwalk
Youth Training School Clinic [a]	Chino
Ventura Reception Center/Clinic [a]	Camarillo
Institutions:	
Northern California Youth Center	Stockton
O. H. Close School	
Karl Holton School	
DeWitt Nelson Youth Training Center	
Preston School of Industry	Ione
Fred C. Nelles School	Whittier
El Paso de Robles School	Paso Robles
Southern California Youth Center	Chino
Youth Training School	
Ventura School	Camarillo
Camps:	
Ben Lomond Youth Conservation Camp	Santa Cruz
Pine Grove Youth Conservation Camp	Pine Grove
Mt. Bullion Youth Conservation Camp	Mariposa
Washington Ridge Youth Conservation Camp	Nevada City
Oak Glen Youth Conservation Camp	Yucaipa

[a] Colocated with institution.

According to the Governor's Budget, the department will house a projected average daily population of 4,909 wards in the budget year (Table 1), which is 344 above the current-year estimate. Population projections are discussed later in this Analysis.

Table 1
Average Daily Population of Youth Authority Institutions

	1977–78	*1978–79* [a]	*1979–80* [a]
Reception Centers (Male and Female Wards)	678	695	700
Facilities for Male Wards	3,332	3,735	4,064
Facilities for Female Wards	114	135	145
Total	4,124	4,565	4,909
Change from Prior-Year	—	+441	+344

[a] Estimated.

Parole Services

The primary role of the parole branch is to provide supervision of, and services to, wards after their release on parole. For management purposes, the branch is divided into four regions which supervise a total of approximately 40 parole offices and two residential programs. Average parole caseload for 1979–80 is estimated at 6,931 or 37 (0.5 percent) less than anticipated in the current year.

Planning, Research, Evaluation and Development

This program, through its planning and program assessment element, is responsible for the departmental planning process, reviewing problem issues and conducting short-term program reviews. The program and resources development element obtains grant funding and monitors grant-funded projects. The research element provides to management the evaluation and feedback considered necessary to determine those programs that are effective and should be continued, those that show promise and should be reinforced and those that should be discontinued. It also provides estimates of future institutional and parole caseloads for budgeting and capital outlay purposes, and collects information on the principal decision points as the wards move through the department's rehabilitation program from the time of referral to final discharge.

ANALYSIS AND RECOMMENDATIONS

The budget proposes $176,929,571 from the General Fund for support of the Department of the Youth Authority in 1978–80. This is a decrease of $16,691,551, or 8.6 percent from estimated expenditures during the current year. Additionally, the department anticipates budget-year reimbursements amounting to $9,126,663 and federal funds totaling $532,809, for a total expenditure program of $186,589,043.

Table 2
Budget Summary
Department of the Youth Authority

	Estimated 1978–79	*Proposed 1979–80*	*Change*	
			Amount	*Percent*
Funding				
General Fund	$193,621,122	$176,929,571	$−16,691,551	−8.6%
Reimbursements	14,035,442	9,126,663	−4,908,779	−35.0
Federal funds	546,932	532,809	−14,123	−2.6
Totals	$208,203,496	$186,589,043	$−21,614,453	−10.4%
Programs				
Prevention and Community Corrections	$85,881,087	$60,946,629	$−24,934,458	−29.0%
Personnel-years	67.6	65.5	−2.1	−3.1
Institutions and Camps	94,465,843	97,958,329	3,492,486	3.7
Personnel-years	3,540.9	3,500.9	−40.0	−1.1
Parole Services	16,694,758	16,431,792	−262,966	−1.6
Personnel-years	440.9	428.1	−12.8	−2.9
Planning, Research, Evaluation and Development	2,206,541	2,095,129	−111,412	−5.0
Personnel-years	76.4	62.7	−13.7	17.9
Youth Authority Board	1,719,791	1,735,964	16,173	0.9
Personnel-years	42.0	41.3	−0.7	−1.7
Administration	7,035,476	7,421,200	385,724	5.5
Personnel-years	221.5	214.4	−7.1	−3.2
Title II Match [a]	200,000	—	−200,000	−100.0
Reductions per Sections 27.1 and 27.2, Budget Act of 1978	(−1,265,000)	(−700,000)	(565,000)	(44.7)
Personnel-years	−31.8	−31.8	—	—
Totals	$208,203,496	$186,589,043	$−21,614,453	−10.4%
Personnel-years	4,357.5	4,281.1	−76.4	−1.8

[a] Provides for supplies and materials to match a federal Public Works Employment Act grant.

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

Expenditure Comparisons Misleading. Table 2 summarizes the budget request, showing sources of funding by category, expenditure levels by program, and proposed dollar and position changes. Comparisons between fiscal years in the General Fund and budget totals are misleading because onetime costs of $27.2 million are included in 1978–79 as a result of legislative changes in the local assistance program. After adjusting for these onetime costs, the department's General Fund request for 1979–80 *increases* by about $10.5 million (6.3 percent) over current-year costs, rather than decreasing by $16.7 million as indicated in the budget. These changes and the fiscal consequences thereof are discussed later in this Analysis.

Subsidy Programs Revised

1. *County Justice System Subvention Program.* Chapter 461, Statutes of 1978 (AB 90), as modified by Chapter 464, replaced the local Probation Subsidy program and the subsidy programs authorized for the construction and operation of juvenile homes, ranches and camps with the County Justice System Subvention Program (CJSSP). Under the new program, counties will receive in 1978–79 either a per capita grant of up to $2.55, or an amount equal to the sum of the amount received in 1977–78 from the repealed subsidy programs and as reimbursement for costs imposed by Chapter 1071, Statutes of 1976 (AB 3121), whichever is greater. For purposes of calculating the new subsidy, all counties are considered to have a population of at least 20,000.

In order to receive state funds under the CJSSP, counties are required to maintain their juvenile and criminal commitment rates at or below their "base" commitment rate, which is calculated as the average number of new commitments to the Departments of the Youth Authority and Corrections per 100,000 population for fiscal years 1973–74 through 1976–77. Commitments for specified violent offenses (murder in the first or second degree, or certain arsons, robberies, rapes and assaults, for example) and of certain repeat felons would be excluded from "funding year" commitment rates but not from the base rate calculation.

Chapter 461, appropriated $55 million for the CJSSP in 1978–79. Of this amount, the Governor's Budget indicates that $54,846,500 will be subvented and the remaining $153,500 will be spent on an independent evaluation of the program's effectiveness as mandated by Chapter 461. For 1979–80 the subsidy is budgeted at $58,137,290 or 6 percent more than the current-year amount. Language included in the 1979 Budget Bill would limit increases in county grants to 6 percent even though Chapter 461 requires that the 1979–80 increase be based on the change in the cost-of-living between December 1977 and December 1978 (about 8 percent).

Chapter 464, which made minor changes in the County Justice System Subvention Program, also permitted $18 million appropriated by Chapter 1241, Statutes of 1977, to be expended. The purpose of this appropriation was to reimburse counties for Chapter 1071 costs incurred from January 1, 1977 to June 30, 1978. However, technical problems in Chapter 1241 (failure to specify disbursement procedures) precluded such payments.

The budget indicates that these payments will be made in the current year.

2. *Detention of Status Offenders.* Chapter 1061, Statutes of 1978, provided limited circumstances in which minors taken into custody solely on the basis of a "status offense" (run-aways, for example) may be detained in a secure facility. Previously, such minors could be detained only in shelter care facilities, crisis resolution homes or other nonsecure facilities. Status offenders securely detained pursuant to Chapter 1061 must be kept separate from minors detained for law violations. The act provided $1.5 million to assist counties with capital outlay costs incurred in meeting this separation requirement.

Current-Year Subsidy Costs Include Significant Onetime Expenses

As a result of the enactment of the new subsidy programs and the expenditure of amounts appropriated by Chapter 1241, current-year local assistance expenditures include onetime costs of $27.2 million. This tends to inflate expenditures in the current year and accounts for the reduction in budget-year funding requirements. Funding for the department's local assistance program is shown in Table 3.

Table 3
Local Assistance Programs
Department of the Youth Authority

Program	*Estimated 1978–79*	*Proposed 1979–80*	*Change from Current-Year*
Probation Subsidy [a]	$7,700,000 [b]	—	$−7,700,000
Delinquency Prevention Commissions	33,300	$33,300	—
Delinquency Prevention Grants	698,976	200,000	−498,976
Chapter 1071, Statutes of 1976, Reimbursements [a]	18,000,000	—	−18,000,000
Transportation of Wards	43,540	43,540	—
Detention of Parolees	75,500	75,500	—
County Justice System Subventions	54,846,500	58,137,290	3,290,790
Status Offender Detention Grants [a]	1,500,000	—	−1,500,000
Total, Local Assistance	$82,897,816	$58,489,630	$−24,408,186

[a] Onetime costs in the current year.
[b] Required to liquidate county earnings through June 1978, which were paid in arrears.

Current-Year Deficiency Identified—Institutional Population Still Underbudgeted

The Governor's Budget reflects a deficiency of $1.1 million in current-year funding requirements because institution population levels have exceeded original estimates. The department now anticipates an average daily population of 4,565 wards in the current year (compared to an earlier estimate of 4,412) and 4,909 in the budget year. By June 30, 1980, the ward population is expected to total 5,005, which will result in all capacity, *under present program formulas,* being utilized. However, there are an additional 336 beds not in use because of special programs which utilize low caseload formulas. Institutional population data are shown in Table 4.

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

Table 4

Institutional Population—Department of the Youth Authority

Budgeted	*1978–79*	*1979–80*	*Change from Current-year*
Beginning of Year	4,324	4,742	418
End of Year	4,742	5,005	263
Average Daily Population	4,565	4,909	344
December 31, 1978			
Projected Assuming Straight Line Increase	4,533	—	—
Actual	4,708	—	—

By comparing the actual December 31, 1978, population (4,708) to either the straight-line projection (4,533) or the average daily population for 1978–79 (4,565), as shown in Table 4, it is clear that the department had a greater number of wards in its institutions at the end of 1978 than is reflected in the Governor's Budget. This indicates that the current-year deficiency of $1.1 million included in the Governor's Budget is understated. Additionally, it indicates that budget-year population projections are also understated, based on the current policy of the Youth Authority Board governing length-of-stay. Effective June 1, 1978, this policy increased the initial terms for some offenders, thus resulting in a longer average length-of-stay. While the length of stay has averaged 11.5 months for wards paroled in December 1978, that average may rise considerably as the percentage of wards whose terms were set under the new policy increases. Projections included in the Governor's Budget were based on an average length of stay of 11.5 months in 1978–79, and 12 months in 1979–80. Initial terms set by the board under the new policy have averaged 12.5 months. Three issues regarding the population problem are discussed later in this Analysis.

Expansion of Treatment Programs for Emotionally Disturbed Wards

The department proposes to expand its capability to deal with emotionally disturbed wards by upgrading three regular program living units to intensive treatment units, each of which will accommodate 35 wards. The additional 25 positions required to operate these programs have been redirected from other activities. The intensive treatment units will be an intermediate level of care between the regular program and the existing medical/psychiatric program, which has a capacity of 115 wards.

Departments to be Removed from the Health and Welfare Agency

Chapter 1252, Statutes of 1977 (SB 363), requires the Governor to submit, by January 31, 1979, a reorganization plan removing the Departments of Corrections and the Youth Authority from the Health and Welfare Agency by July 1, 1979. The budget does not indicate the new organizational placement of either department, or make any allowance for the costs that might result from a reorganization plan.

Position Reductions Unidentified

The Governor's Budget indicates that 31.8 unidentified positions and $700,000 have been deleted from the department's budget pursuant to Section 27.2, Budget Act of 1978. According to the budget, these positions will be identified during legislative hearings. The effect of this reduction on departmental operations cannot be precisely determined until the positions are identified. As a percentage of total staff, this reduction amounts to approximately 0.7 percent and should not significantly affect program performance.

Camp Programs Still Underutilized

We recommend that the department report during budget hearings on steps taken to insure that camp programs are fully utilized.

The department currently operates five separate conservation camps and one camp-type program each at the El Paso de Robles School and the DeWitt Nelson Training Center. Since early 1977 population levels of the five camps have been significantly below the budgeted level except for very brief periods.

Last year, in addition to recommending that a budgeted, but unopened, institutional based camp at the Ventura School not be opened, we recommended that the department develop procedures to insure that all qualified wards were assigned to a camp. According to a January 1978 departmental report, there were more than an adequate number of camp-qualified wards in the department's institutions at that time. Language was included in the Supplemental Report of the Conference Committee on the 1978 Budget Bill specifying that living units budgeted to be opened during 1978–79 remain closed unless existing capacity, especially in camps, is utilized substantially at the budgeted level.

Despite this expression of legislative intent and the ward population pressures, which the department has experienced in 1978–79 (as evidenced by the proposed $1.1 million deficiency), camp programs have continued to be underutilized throughout the current fiscal year. Month-end camps populations for July to December 1978 have ranged from 332 to 366, compared with a budgeted capacity of 380 and a physical capacity of 400. This underutilization has placed increased population pressure on the institutions.

We therefore recommend that the department take necessary action to maximize utilization of the camps and advise the fiscal committees of its plan to achieve this objective.

Reception Center/Clinic Capacity Misallocated

We recommend that the coeducational program located at the Northern Reception Center/Clinic be discontinued, and that reception capacity be increased by 21 beds for a net savings of $136,000 (Item 301).

The department operates two reception center/clinics, one in Sacramento (the Northern Reception Center/Clinic, generally referred to as NRCC) and one in Norwalk (the Southern Reception Center/Clinic). The reception program serves as an entry and processing point for persons committed to the department. Wards usually spend three to four weeks at the reception points for evaluation prior to being assigned to a regular institution program or camp. In the current year, the reception centers have been constantly overcrowded, with wards sleeping in the medical facilities, on mattresses on day room floors, or at other institutions while waiting for processing space at the reception centers.

To alleviate this problem, the department proposes to open on a full-

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

time basis, a small 20-bed living unit at NRCC which is presently used only when overcrowding occurs. Because of its small size, this unit is not cost efficient. It requires nearly the full clinic staffing complement of about 12 staff members even though only 20 wards (compared to 50 in most reception units) are served.

We believe that the 20-bed unit should only be used for overflow capacity. It is more appropriate, we think, to obtain the additional space required at NRCC by discontinuing a coeducational program (24 female/11 male wards) at NRCC and using the 41 beds in that unit for reception purposes. With only minor staffing and cost adjustments, the female wards could be transferred to the Ventura School, which is the department's primary institution for females.

The Ventura School will be staffed in 1979–80 to provide a full range of programs for 215 female wards, although the budget anticipates that only 195 female wards will be housed there. Physical capacity of the staffed units is 245.

The 11 male bed spaces currently located in the NRCC coeducational unit can be shited to one of the 50-bed living units currently budgeted for 30 wards at the Fred C. Nelles School. The fiscal consequences of this recommendation are shown in Table 5.

Table 5
Budget Summary of Recommendation to Terminate Coeducational program

1	Savings from changing coeducational unit to reception unit	$44,215
2.	Savings from not opening 20-bed reception unit.	252,800
3.	Cost of adding 24 female wards to Ventura School	–106,056
4.	Cost of adding 11 male wards to F.C. Nelles School	–54,959
	Net Savings	$136,000

In addition to increasing reception center capacity by 21 beds at a $136,000 savings, this recommended realignment would allow NRCC to continue using the 20-bed unit for reception overflow, thus reducing the need for wards to sleep on day room floors. If the department desires to maintain some capacity for female wards in northern California, it should transfer a full living unit from the Ventura School to one of the three institutions in Stockton. The displaced unit could then be transferred to the Ventura School.

Provide for Additional Institutional Population

We recommend that staff and operating expenses be provided to permit 40 additional wards to be housed at the Fred C. Nelles School at a cost of $278,048 (Item 301).

In 1972 the department implemented an experimental program at the Fred C. Nelles School in which the individual living unit populations were reduced from 50 to either 30 or 40 wards. It was assumed that by providing more intensive services, the average length-of-stay would decline enough to permit the institution to accept the same number of admissions as in the previous year. A 1974 departmental review of the program indicated that this objective was not being met for various reasons, including a change in Youth Authority Board term-setting policies. Similarly, as shown in Table 6, wards assigned to 30 ward dormitories do not earn term reductions sufficient to offset the difference in capacity between those units and the 40 ward units.

Table 6

Wards Paroled from the F.C. Nelles School in 1977–78

	30 Ward Units	*40 Ward Units*	*Total*
Paroled with time additions	32 (17%)	32 (22%)	64 (19%)
Paroled with time reductions	104 (56%)	101 (69%)	205 (62%)
Totaled paroled	184	145	329
Average change from initial term (in months)	−1.0	−1.8	−1.3

The data in Table 6 are based on the unit from which each individual was paroled. Therefore, it does not necessarily represent time extensions or reductions for wards assigned to 30- or 40-bed units. However, to the extent that a bias is reflected, it probably would be in favor of the 30 ward units. This is because wards with short initial lengths-of-stay are assigned to the 30 ward units. If a ward so assigned recieves an increase in his confinement period because of misconduct, he is likely to be transferred to a longer-term, 40-ward unit.

As discussed earlier, we believe that the institutional population level will exceed that presently forecast in the Governor's Budget. To accommodate a portion of the unbudgeted population, we believe that all living units at F.C. Nelles School should be raised to 40 wards. Therefore, we recommend that the department's budget be increased by $278,048 for staff and operating expenses. If the department, in its May revision to the budget, anticipates a need to house more wards throughout the system than this proposal would accommodate, it should consider raising all living units above the 40-ward level.

Grant Activity Declines—Administrative Support Not Needed

We recommend that seven positions which support the department's grant program be deleted for a savings of $134,406 (Item 301).

In our Analysis of the 1978 Budget Bill, we reported that the department anticipated receiving unrestricted grant overhead funds totaling $369,503. These funds are included in each grant to offset departmental costs for administering the grant program. Fifteen positions were identified as support staff for this function. However, the Governor's Budget reflected that only five of these positions were supported by grant funds (at a cost of $118,260); the remaining ten positions were financed from the General Fund. Therefore, we recommended adoption of a policy requiring that all positions which provide administrative support to the department's grant program be funded with grant overhead funds, and that General Fund support for this purpose be deleted. The administration concurred with this recommendation.

The 1979–80 Governor's Budget includes restricted grant overhead monies totaling $140,294. However, all 15 positions supported by overhead funds in 1978–79 are still shown in the budget. Because of the reduction

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

in anticipated receipts, nine positions and $184,706 have been transferred to General Fund support for 1979–80. We have reviewed workload for these positions and believe that the work associated with seven of them are still grant-related. Due to the projected decline in grant support and workload, they should be deleted. If and when the department receives additional grants, any administrative positions needed at that time can be established on a workload basis. Therefore, we recommend that the department's budget be reduced by seven positions and $134,406 (Item 301).

Ten-Month Work Year for Teachers Permit Savings

We recommend a reduction of $17,000 (Item 301) to reflect the savings resulting when teachers elect to work only 10 months per year.

Because of the year-round nature of the department's educational program, a teaching staff is retained on a full year basis. However, individual teachers may elect to be employed under a so-called "10/12" plan in which they work for 10 months but have their pay spread over the entire calendar year. The department usually accrues savings under the 10/12 plan because the intermittent employees hired for the two-month period generally are paid at a lower rate.

Although the department estimates these savings at $17,000 in the current year, they are not reported as an offset to the 1979–80 funding request. Therefore, we recommend that the department's support budget (Item 301) be reduced by $17,000 to reflect these savings in the educational program.

Additional Staff for Disciplinary Decision Making System Not Needed

We recommend that six positions added administratively in the current-year to function as fact finders in the department's disciplinary system be deleted for a savings of $156,940.

Background. The Disciplinary Decision Making System (DDMS) was established as a result of a U.S. Supreme Court decision, *Wolff* vs. *McDonnell*, which specified due process standards for residents of correctional institutions who are subject to disciplinary actions. The decision established the following requirements for determining misconduct.

1. Advance written notice of charges must be given to the accused.
2. The accused shall be allowed to call witnesses and present evidence.
3. Substitute counsel shall be provided in some cases.
4. The fact finder must be impartial.
5. The fact finder must make a written statement as to the evidence relied on and reasons for the disciplinary action.

Thirty-one positions, including nine clerical, were added to the department's budget in 1976–77 for DDMS proceedings. The 10 institutions (including the two reception centers) chose to implement the fact finder requirements in different ways. In four institutions, including the Youth Training School which has the greatest disciplinary workload, middle management duties were realigned to permit one position to do almost all of the fact finding. In the other six institutions, this responsibility was shared among two or more middle managers, such as living unit supervisors.

Problem. The department found that the practice of allocating the fact-finding workload among several staff members created problems of uniformity and fairness in the fact-finding process. Therefore, the department administratively established six positions on July 1, 1978, to serve as DDMS fact finders in the six institutions where this function previously had been shared by middle management personnel, principally living unit supervisors. While we concur with the need to remove this function from the living unit supervisors and centralize it under a single employee, we do not, for the reasons discussed below, believe that full-time positions are justified for this program.

Although the budget change proposal which was prepared to justify full-time positions indicates that four hours of fact-finder time is required per case, the fact finder at the Youth Training School, who devotes about two-thirds of his time to this program, handled 841 cases in 1976, 859 in 1977 and 317 in the first six months of 1978. This would indicate that the processing of an average case requires approximately 1.5 hours.

For the two-and-one-half year period January 1976 through June 1978, none of the six institutions at which the positions were added had even one-half of the disciplinary workload at the Youth Training School. It is evident, therefore, that the task of fact finder at these institutions does not justify full-time positions.

Assign Responsibility on Part-Time Basis. We believe a more cost effective solution to handling the fact-finding function is for each of the six institutions to assign one position which does not involve supervising living units to serve as the primary fact finder. To reduce the amount of time diverted from their other management duties, individuals assigned this role should receive training from the Youth Training School fact finder.

For these reasons we recommend that the six positions added administratively in the current year be deleted for a savings of $156,940.

Significant Pay Increase for Ward Cadets

We recommend that wards assigned to the California Cadet Corps program at the Ben Lomond Youth Conservation Camp receive pay equal to that received by wards assigned to the department's other camps for a savings of $42,310 (Item 301).

During the current year, the department administratively established a California Cadet Corps company at the Ben Lomond Youth Conservation Camp. This was done without notifying the Legislature pursuant to Section 28, and increased departmental costs by $53,270. The purpose of the program is to provide structured activity (marching, exercise drills, etc.) for what is ward leisure time in the department's other camps. It is anticipated that this structure will avert some of the disciplinary problems that might otherwise occur. Under the program, wards participate in conservation work from 8AM to 4PM on weekdays and in cadet corps activities from 6:30 AM to 7:30AM and 6:30PM to 8:30PM on weekdays and 8AM to Noon on Saturdays.

The department's 1979–80 budget includes $202,690 for ward pay for the conservation camps. Wards assigned to the institution-based camps at

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

DeWitt Nelson and El Paso de Robles and the four conservation camps which do not have the cadet corps program receive an average of $1.15 per day. When the cadet company was activated, the department increased ward pay rates at the Ben Lomond camp to an average of $3 per day. No justification for this increase has been provided. All camp wards receive premium pay while engaged in fire-fighting activities.

While it is possible that the cadet program will avert some of the disciplinary problems which might otherwise occur in the camp, we believe that it is inappropriate to provide a higher rate of pay for wards participating in this program than for wards assigned to the other camps. The primary purpose of the camps, in addition to instilling work habits as an element of ward rehabilitation, is to provide conservation work and maintain an emergency fire-fighting capability. Ward pay rates should be based on this activity rather than on the availability of a cadet program. Therefore, we recommend that the pay rate at this camp be reduced to the level paid at the other camps for a savings of $42,310 (Item 301).

Out-of-State Travel Overbudgeted

We recommend that funding for out-of-state travel be reduced to the level of recent experience for a savings of $14,310 (Item 301).

The Governor's Budget includes $42,770 for out-of-state travel for the department. As shown in Table 7, such travel has been consistently overbudgeted since 1975–76.

Table 7
Out-of-State Travel Expenditures
Department of the Youth Authority

Fiscal Year	*Budgeted*	*Expended*	*Percent of Budget Spent*
1975–76	$41,160	$17,096	41.5%
1976–77	35,800	24,421	68.2
1977–78	39,380	23,867	60.6
1978–79	40,100	—	—

Most of this expenditure is for transportation of staff accompanying wards being extradited from other states. The department has not yet identified other trips planned for 1979–80. Lacking detailed justification, we believe that the department's out-of-state travel request should be reduced to the level expended in 1977–78, adjusted for an inflation rate of 20 percent (equal to that allowed for intrastate air transportation by the Department of Finance in its budget preparation instructions). Therefore, we recommend an out-of-state travel allocation of $28,640 or 14,130 less than the amount included in the Governor's Budget.

Local Justice System Training Program Should be Self-Sufficient

We recommend that the department's local justice training program be made fully reimbursable for a General Fund savings of $76,041 (Item 301).

The department offers various training courses, such as advanced family counseling and juvenile law enforcement officer training, to local justice system employees. The total 1979–80 cost of this program will be $114,916, of which $38,875 will be recovered through tuition fees. According to the department, tuition rates are based on what various outside consultants charge and include an amount to cover the program's operating expenses. However, personnel costs are not considered in setting tuition.

We believe that programs of this type should be funded on a "user fee" basis. That is, total costs should be recovered from program beneficiaries. This approach forces state programs to be competitive, in terms of cost and quality, with programs available elsewhere. Therefore, we recommend that this program be put on a fully reimbursable basis for a savings of $76,041 (Item 301).

Chapter 461 Evaluation Should Address Potential Savings to State Correctional Agencies

We recommend that the independent evaluation mandated by Chapter 461, Statutes of 1978 (AB 90), address the relationship between local programs funded with Chapter 461 funds and the degree to which such programs reduce the need for state incarceration.

Chapter 461, which established the County Justice System Subvention program (discussed earlier in this Analysis), specified that an independent agency must conduct an evaluation of the program by June 30, 1982. The first six-months cost of the evaluation ($153,500) was allocated from the Chapter 461 appropriation, and the budget includes $307,700 to continue the evaluation in 1979–80. The department anticipates that the total cost of the evaluation will be approximately $1.1 million. The initial contract has been awarded to A. D. Little, Inc.

Counties are permitted to spend their Chapter 461 allocations on local correctional services. These expenditures should help counties stay within the commitment limits (described earlier) by providing suitable local programs for certain offenders who would otherwise be committed to state correctional institutions. Because of the high cost of state incarceration and the availability of Chapter 461 funds, we believe that the evaluation should address the degree to which these funds reduce the number of persons committed to state institutions, the services provided to them and the effect of the alternative dispositions on recidivism.

Chapter 461 Repayment Possibilities Should be Defined

We recommend that the department specify, in its regulations, those conditions under which it may require counties to repay subvented funds.

Under the County Justice System Subvention program, the director of the department is required to determine, at least annually, whether each county is complying with its commitment limit. If this review reveals that a county has exceeded its limit, or is likely to do so, it is given 60 days to submit a plan for correcting or avoiding the violation. If the director determines that the plan fails to resolve the problem in a satisfactory manner, the department may withhold all or a portion of the county's future subventions or may require repayment of funds previously disbursed. Because of the wide discretion given to the director, we believe the department should specify, in its regulations, the criteria to be used in setting the penalty.

County Reimbursements for Detaining Youth Authority Parolees Overbudgeted

We recommend that amounts included to reimburse county costs incurred in detaining certain Youth Authority parolees be reduced to $20,000 for a savings of $55,500 (Item 305).

Chapter 1157, Statutes of 1977 (AB 166), requires the department to reimburse counties for detaining Youth Authority parolees when the detention is related solely to the violation of the conditions of parole and not to a new criminal charge. The act was patterned after Chapter 1237, Statutes of 1974, which requires the Department of Corrections to reimburse counties for detaining adult parolees under similar conditions.

The amount included in the budget is based on the anticipated number of confinement days times estimated *average per capita costs* for county jails ($20) and juvenile halls ($45). However, the Attorney General has ruled that under Chapter 1237 the Department of Corrections should reimburse counties only for their *added* (that is, incremental) costs of detaining state parolees. The language contained in Chapter 1157 governing Youth Authority payments is identical to that in Chapter 1237.

While the Department of the Youth Authority is making payments in accordance with the Attorney General opinion (generally between $2 and $8 per day), it has budgeted on the higher, average per capita cost basis. Based on the Attorney General's opinion, this item is overbudgeted. Therefore, we recommend that Item 305 be reduced from $75,500 to $20,000, for a savings of $55,500.

Consolidate State Crime and Delinquency Prevention Activities

We recommend that the Office of Criminal Justice Planning be designated the lead agency for state crime and delinquency prevention activities and that funding for overlapping activities of the Department of the Youth Authority be deleted, for savings totaling $300,000, consisting of $100,000 for administration (Item 301) and $200,000 in grants (Item 304).

Presently, three state agencies interact with local public and private agencies seeking financial support for various crime and delinquency prevention projects. The Department of the Youth Authority awards General Fund grants totaling $200,000 per year and expends about $100,000 of staff time in this area. The Department of Justice has a $482,421 crime prevention program, and the Office of Criminal Justice Planning (OCJP) expends approximately $40 million for projects designed to improve the criminal justice system. To eliminate duplication and overlap, total program responsibility should be placed in one state agency. We believe that OCJP is the proper agency to assume this role and have outlined the supporting reasons for this conclusion as part of our analysis of the OCJP budget (Items 407-412 of this Analysis).

The department's grant program is duplicative of the much larger OCJP grant program but, unlike the OCJP program which is about 90 percent federally funded, the department's program is entirely state supported. Moreover, the types of projects typically supported by the department can be financed at the county level under the new subvention program (Chapter 461, discussed earlier) which is budgeted at about $58 million. Thus, based on the ability of local governments to determine their own funding priorities under Chapter 461, and the availability of grants from OCJP, we believe that the department's program should be deleted for a General Fund savings of $200,000 (Item 304).

Additionally, the $100,000 in staff support should be deleted. The Office of Criminal Justice Planning is required by state and federal law to provide technical assistance to local agencies. Giving one state agency responsibility for technical assistance and advice in this area should provide for a more consistent and accountable program. Therefore, we recommend that Item 301 (department support) be reduced by $100,000, representing the cost of three positions and related expenses.

Should OCJP develop a coordinated, functional crime and delinquency prevention program, we believe that the Legislature should consider transferring the County Justice System Subvention program from the department to OCJP. Such consolidation would focus all available resources for criminal justice programs in one state agency, thereby improving accountability and simplifying coordination among all concerned levels of government. If that transfer is made, the Legislature should also transfer the $33,300 program (Item 303) which provides administrative funds to county delinquency prevention commissions.