Emergency Exiting System

We recommend a reduction of $4,000 in Item 516-301-036 and a reduction of $16,000 in Item 516-301-890 to delete funds for an emergency egress system because the system has not yet been approved by the State Fire Marshal.

The budget proposes the expenditure of $20,000 ($4,000 General Fund, SAFCO, and $16,000 Federal Trust Fund) for an emergency egress (exiting) system at a Department of Rehabilitation office building. The department indicates that installation of this system would allow disabled individuals to evacuate the building in their wheelchairs. The proposed system is battery powered.

This egress system is experimental and still in development at the University of California, Davis campus. The budget amount is based on the department's best estimate at this time. However, the cost of the system will not be fully known until development has been completed. Accordingly, the request for funding is premature.

This prototype emergency egress system was proposed for the central headquarters building in the budget for 1980–81. Its cost was then estimated at $50,000. The Legislature appropriated this amount, and included budget language restricting expenditures until the State Fire Marshal approved the system. The department has not yet obtained the approval of the Fire Marshal for the prototype project.

We therefore recommend deletion of this project because adequate support for the budget amount is not available, and because the State Fire Marshal has not yet approved a prior prototype project.

DEPARTMENT OF SOCIAL SERVICES SUMMARY

The Department of Social Services is the single state agency responsible for supervising the delivery of cash grants and social services to needy persons in California. Monthly grant payments are made to eligible recipients through two programs—Aid to Families with Dependent Children (AFDC) and the Supplemental Security Income/State Supplementary Payment (SSI/SSP) program. In addition, welfare recipients, low-income individuals, and persons in need of protection may receive a number of social services such as information and referral, domestic and personal care assistance, and child and adult protective services.

Table 1 identifies total expenditures from all funds for programs administered by the Department of Social Services for 1980–81 and 1981–82. Total expenditures for 1981–82 are proposed at $5,980,087,931, which is an increase of $51,728,507, or 0.9 percent, over estimated current year expenditures.

Table 2 shows the *General Fund* expenditures for cash grant and social services programs administered by the Department of Social Services. The department requests a total of $2,588,806,202 from the General Fund for 1981–82. This is a decrease of $214,502,462, or 7.7 percent, from estimated current-year expenditures.

Special Adjustments. The budget anticipates changes in state law or regulation which would reduce General Fund expenditures for welfare programs by $47,081,962 and increase revenues by $1,028,400. These proposals are discussed in more detail elsewhere in this analysis. Table 3 identifies the specific sources of the $48,110,362 in savings anticipated by the budget.

DEPARTMENT OF SOCIAL SERVICES
SUMMARY—Continued

Table 1
Department of Social Services
Expenditures and Revenues by Program
All Funds
1980–81 and 1981–82

Program	*Estimated 1980–81*	*Proposed 1981–82*	*Change Amount*	*Change Percent*
Department support	$127,849,805	$131,337,454	$3,487,649	2.7%
AFDC cash grants	2,553,851,600	2,662,136,700	108,285,100	4.2
SSI/SSP cash grants	2,038,020,400	1,937,990,400	−100,030,000	−4.9
Special adult programs	82,222,016	108,189,300	25,967,284	31.6
Special social services programs	622,996,877	596,189,063	−26,807,814	−4.3
In-home supportive services	(243,486,011)	(270,884,325)	(27,398,314)	(11.3)
Community care licensing	(15,756,100)	(6,463,700)	(−9,292,400)	(−59.0)
County welfare department administration	503,418,726	544,245,014	40,826,288	8.1
Local mandates	(8,350,320)	(8,458,000)	(107,680)	1.3
Special Adjustments:				
Reduced expenditures	—	(−61,223,662)	(−61,223,662)	—
Increased revenues	—	(1,028,400)	(1,028,400)	—
Totals	$5,928,359,424	$5,980,087,931	$51,728,507	0.9%
General Fund	*2,803,308,664*	*2,588,806,202*	*−214,502,462*	*−7.7*
Federal funds	*2,829,483,551*	*3,094,625,186*	*265,141,635*	*9.4*
County funds	*276,576,170*	*287,287,557*	*10,711,387*	*3.9*
Reimbursements	*18,868,039*	*9,368,986*	*−9,499,053*	*−50.3*
Emergency Revolving Fund	*123,000*	—	*−123,000*	*−100.0*

Table 2
Department of Social Services
General Fund Expenditures
1980–81 and 1981–82

Budget Item	*Program*	*Estimated 1980–81*	*Proposed 1981–82*	*Change Amount*	*Change Percent*
518-001-001	Department support	$51,325,252	$49,320,058	−$2,005,194	−3.9%
518-101-001 (a)	AFDC cash grants	1,195,856,900[a]	1,215,955,900	20,099,000	1.7
518-101-001 (b)	SSI/SSP cash grants	1,251,981,900[a]	1,051,005,000	−200,976,900	−16.1
518-101-001 (c)	Special adult programs	5,596,016[a]	3,728,800	−1,867,216	−33.4
518-101-001 (d)	County welfare department administration	102,249,654[a]	110,092,643	7,842,989	7.7
518-101-001 (e)	Special social services programs	172,192,522	143,782,101	−28,410,421	−16.5
	In-home supportive services	(142,944,564)	(117,727,145)	(−25,217,419)	(−17.6)
518-101-001 (f)	Community care licensing	15,756,100	6,463,700	−9,292,400	−59.0
518-101-001 (g)	Local mandate	8,350,320	8,458,000	107,680	1.3
	Special Adjustments:				
	Reduced expenditures	—	(−47,081,962)	(−47,081,962)	—
	Increased revenues	—	(−1,028,400)	(−1,028,400)	—
	Totals	$2,803,308,664	$2,588,806,202	−$214,502,462	−7.7%

[a] Includes funds for anticipated deficiency.

Table 3
Department of Social Services
Special Adjustments[a]
General Fund
1981–82

Program	*Special Adjustments*	*Total*
Department Support		
1. Deletion of family day care licensing requirement	–$886,200	
2. Charge licensing fees for specified community care facilities	323,200	
Subtotal		–$563,000
AFDC Cash Grants		
1. Limit eligibility for state AFDC-U program	–$28,780,200	
2. Eliminate 80 percent grant supplementation	–6,423,000	
Subtotal		–$35,203,200
Special Adult Programs		
1. Eliminate emergency loan program for SSI/SSP recipients		–$1,765,862
Special Social Services		
1. Deletion of family day care licensing requirement		–$7,879,300
County Welfare Department Administration		
1. Limit eligibility for state AFDC-U program	–$1,233,700	
2. Eliminate 80 percent grant supplementation	–436,900	
Subtotal		–$1,670,600
Total, Reduced Expenditures		–$47,081,962
Total, Increased Revenues—Community Care Licensing Fees		–$1,028,400
Total Savings		–$48,110,362

[a] Source: Governor's Budget Page A-25

Health and Welfare Agency
DEPARTMENT OF SOCIAL SERVICES

Item 518-001 from the General Fund — Budget p. HW 162

Requested 1981–82	$49,320,058
Estimated 1980–81	51,325,252
Actual 1979–80	40,165,050
Requested decrease (excluding amount for salary increases) $2,005,194 (–3.9 percent)	
Total recommended reduction	$2,680,147
Total recommendation pending	$2,102,086

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS *Analysis page*

1. *Contracts With the Health and Welfare Agency.* ***Reduce by $25,-956.*** Recommend reduction of $51,912 ($25,956 General Fund and $25,956 federal funds) to correct overbudgeting. 948
2. *Out-of-State Travel.* ***Reduce by $14,667.*** Recommend reduction of $27,675 ($14,667 General Fund and $13,008 federal funds) to reflect actual expenditure pattern. 948

DEPARTMENT OF SOCIAL SERVICES—Continued

3. *Equipment. Reduce by $101,344.* Recommend deletion of $220,-312 ($101,344 General Fund, $107,953 federal funds, and $11,015 reimbursements) proposed for unnecessary equipment. 949
4. Attorney General Legal Services. Withhold recommendation on $2,542,973 for legal services ($1,169,768 General Fund, $1,246,057 federal funds and $127,148 reimbursements) pending Department of Finance reconciliation of conflicting estimates for such services. 950
5. *Salary Savings. Reduce by $855,038.* Recommend amount budgeted for salary savings be increased to reflect recent trends for a savings of $2,035,805 ($855,038 General Fund, $1,099,334 federal funds, and $81,433 reimbursements). 951
6. Unscheduled reimbursements. Recommend adoption of control language requiring that General Fund costs be reduced by the amount of unscheduled reimbursements received by the department. 952
7. *Health and Welfare Agency Consolidated Data Center. Reduce by $188,623.* Recommend reduction of $342,950 ($188,623 General Fund, $150,898 federal funds, and $3,429 reimbursements) to reflect past expenditures and prevent overbudgeting. 952
8. *Data Processing. Reduce by $128,526.* Recommend reduction of $233,683 ($128,526 General Fund, $102,820 federal funds, and $2,337 reimbursements) to delete funds for expiring contracts and to reflect actual expenditures. 955
9. Data Processing Positions. Recommend adoption of Budget Bill language requiring the Department of Finance to notify the Legislature of the savings resulting from implementing new electronic data processing systems, prior to continuing nine EDP positions beyond December 31, 1981. 955
10. *Training for Computer Programmers. Reduce by $65,578.* Recommend reduction of $119,232 ($65,578 General Fund and $53,654 federal funds) budgeted in temporary help to train computer programmers because proposal represents a piecemeal approach to a statewide problem. 956
11. Foster Care Management Information System. Withhold recommendation on $500,000 in federal funds proposed for the development and implementation of a foster care management information system, pending review of a feasibility study report. 956
12. *SPAN Project—Consultant and Professional Services Contracts. Reduce by $74,800.* Recommend reduction of $220,000 ($74,800 General Fund and $145,200 federal funds) budgeted for consultant and professional services contracts in the statewide Public Assistance Network (SPAN) Project because state staff are available to perform these activities. 958
13. *SPAN Project—In-State Travel. Reduce by $33,660.* Recommend reduction of $99,000 ($33,660 General Fund and $65,340 federal funds) overbudgeted for in-state travel. 959
14. *SPAN Project—Training Funds. Reduce by $13,637.* Recommend reduction of $40,108 ($13,637 General Fund and $26,471 federal funds) overbudgeted for training. 959
15. *SPAN Project—External Affairs Manager. Reduce by $33,559.* Recommend deletion of $98,702 ($33,559 General Fund and $65,-143 federal funds) budgeted for the external affairs manager because county advice and recommendations are already available 960

to the department.

16. SPAN Project—Feasibility Study Report. Recommend the department submit a report to the Legislature containing county recommendations on the feasibility study report. 960
17. SPAN Project—Pilot Project. Withhold recommendation on $1,676,617 ($561,645 General Fund, $899,730 federal funds and $215,242 reimbursements) budgeted for the pilot project pending receipt of the department's feasibility study report and a document describing proposed operation of the pilot project. 961
18. Refugee Resettlement Program. Recommend deletion of 19 positions because of excessive workload projections and duplication of functions performed by existing staff, for a reduction of $657,042 in federal funds. 964
19. ***Fair Hearing Officers. Reduce by $220,554.*** Recommend deletion of nine fair hearing officers, due to overbudgeting, for a savings of $416,138 ($220,554 General Fund, $158,132 federal funds, and $37,452 reimbursements). 966
20. ***Food Stamp Positions. Reduce by $41,721.*** Recommend deletion of three positions because workload has not been documented, for a savings of $83,442 ($41,721 General Fund and $41,721 federal fund. 968
21. ***Community Care Licensing—Workload Standards. Reduce by $454,332.*** Recommend deletion of 19 new facilities evaluator and support positions to reflect adjusted workload standards, for a General Fund savings of $454,332. 969
22. Community Care Licensing—Legal Services. Recommend five proposed new legal services positions be limited to June 30, 1982 because of probable workload savings. 971
23. ***Social Services—Evaluation. Reduce by $183,097.*** Recommend deletion of six new positions proposed to evaluate children's services programs because sufficient staff exist to accomplish this function, for a General Fund savings of $183,097. 972
24. ***Interstate Compact for the Placement of Children. Reduce by $58,142.*** Recommend (1) transfer of responsibility for coordinating the placement of children in foster care with other states from the Planning and Review Division to the Adult and Family Services Division, and (2) deletion of two proposed new positions for this activity to consolidate the responsibility under one deputy direction and utilize existing staff, for a General Fund savings of $58,142. 973
25. Systems and Policy Branch Reorganization—Workload Data Requested. Withhold recommendation on $438,148 ($370,673 General Fund and $67,475 in federal funds) and 11 positions, pending receipt of detailed workload data. 975
26. ***Office of Government and Community Relations. Reduce by $186,913.*** Recommend: 976
    a. Deletion of two professional positions, 2.5 clerical positions, and contract funds because the positions duplicate functions of authorized positions, for a savings of $212,342 ($116,788 General Fund and $95,554 federal funds).
    b. Deletion of a staff services manager II in the welfare program operations division and a staff services manager II in the Adult and Family Services Division because the positions duplicate functions of authorized positions, for a savings of $92,926 ($70,125 General Fund and $22,801 federal funds).

DEPARTMENT OF SOCIAL SERVICES—Continued

GENERAL PROGRAM STATEMENT

Chapter 1252, Statutes of 1977 (AB 363), created a new Department of Social Services, effective July 1, 1978. The new 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. Departmental functions are carried out through nine divisions.

Legal Affairs Division

The Legal Affairs Division consists of the Office of the Chief Counsel and the Office of the Chief Referee. The Office of the Chief Counsel provides legal advice to departmental managers and supports the Attorney General in litigating cases affecting the department. The Office of the Chief Referee is responsible for conducting administrative hearings to determine the fairness of decisions made by county welfare department personnel in handling welfare cases.

Administration Division

The Administration Division has responsibility for providing all support functions for the Department of Social Services. The functions include (1) processing personnel transactions, (2) providing space and centralized typing services, (3) managing the accounting and budgeting systems of the department, (4) collecting and analyzing data regarding the programs administered by the department, and (5) developing estimates of the projected costs and caseloads of the cash assistance and social services programs.

Centralized Delivery System

This division is responsible for the definition, design, development and implementation of an automated system for delivering financial assistance and services to welfare recipients in California. The division was established in response to Chapter 282, Statutes of 1979 (AB 8), which requires the department to implement a statewide centralized delivery system for welfare benefits by July 1, 1984.

Adult and Family Services Division

The Adult and Family Services Division is responsible for managing and administering social services programs including in-home supportive services, other county social services, child welfare services and the state adoptions program. The division consists of five branches: (1) Family and Children's Services, (2) Adult Services, (3) Adoptions, (4) Systems and Policy and (5) AB 1642 Implementation. It plans, organizes and directs the operation of statewide social services programs delivered through county welfare departments, private agencies under contract, and other state departments. In addition, the division performs direct adoptions casework through three district offices.

Welfare Program Operations

The Welfare Program Operations Division has overall responsibility for the management of payment programs which provide financial assistance to needy individuals. The division consists of five branches. The AFDC Program Management Branch provides policy direction and interpretation to county welfare departments in administering the payment of grants under the AFDC program. The Adult Program Management Branch provides liaison with the Social Security Administration which administers the State Supplementary Payment (SSP) program. This branch also provides direction to the counties in the administration of various special adult programs including Emergency Loan, Special Circumstances, and the Guide Dog Special Allowance. The Boarding Homes and Institutions (BHI) rate-setting branch is responsible for making recommendations to the Legislature for setting AFDC Foster Care rates. The Food Stamp Program Management Branch supervises the county administration of the federal Food Stamp program. The Child Support Program Branch develops statewide policies and procedures for collecting child support from absent welfare and nonwelfare parents.

Community Care Licensing

The Community Care Licensing Division (1) supports the facilities evaluation activities of county licensing agencies through the development of regulations, the collection of statewide data and the investigation of complaints and (2) directly licenses community care facilities. The division is organized into three branches to carry out these responsibilities: (1) Field Operations, (2) Client Protection Services, and (3) Policy and Administrative Support. The Field Operations and Client Protective Services Branches maintain district offices throughout the state.

Planning and Review Division

The Planning and Review Division (1) responds to public inquiries regarding cash assistance and social services programs, (2) conducts studies of the personnel and financial management practices of the department, (3) evaluates the efficiency, equity and effectiveness of programs carried out by the 58 county welfare departments, and (4) develops error rate estimates for the determination of eligibility and level of payment to clients of the cash assistance and in-home supportive services programs.

Disability Evaluation Division

The Disability Evaluation Division is responsible for determining the medical eligibility of California residents for benefits under the disability insurance, supplemental security income, and medically needy programs of the Social Security Act. There are six regional offices throughout the state responsible for processing disability claims.

Executive Division

The Executive Division consists of the director's immediate staff and six special offices: (1) Affirmative Action, (2) Public Information, (3) Government and Community Relations, (4) Refugee Services, (5) Deaf Access and (6) Services to the Blind. In addition, five advisory committees report to the director on issues concerning child abuse, social services, life care contracts, community care facilities, and services planning.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of $49,320,058 from the General Fund for support of the Department of Social Services in 1981–82. This is a decrease of $2,005,194, or 3.9 percent below estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The budget proposes total expenditures of $131,337,454 from all funds for the support of the department in 1981–82. This is an increase of $3,487,649, or 2.7 percent, over estimated 1980–81 expenditures. Table 1 shows total expenditures, by division.

DEPARTMENT OF SOCIAL SERVICES—Continued

Table 1
Summary of the Department of Social Services Support Budget
1980–81 and 1981–82

Funding	*Estimated 1980–81*[a]	*Proposed 1981–82*[a]	*Change Amount*	*Change Percent*
General Fund	$51,325,252	$49,320,058	−$2,005,194	−3.9%
Federal funds	72,026,956	76,123,854	4,096,898	5.7
Reimbursements	4,497,597	5,893,542	1,395,945	31.0
Totals	$127,849,805	$131,337,454	$3,487,649	2.7%
Division				
Administration	$18,267,597	$17,839,788	−$427,809	−2.3%
Personnel-years	537.4	541.4	4.0	0.7
Legal affairs	6,113,515	7,001,248	887,733	14.5
Personnel-years	147.2	152.2	5.0	3.4
Adult and family services	9,139,054	9,763,557	624,503	6.8
Personnel-years	263.0	262.0	−1.0	−0.4
Welfare program operations	9,215,194	8,313,169	−902,025	−9.8
Personnel-years	174.0	166.0	−8.0	−4.6
Community care licensing	10,010,789	11,486,076	1,475,287	14.7
Personnel-years	310.6	362.5	51.9	16.7
Planning and review	10,551,207	10,422,219	−128,988	−1.2
Personnel-years	308.5	314.3	5.8	1.9
Disability evaluation	50,333,051	52,617,003	2,283,952	4.5
Personnel-years	1,361.0	1,361.0	—	—
Centralized delivery system	6,621,937	10,286,876	3,664,939	55.3
Personnel-years	193.7	208.7	15.0	7.7
Executive	7,597,461	4,170,518	−3,426,943	−45.1
Personnel-years	183.8	106.5	−77.3	−42.1
Special adjustment	—	−563,000	−563,000–	
Personnel-years	—	−18.5	−18.5	—
Totals	$127,849,805	$131,337,454	$3,487,649	2.7%
Personnel-years	3,479.2	3,456.1	−23.1	−0.7%

[a] Personnel-years do not equate with authorized positions due to vacancies.

Proposed General Fund Budget Changes

Table 2 details the changes in the department's proposed General Fund expenditures for 1981–82. This table shows that expenditures in the budget year will decrease by $2,005,194, or 3.9 percent, from the current year. The net General Fund decrease of $2,005,194 consists of reduced costs totaling $7,930,180 and increased expenditures of $5,924,986. The major cost increases include (a) $798,442 for merit salary adjustments and staff benefits (exclusive of cost of living salary increases), (b) $715,919 for a 7 percent increase in operating expenses and equipment, and (c) $3,979,399 to establish new or continue existing programs and positions. The increased costs are offset by reduced expenditures of (a) $4,794,702 in one-time expenditures during the current year, (b) $1,957,703 for limited-term and administratively-established positions, (c) $563,000 in special adjustment reductions proposed by the administration, and (d) $614,775 in other proposed changes.

Table 2
Proposed General Fund Adjustments
For the Department of Social Services Support Budget

	Cost	Total
1. 1980–81 Current Year Revised Expenditures		$51,325,252
2. Baseline adjustments for existing programs.		
A. Increase in existing personnel costs		
1. Merit salary adjustment	$559,345	
2. OASDI	131,343	
3. Retirement	105,776	
4. Workers' compensation	1,978	
Subtotal		$798,442
B. Decreases in existing personnel costs		
1. Limited-term positions [a]		
a. SPAN project	–894,380	
b. AFDC-BHI rate setting project	–73,896	
c. Administrative support—accounting	–17,783	
d. California Fiscal Information System	–34,544	
e. AFDC—foster care	–74,080	
f. Adult services	–194,380	
g. Child protective services	–87,128	
Subtotal		–$1,376,191
2. Administratively established positions [a]		
a. SSI/SSP quality control review project	–$167,549	
b. Office of Deaf Services	–40,582	
c. IHSS payrolling	–39,824	
d. Community care licensing of group homes	–333,557	
Subtotal		–$581,512
C. One-time expenditures		
1. 1980–81 disaster relief	–$4,600,000	
2. Equipment expenditures	–194,702	
Subtotal		–$4,794,702
D. Seven percent price increase for operating expenses and equipment		$715,919
Total, Baseline Adjustments		(–$5,238,044)
3. Program change proposals		
A. Department of Social Services		
1. Proposed position changes		
a. Community care licensing	$1,589,374	
b. SPAN project	1,239,601	
c. Other	1,150,424	
Subtotal		$3,979,399
2. Other proposed changes		
a. Salary savings and overhead adjustments	$83,047	
b. Department of Finance reductions	–697,822	
Subtotal		–$614,775
B. Reimburse Office of Administrative Law		$122,941
C. Reimburse Department of Justice		$308,285
Total, Program Change Proposals		($3,795,850)
4. Special adjustments		
A. Deletion of family day care licensing requirement	–$886,200	
B. Charge licensing fees for specified community care facilites	323,200	
Total, Special Adjustments		–$563,000
5. Total General Fund Change Proposed for 1981–82		(–$2,005,194)
6. 1981–82 Proposed General Fund Expenditures		$49,320,058

[a] Funds to continue some of these activities in the budget year are contained in the program change proposals for the department.

DEPARTMENT OF SOCIAL SERVICES—Continued

Special Adjustments

The budget for state support of the Department of Social Services includes net reductions of $563,000 from the General Fund due to anticipated changes in current state law regarding the community care licensing program. Currently, the Department of Social Services (1) licenses and evaluates community care facilities to ensure the health and safety of residents and clients, (2) develops regulations for the operation of these facilities under the provisions of the Health and Safety Code, and (3) investigates complaints against community care facilities. In addition, 48 counties contract with the state to license certain community care facilities within their jurisdiction.

The legislative changes anticipated by the budget are (1) deletion of the statutory requirement that the department license small family day care homes, for an anticipated state savings of $886,200 and (2) reestablishment of fees for licensure, at an estimated state support cost of $323,200.

Deletion of Licensing Requirement for Small Family Day Care Homes

The 1981 Budget Bill, as introduced, anticipates passage of legislation to delete the existing statutory licensure requirement pertaining to small family day care homes for children. This change is estimated to result in savings of $886,200 in state support costs, as shown in Table 2, and $7,879,300 in local assistance payments to counties which currently contract with the state to license family day care homes. The county-operated portion of the community care licensing program is discussed in our analysis of Item 518-101-001 (e) and (f).

A family day care home, as defined by state law and referred to by the proposed change, provides care, protection and supervision to up to 12 children, in the care-giver's own home, for periods of less than 24 hours per day, while the parents or guardians are away. If one adult care provider is present in the home, up to six children may be cared for under existing state law. With an assistant present, a maximum of twelve children may be cared for in a family day care home. If more than twelve children are cared for in a facility, the facility must be licensed as a day care *center*.

State Support Savings Underbudgeted. The savings estimate of $886,200 in state support is based on a reduction of 32.5 positions from the Community Care Licensing Division, 22 of which we understand would be facility evaluators. The remaining 10 positions would consist of various support staff in the division. Our analysis indicates that the assumptions underlying this estimate are conservative and additional savings could be realized if the proposed change in state law is approved. The basis for this conclusion is as follows:

First, the 32.5 positions do not include state staff in the Policy and Administrative Support or Client Protection Services branches of the Community Care Licensing Division. Our analysis indicates that policy development and audit investigation workload would also diminish in these branches if licensure of family day care homes was eliminated.

Second, the estimate of state support savings is based on a projection of 2,928 facilities being affected in 1981–82. An August 1980 work volume count of state-licensed facilities identified 3,030 of these facilities. Because the number of licensed small family day care homes is expected to continue to increase during 1980–81, the projection of 2,928 facilities appears to underestimate potential state savings.

To the extent that (1) workload related to policy development and audit investigation is reduced due to the deletion of family day care licensing, and (2) more facilities are licensed than the number included in the estimate, the budget underestimates state staff savings which should accrue if this change in law is approved.

Licensing Family Day Care Homes. We are unable to advise the Legislature of the specific impact of this proposal on the operation of small family day care homes. In our review of the licensure of these facilities, we have identified, however, several factors which the Legislature may wish to consider in its debate on this statutory change. First, these facilities do not generally provide highly technical or specialized services and can, therefore, be evaluated by the parents or guardians of children who may use the facilities. In addition, because children stay in the facilities less than 24 hours each day, the parent or guardian generally has daily contact with the facility and its operators. On-site licensing visits to the facilities are currently required only once every two years.

Second, many small family day care homes are not currently licensed. The Department of Social Services has estimated that up to 50 percent of all such facilities currently operate without a license.

Third, state licensing staff receive fewer complaints per facility for small family day care homes than for community care facilities in total. For example, in August 1980, the latest data available, small family day care homes accounted for 22 percent of all licensed community care facilities but only 11 percent of complaints involved these facilities. Our analysis indicates that a large share of the complaints involving small family day care homes concern operation of a facility without a license.

Finally, the Legislature already has recognized the relative safety of small family day care homes in establishing less restrictive procedures for the licensure of these facilities and by creating a three-county demonstration project to *certify* small family day care homes rather than require *licenses* for their operation (Chapter 1063, Statutes of 1979).

Fees For Licensure

The 1981–82 Governor's Budget also assumes that legislation will be enacted to intiate the imposition of fees for licensing certain community care facilities. We are unable to advise the Legislature of the specific impact of this proposal on the operation of such facilities. Such legislation would require the Legislature, however, to reverse the policy it established in enacting Chapter 91, Statutes of 1980, which prohibits fees for the licensure of community care facilities.

The budget anticipates that such fees would generate revenues of $1,028,400 but would require the establishment of 14 clerical positions for fee collection at a cost of $323,200. Therefore, net anticipated revenue is estimated to be $705,200. We understand that the estimated revenue of $1,028,400 is based on a flat fee of $100 being received from 10,284 facilities. Actual revenue generated from charging fees for licensure will vary to the extent that (1) the number of facilities licensed varies from the projected number and (2) the fee schedule, which is not specified in the budget, generates revenue greater or less than $100 per facility per year.

Potential County Costs. The estimate of anticipated revenue does not reflect the potential cost of county staff, which may be required to collect fees for licensure. It is our understanding that the proposed imposition of fees for licensure would exempt foster family homes, family day care homes, and certain other facilities, from the fee requirement. During 1980–81, the Department of Social Services has assumed full responsibility for licensing the majority of community care facility categories, but counties have generally retained the responsibility to license foster family homes and family day care homes. Some counties have also retained responsibility for licensing and evaluating some facilities which would be subject to fee payments. To the extent that counties continue to license facilities which are required to pay fees, counties will incur additional administrative costs which will offset the current estimate of increased revenue.

Table 3
Department of Social Services
Proposed Position Changes for 1981–82

Division	*Existing Positions*	*Workload and Administrative Adjustments*	*Requested New Positions*	*Total Positions*	*Fiscal Effect of Requested New Positions* — *General Fund*	*Federal Funds*	*Reimbursements*	*Totals*
Executive	42.7	—	41.5	84.2	$112,635	$1,362,490	—	$1,475,125
Welfare program operations	136.0	—	30.0	166.0	292,958	674,838	—	967,796
Legal affairs	141.0	—	5.0	146.0	143,456	—	—	143,456
Adult and family services	253.0	−1.0	10.0	262.0	342,639	—	—	342,639
Administration	522.4	—	19.0	541.4	189,971	133,995	$39,011	362,977
Community care licensing	293.6	—	68.9	362.5	1,589,374	—	—	1,589,374
Planning and review	296.3	−3.0	21.0	314.3	286,296	−51,950	—	234,346
Disability evaluation	1,337.1	−0.5	—	1,336.6	—	—	—	—
Centralized delivery system	161.7	—	39.0	200.7	1,096,457	1,826,752	217,013	3,140,222
Temporary help	74.4	−21.5	8.0	60.9	−74,387	−74,387	—	−148,774
Totals	3,258.2	−26.0	242.4	3,474.6	$3,979,399	$3,871,738	$256,024	$8,107,161

Proposed New Positions

The department is proposing a total of 242.4 new positions for 1981–82, as shown in Table 3. Three budget requests account for 60 percent of the proposed new positions. The single largest request is for 56 positions for various divisions to work on the Statewide Public Assistance Network (SPAN) project pursuant to Chapter 282, Statutes of 1979 (AB 8). Of this number, 43.5 positions were authorized for a limited term and are scheduled to terminate on June 30, 1981. The budget proposes to continue these positions on a limited term basis during 1981–82. The department is also requesting (a) 51.9 positions to evaluate and license community care facilities and (b) 38.5 positions to administer the refugee assistance program. The remaining 96 positions are proposed for functions throughout the department.

IMPACT OF RECENT LEGISLATION

Cost-of-Living Increases for Welfare Recipients

Chapter 511, Statutes of 1980, provides that, effective January 1, 1981, annual cost-of-living increases on grants for various public assistance programs will be based on the change in the California Necessities Index rather than the Consumer Price Index.

The impact of this bill on specific welfare programs during 1980–81 and 1981–82 is as follows:

1. *Aid to Families With Dependent Children (AFDC).* For the first six months of fiscal year 1980–81 (July 1, 1980–Dec. 31, 1980), AFDC grants were increased by 15.48 percent over the amounts paid in 1979–80. This adjustment represents the percentage change in the Consumer Price Index for Los Angeles-Long Beach-Anaheim and San Francisco-Oakland between December 1978 and December 1979. Effective January 1, 1981, AFDC grants were reduced to levels that are 13 percent higher than grant amounts paid in 1979–80. The 13 percent adjustment represents the change in the California Necessities Index (CNI), as defined by Chapter 511, between December 1978 and December 1979. The act provides, however, that the maximum state reimbursement for cost-of-living increases for AFDC-Foster Care remains at 15.48 percent during all of 1980–81.

Table 4 shows the effect of Chapter 511 on the maximum grant level paid, for various family sizes, during 1980–81.

Table 4
Maximum Monthly AFDC Grant Levels
1979–80 and 1980–81

		1980–81	
Family Size	*1979–80*	*July–December 1980*	*January–June 1981*
1	$201	$232	$227
2	331	382	374
3	410	473	463
4	487	563	550

Beginning with the 1981–82 fiscal year, the statute requires that AFDC grants be adjusted annually based on the percentage change in the CNI during the 12-month period ending in the preceding December. Thus, the statute requires the cost-of-living adjustment for fiscal year 1981–82 to be based on the percentage

DEPARTMENT OF SOCIAL SERVICES—Continued

change in the CNI between December 1979 and December 1980.

2. ***Supplemental Security Income/State Supplementary Payment (SSI/SSP) Program.*** During the first six months of 1980–81, SSI/SSP recipients received a cost-of-living increase based on the percentage change in the Consumer Price Index for Los Angeles-Long Beach-Anaheim and San Francisco-Oakland between December 1978 and December 1979. Although the percentage increase in the Consumer Price Index for this period was 15.48 percent, recipients actually received an 18 percent increase to their total SSI/SSP grant due to the methodology established in law in 1973 for calculating the SSI/SSP cost-of-living increase.

Effective January 1, 1981, Chapter 511 provided a cost-of-living adjustment based on the percentage change in the California Necessities Index. It also repealed the method of calculating SSI/SSP cost-of-living increases which resulted in grant adjustments that were larger than the change in the Consumer Price Index. As a result, SSI/SSP grants for the last six months of 1980–81 were reduced to levels that are 13 percent higher than grant amounts paid in 1979–80.

Table 5 shows the effect of Chapter 511 on the maximum SSI/SSP grant levels, for various categories of SSI/SSP recipients during 1980–81.

Table 5
Maximum Monthly SSI/SSP Grant Levels
1979–80 and 1980–81

		1980–81	
	1979–80	*July–December 1980*	*January–June 1981*
Aged/Disabled individual	$356	$420	$402
Aged/Disabled couple	660	773	746
Blind individual	399	471	451
Blind couple	776	905	877

Beginning with fiscal year 1981–82, Chapter 511 requires that cost-of-living adjustments be based on the December-to-December change in the California Necessities Index. In addition, the cost-of-living adjustments will be applied against the *total* SSI/SSP grant rather than just the SSP portion of the grant. The new methodology is similar to that used for calculating the AFDC cost-of-living adjustment, and will result in a grant increase which reflects the percentage change in the new California Necessities Index.

3. ***Aid to the Potentially Self-Supporting Blind (APSB) Program.*** Under Chapter 511, payment levels for the APSB program remain tied to those for the SSI/SSP program. As a result, APSB grants for the first six months of 1980–81 were based on a 15.48 percent change in the Consumer Price Index. For the last six months of 1980–81, APSB grants were reduced to levels that are 13 percent higher than grant amounts paid in 1979–80, to reflect the change in the California Necessities Index during 1979. The grants for an APSB recipient are those shown in Table 5 for a blind individual.

4. ***In-Home Supportive Services (IHSS) Program.*** Under Chapter 511, cost-of-living increases in the *maximum* allowable payments which individuals may receive for in-home supportive services are 15.48 percent in 1980–81, as determined by the percentage change in the Consumer Price Index. As a result, IHSS maximum grants increased from $664 in 1979–80 to $767 in 1980–81 for a severely impaired recipient, and from $460 to $532 for a nonseverely impaired IHSS recipient. Effective July 1, 1981, the cost-of-living adjustment will be based on the change in the California Necessities Index.

5. ***Fiscal Impact.*** Table 6 shows the fiscal impact of Chapter 511. Compared to the cost-of-living increases required under prior law, the act resulted in savings of $89.8 million to the General Fund and $14.4 million in federal funds in 1980–81.

Under current federal law, California is allowed to provide cash in lieu of food stamps to eligible SSI/SSP recipients so long as the state: (1) passes on the federal cost-of-living increase for the SSI grant and (2) provides a cost-of-living increase for the SSP grant pursuant to current state law. This provision of federal law allows the state to avoid the administrative costs which would occur if county welfare departments were required to distribute food stamps to SSI/SSP recipients.

Although the state changed its formula for calculating cost-of-living increases for SSI/SSP recipients, the federal government did not require the state and counties to administer a program to provide food stamps to eligible SSI/SSP recipients in the current year.

Medi-Cal costs decreased in the current year as a result of changing the AFDC cost-of-living adjustment from 15.48 to 13 percent. This is commonly referred to as the Medi-Cal Spin-off. As the AFDC standard increases, Medi-Cal recipients are allowed to retain more money for living expenses and consequently are required to spend less money on medical expenses. Conversely, as AFDC cost-of-living adjustments are reduced, recipients are required to spend more money on medical expenses under the Medi-Cal program, thus reducing the net cost to the state and federal government.

Table 6
Cost-of-Living Expenditures
Comparison of Prior Law Requirement with Chapter 511
1980–81
(in millions)

Program	*Prior Law Requirement (15.5% July 1980-June 1981)*	*Chapter 511 (15.5% July-Dec '80) (13% Jan-Jun '81)*	*Difference*
AFDC	$186.4	$173.0	–$13.4
SSI/SSP	342.6	267.6	–75.0
APSB	0.2	0.2	—[a]
IHSS	3.4	3.4	-
Medi-Cal Spin-off	24.7	23.3	–1.4
Totals	$557.3	$467.5	–$89.8

[a] Chapter 511 resulted in a savings of $40,000 in the APSB program.

AFDC—Foster Care

Chapter 1166, Statutes of 1980, specifies the various conditions under which a child is eligible to receive financial assistance under the Aid to Families with Dependent Children–Foster Care (AFDC-FC) program. The act also requires the Department of Social Services to submit specified reports to the Legislature concerning foster care payments.

The major feature of the act is that it limits payments to children voluntarily placed in foster care. Beginning January 1, 1982, payments to children who are voluntarily placed in foster care on or after January 1, 1981, will be limited to six months. Under existing law, foster care payments for voluntary placements are not limited to a specified period of time.

This act will result in savings to the department and local governments as a result of:

1. Limiting grant payments to six months for children voluntarily placed in

DEPARTMENT OF SOCIAL SERVICES—Continued

foster care after January 1, 1981, and

2. Clarifying existing law concerning eligibility for foster care payments.

The Department of Social Services estimates that this act will result in General Fund savings of $957,500 in 1981–82.

While this act results in General Fund savings to the Department of Social Services, there will be increased state costs to the Departments of Developmental Services and Mental Health. Under the act's provisions, voluntary placements who are developmentally disabled or emotionally disturbed and unable to obtain a court-ordered placement after six months, would be shifted to regional centers and community mental health programs. Costs to these programs are undetermined, but potentially major, depending upon the number of children transferred to the Departments of Developmental Services and Mental Health.

TECHNICAL BUDGETING ISSUES

Contracts with the Health and Welfare Agency Overbudgeted

We recommend a reduction of $51,912 ($25,956 General Fund and $25,956 federal funds) overbudgeted for contracts with the Health and Welfare Agency.

The budget proposes $65,700 for two contracts with the Health and Welfare Agency. The contracts would reimburse the agency for the following: (1) $26,967 for part of the salary for one position located in the Governor's Office in Washington, D.C., and (2) $38,733 for the systems review unit in the Health and Welfare Agency. The systems review unit studies the efficiency and effectiveness of departmental programs overseen by the agency, and tries to identify overlaps in service delivery, funding sources and clients.

Our review of the Health and Welfare Agency's schedule of reimbursements found that the agency anticipates receiving $13,788, not $65,700, from the Department of Social Services during 1981–82. The $13,788 is for partial support of the one position in the Governor's Office in Washington. The agency is not scheduled to receive reimbursements from the department for support of the systems review unit because the Governor's Budget requests a direct appropriation of funds to the agency for this purpose.

For this reason, we recommend a reduction of $51,912 overbudgeted for DSS contracts with the Health and Welfare Agency.

Out-of-State Travel Overbudgeted

We recommend that funding for out-of-state travel be reduced to reflect the department's most recent actual experience, for a savings of $27,675 ($14,667 General Fund and $13,008 federal funds).

The budget requests $116,367 for out-of-state travel by Department of Social Services (DSS) employees. As Table 7 shows, such travel has been consistently overbudgeted since 1977–78.

Table 7
Department of Social Services
Out-of-State Travel Expenditures
1977–78 to 1979–80

	Budgeted	*Expended*	*Percent of Budget Spent*
1977–78	$65,236	$52,429	80.4%
1978–79	119,066	59,245	49.8
1979–80	123,666	69,953	56.6

Expenditures for out-of-state travel are intended to enable the department to communicate with other states and the federal government regarding income maintenance and social services programs. The department has not yet identified specific trips planned for 1981–82. As a result, DSS has estimated its budget year travel needs by increasing its 1980–81 budgeted amount ($100,714) by 7 percent and adding the anticipated cost of travel for new positions.

Given historical trends, our analysis indicates that a more reasonable methodology to estimate budget year needs is to (1) utilize the department's 1979–80 expenditure level, increased by 7 percent annually, as allowed by the Department of Finance's budget instructions and (2) add the cost of travel for new positions. This results in a 1981–82 out-of-state travel requirement of $88,692. To reflect actual experience, we therefore recommend a reduction of $27,675 ($14,667 General Fund and $13,008 federal funds).

Equipment Request Unjustified

We recommend a reduction in the funds proposed for unjustified new and replacement equipment, for a reduction of $220,312 consisting of $101,344 from the General Fund, $107,953 in federal funds, and $11,015 in reimbursements.

The budget requests $803,486 for purchase of major equipment, such as typewriters, tape recorders, and automobiles in 1981–82. Of this amount, $160,681 is proposed to replace equipment that is no longer functional due to age or excessive wear. An additional $582,599 is proposed for purchase of new major equipment. Table 8 summarizes the department's request.

Table 8
Department of Social Services
Request for Major Equipment
1981–82

New equipment	$582,599
Replacement equipment	160,681
Seven percent price increase	52,030
Equipment for proposed new positions	8,176
Total request	$803,486

Unjustified Items. Our analysis indicates that the need for several items included in the 1981–82 equipment request has not been established. Table 9 summarizes these items and the dollar amounts associated with each. A discussion of each component follows.

Table 9
Department of Social Services
Equipment Reductions Recommended by Legislative Analyst

Category	*Amount*
Typewriters (276)	$167,530
Replacement calculators (63)	16,632
Pickup truck with camper shell (1)	10,000
Other items	26,150
Total	$220,312

Typewriters. The department's request includes 209 replacement typewriters and 67 new ones, for a total request of 276 machines. The State Administrative Manual allows typewriters to be replaced after 10 years of use or when excessive wear is exhibited. Our review of the department's property inventory (exclusive of the Disability Evaluation Division) indicates that, as of December 1980, the

DEPARTMENT OF SOCIAL SERVICES—Continued

department has 522 typewriters which were acquired after June 30, 1972. Of this total, the department has 72 typewriters which are not assigned to particular units.

During 1980–81, the Department of Social Services has 434.2 authorized full-time clerical positions (exclusive of the Disability Evaluation Division). For the budget year, the department is proposing an additional 36.5 clerical positions for a total of 470.7 positions. Based on these data, we conclude that the department currently possesses 51 more typewriters less than 10 years old than it has full-time clerical staff to operate them. Our analysis also indicates the department may purchase additional typewriters for special needs with $21,445 appropriated in the 1980 Budget Act for typewriter purchases. Therefore, we cannot establish the need for additional typewriters and recommend that no funds for this purpose be appropriated in 1981–82 for a reduction of $167,530.

Replacement Calculators. The Department of Social Services' criteria for replacement of calculators is 10 years' use. The department's property inventory indicates that 73 calculators were acquired prior to June 30, 1972. Using the department's own standard, its request for 136 *replacement* calculators should be reduced by 63. The average cost of the replacement calculators requested is $264. Therefore, we recommend a reduction of $16,632 for calculator replacement.

Pickup Truck. Information provided by the department has not included specific justification for purchase of a new pickup truck listed in the equipment request. The department currently possesses three pickup trucks and two vans. In addition, the 1980 Budget Act provided $14,000 for two new pickup trucks. As of December 1980, neither of these trucks was in the department's property inventory. Without specific detailed justification of the need for an additional vehicle and assurance that funds budgeted for vehicles in 1980–81 will be expended for this purpose, we recommend that additional funds be deleted for the proposed pickup truck.

Other Items. Our review also has identified the following items in the department's 1981–82 request which duplicate equipment either requested in the current year or already available to the department: (1) a $1,300 calculator for the Affirmative Action Office, and (2) several items of microfilm equipment for the Community Care Licensing Division ($24,850). In view of this duplication, we recommend a reduction of $26,150.

Recommendation. Based on our review of the department's equipment schedule, we recommend a reduction of $220,312, consisting of $101,344 from the General Fund, $107,953 in federal funds, and $11,015 in reimbursements. The recommended reduction will leave the department with a budget for major equipment totaling $583,174, or 33.4 percent more than actual 1979–80 expenditures.

Attorney General Legal Services

We withhold recommendation on $2,542,973 proposed to reimburse the Attorney General for legal services, pending reconciliation by the Department of Finance of conflicting estimates of the anticipated cost for such services in 1981–82.

Our analysis has identified a discrepancy between the amount of legal services which the department is budgeted to obtain from the Attorney General and the amount of legal services which the Attorney General is budgeted to provide. While DSS proposes $2,542,973 for this purpose, we can identify only $2,286,146 in services in the Department of Justice's budget for DSS. For example, DSS proposes to expend $683,709 of the total $2,542,973 proposed to reimburse the Attorney General, for services related to (1) categorical aid, (2) cases related to the legal separation of children from their parents' custody so that adoption may occur, and (3) litigation involving residential care facilities. The Department of Justice indicates that 8,688 hours, or approximately $427,884 worth of attorney services, will be provided to the Department of Social Services for these three activities. To the extent that this discrepancy cannot be explained by anticipated workload, the department may be overbudgeting for Attorney General services.

We have identified similar inconsistencies in other departments' budgets and have requested that the Department of Finance reconcile these discrepancies by April 1, 1981. This request is discussed is our analysis of the Department of Justice's budget (Item 082-001-001). We therefore withhold recommendation on $2,542,973 ($1,169,768 General Fund, $1,246,057 in federal funds and $127,148 in reimbursements) proposed for Attorney General services until we can evaluate the department's proposed expenditures in light of the reconciled data from the Department of Finance.

Salary Savings Underestimated

We recommend salary savings be increased to reflect recent experience, for a reduction of $2,035,805 ($855,038 General Fund, $1,099,334 federal funds, and $81,433 reimbursements).

When budgeting for salaries and wages, agencies are required to recognize that salary levels will fluctuate and that not all authorized positions will be filled throughout the budget year. Savings in the cost of salaries and wages occur due to vacant positions, leaves of absences, delays in the filling or establishment of positions, turnover, and refilling positions at a lower salary than initially budgeted. To prevent overbudgeting, the State Administrative Manual requires each agency to include an estimate of salary savings as a percentage reduction to the gross salaries and wages request. The State Administrative Manual further requires that "the amount of savings should be estimated on the basis of the past year experience in administering the departmental hiring plan."

The Department of Social Services has budgeted $4,409,805, or 6.0 percent of salaries and wages, as salary savings in 1981–82. The department advises that this estimate is based on (1) 5 percent of 1981–82 base salaries and wages, (2) 10 percent of salaries and wages for some proposed new positions, and (3) adjustments to specific position requests to reflect anticipated vacancies. This estimate, however, does not reflect the actual experience of the department, as shown in Table 10.

Table 10
Department of Social Services Salary Savings
1977–78 to 1979–80

	Total Salaries and Wages Estimated at Midyear	*Estimated Salary Savings*		*Actual Total Salaries and Wages*	*Actual Salary Savings*[a]	
		Amount	*Percent*		*Amount*	*Percent*
1977–78	$50,623,218	$2,125,682	4.2%	$46,704,976	$3,918,242	7.7%
1978–79	50,327,527	1,270,982	2.5	46,369,028	3,958,499	7.9
1979–80	58,930,392	2,998,047	5.2	53,733,434	5,196,958	8.8

[a] Difference between total salaries and wages estimated at midyear and actual salaries and wages expended.

Table 10 shows that the actual salary savings rate has exceeded the estimated rate in each of the last three years. Moreover, the actual salary savings rates shown in Table 10 may understate the true amount of salary savings realized because they do not reflect salary savings that may have been used by the department to (1) establish unbudgeted positions administratively, or (2) allocate more funds to temporary help blankets than budgeted.

The average actual unspent salary savings percentage experienced by the Department of Social Services during the period 1977–78 to 1979–80 was 8.14 percent. Applying this average to the proposed salary and wages for 1981–82 results in an

DEPARTMENT OF SOCIAL SERVICES—Continued

estimate of salary savings for 1981–82 of $6,089,585. This amount is $1,591,526 higher than the $4,498,059 proposed by the department.

Because staff benefits are budgeted on the basis of authorized expenditures for salaries and wages the cost of these benefits will be overbudgeted to the extent salary savings are underbudgeted. To correct for this, we recommend a corresponding reduction in staff benefits, for an additional reduction of $444,279.

In order to reflect salary savings that are more in line with the department's actual experience, we recommend a total reduction of $2,035,805. This amount consists of $855,038 from the General Fund, $1,099,334 in federal funds, and $81,433 in reimbursements.

Use Unscheduled Reimbursements to Reduce General Fund Costs

We recommend adoption of Budget Bill language requiring that General Fund support for this item be reduced by the amount of unscheduled reimbursements received by the department.

The budget shows that the department will receive reimbursements totaling $5,893,542 in 1981–82. Most of the estimated reimbursements are from other state departments and agencies for services provided during the year. For example, the department estimates that it will receive $3,316,113 from the Department of Health Services for performing disability evaluations.

Our analysis indicates that reimbursements for the department may be underestimated for 1981–82. Our review of the department's budget documents found that historically the department has received reimbursements from various sources which were not scheduled in the budget. These reimbursements totaled $138,135 in 1978–79 and $151,413 in 1979–80. During the first five months of 1980–81, the department had received unscheduled reimbursements totaling $44,038. If this trend continues throughout the remainder of the year, the amount of unscheduled reimbursements in 1980–81 would total $105,691.

In developing the 1981–82 budget, the department did not build in an estimate for unscheduled reimbursements. The department maintains it cannot accurately estimate the amount of these reimbursements because the source of the reimbursements varies annually.

To the extent unscheduled reimbursements are received in the budget year, the department will be overbudgeted. Therefore, we recommend that Budget Bill language be adopted to require that the department's General Fund appropriation be reduced by the amount of unscheduled reimbursements received in 1981–82. We recommend adoption of the following language:

"Provided further, that funds appropriated by this item shall be reduced by the Department of Finance by the amount of unscheduled reimbursements made available for the purpose of this item."

DATA PROCESSING

Health and Welfare Agency Consolidated Data Center

We recommend that funds budgeted for the reimbursement of the Health and Welfare Agency Data Center be reduced to a level consistent with past expenditures to prevent overbudgeting, for a savings of $342,950, consisting of $188,623 from the General Fund, $150,898 in federal funds, and $3,429 in reimbursements.

The Governor's Budget includes $2,606,035 for reimbursements to consolidated data centers from the Department of Social Services for various data processing services. Of this amount, $1,053,950 is proposed to reimburse the Health and Welfare Data Center (HWDC) for data processing services related to the ongoing activities of the department.

Reimbursement of HWDC for Ongoing Activities. The proposed $1,053,950 for ongoing departmental activities is $218,950, or 26.2 percent, above the $835,000 included in the 1980 Budget Act for reimbursements to HWDC. The Department of Social Services anticipates that current year costs will total $909,000, or $74,000 above the amount budgeted for this activity.

The Supplemental Report of the 1980 Budget Act requires us to review the use of the HWDC by the Department of Social Services. In reviewing the information provided to us by the department, we encountered two problems. First, the backup information is not consistent with the budget. For example, in response to a request for the costs of computer services activities planned to be conducted by HWDC for DSS during 1981–82, the department provided us with a list of activities with costs exceeding the $1,053,950 proposed for these activities. As a result, we are not able to reconcile these anticipated costs with the proposed budget or with actual 1979–80 costs for these activities. Second, the information provided by the department is not complete. At the time this analysis was written, the department was unable to provide us with a comprehensive data processing plan, as required by the State Administrative Manual, for the budget year or subsequent years. The department advises, however, that such a plan will be developed by February 1981.

For these reasons, our review of the information provided to us by the department does not enable us to determine the department's need for funds to reimburse HWDC during the budget year. Instead, we have had to rely on past expenditure patterns in order to determine DSS's need for funds to reimburse HWDC for data processing services. Table 11 shows that (1) actual expenditures reported by the State Controller and HWDC from 1977–78 to 1979–80 are less than the past year actual expenditures reported by the Department of Social Services in the budget and (2) actual expenditures during the three-year period averaged 86 percent of budgeted funds.

DEPARTMENT OF SOCIAL SERVICES—Continued

Table 11
Department of Social Services
Expenditures for Ongoing Services
From the Health and Welfare Agency Consolidated Data Center
1977–78 to 1980–81

	Budgeted Funds	*Expenditures Reported by DSS*	*Actual Expenditures*	*Percent of Budgeted Funds Actually Spent*
1977–78	$251,993	$251,993	$202,994	80.5%
1978–79	728,222	724,000	707,281	97.1
1979–80	800,000	800,000	651,723	81.5
1980–81	835,000	909,000[a]	—	—

[a] Estimate by Department of Social Services. Budgeted funds have been increased to this amount through a midyear adjustment of $74,000.

Price Increase Inappropriate. The department proposes expenditures of $1,053,950 in 1981–82 consisting of $985,000, identified as a base amount, plus $68,950 for a 7 percent price increase. The department has not provided information identifying the need for a $76,000 increase in its base amount over estimated 1980–81 expenditures of $909,000. In addition, the Director of HWDC advises that a general price increase is *not* planned for the budget year. Therefore, we have no basis to recommend the proposed increases of $144,950 for reimbursements to HWDC.

Current Year Reimbursements Overestimated. The department has consistently overestimated anticipated expenditures for HWDC services. The DSS projection of $909,000 for 1980–81 appears excessive because (1) actual expenditures for the first five months of 1980–81 were $20,000, or 7 percent below the DSS projected total for this period and (2) the DSS projection of reimbursements in the last six months of 1980–81 includes two months with estimated reimbursements exceeding $100,000. Reimbursements to HWDC exceeded $100,000 in only one out of 24 months during 1978–79 and 1979–80. The average monthly reimbursement over the period July 1978 to November 1980 was $56,771.

Our analysis of monthly reimbursements to HWDC from DSS indicates that reimbursements are higher in the last two months than in the first 10 months of the year. In order to project anticipated reimbursements for the last seven months of 1980–81, we projected each month separately based on actual expenditures during that month in 1978–79 and 1979–80. Based on this methodology, we project actual 1980–81 expenditures will be $711,000 rather than $909,000 anticipated by the department.

Recommendation. Based on (1) a consistent pattern of overbudgeting, (2) a lack of detailed information regarding budget year expenditure plans, and (3) our estimate that actual expenditures in the current year are likely to be less than the amount budgeted, we conclude that the department has overbudgeted its need for funds to reimburse HWDC. Because we have no analytical basis for projecting an increase in data processing costs during the budget year, we recommend that the amount budgeted for these costs be maintained at what we estimate to be the current year level ($711,000), for a reduction of $342,950 ($188,623 General Fund, $150,898 federal funds, and $3,429 reimbursements).

Data Processing Overbudgeted

We recommend deletion of funds budgeted for expiring contracts, for a reduction of $233,683 consisting of $128,526 from the General Fund, $102,820 in federal funds, and $2,337 reimbursements because existing departmental resources are adequate to meet workload.

In addition to the $2,606,035 requested for data processing services to be provided by the consolidated data centers, the budget proposes $283,446, all funds, for other data processing services to be supplied to the department in 1981–82. According to the State Administrative Manual, expenditures funded through the data processing category of operating expenses and equipment may include data processing personnel, equipment, supplies, and reimbursements to state agencies other than the consolidated data centers.

Historically, the Department of Social Services has used this funding category primarily to support interagency agreements and contracts with private data processing firms. During the three-year period 1978–79 to 1980–81, contracts with two private firms, account for 56 percent of total data processing expenditures. Both of these firms provided the department with programming assistance for specific time-limited projects. Both contracts will expire during 1980–81.

Our analysis indicates that the budget requests an excessive amount for data processing, for the following reasons: First, two expiring contracts for programming services are built into the request. Given the proposed addition of 10 programmer staff in 1981–82 to the 15 existing positions in the department, existing departmental resources appear to be adequate and appropriate to handle the programming needs of the department. Second, information supplied by the department indicates that the data processing request for supplies and equipment ($124,491) exceeds 1979–80 actual expenditures ($5,576) for this purpose by more than 2,000 percent.

Accordingly, we recommend that the amount budgeted for data procssing in 1981–82 be based on actual 1979–80 expenditures, less the cost of the two expiring contracts ($145,009 – $103,125 = $41,884). This amount should be increased by 7 percent for both 1980–81 and 1981–82 to include allowable price increaes ($41,884 × 1.07 × 1.07 = $49,762). On this basis, we recommend a reduction of $233,683 in data processing funds consisting of $128,526 from the General Fund, $102,820 in federal funds, and $2,337 in reimbursements.

Additional Data Processing Positions

We recommend adoption of Budget Bill language which requires that, before nine positions in the Data Processing Bureau are continued beyond December 31, 1981, the Department of Finance notify the Legislature and document the savings resulting from implementing new electronic data processing systems.

The budget proposes $177,076 for 10 additional positions in the Data Processing Bureau. Nine of the positions will develop and implement new electronic data processing (EDP) systems to support departmental programs, and will be limited to June 30, 1982.

The budget includes only six months funding for the nine positions. Any funding for the positions beyond December 31, 1981, will have to come from savings resulting from the implementation of new EDP systems by the department.

We believe the Legislature should be notified of the savings used to continue the positions beyond December 31, 1981. Therefore, we recommend the adoption of the following Budget Bill language requiring that, prior to continuing the nine EDP positions the Director of Finance document the savings resulting from new EDP systems:

"Provided that authorization for expenditures to continue nine new data processing positions beyond December 31, 1981 shall become effective no sooner than 30 days after notification in writing by the Director of Finance to the Joint

DEPARTMENT OF SOCIAL SERVICES—Continued

Legislative Budget Committee documenting (1) the amount of savings achieved by the department, (2) the new data processing systems which generated the savings, and (3) how the new data processing systems produced the savings."

Temporary Help Funds to Train Computer Programmers

We recommend a reduction of $119,232 ($65,578 General Fund and $53,654 federal funds) budgeted in temporary help funds to provide training to computer programmers because the proposal represents a piecemeal and fragmented approach to a statewide problem.

The budget proposes $119,232 in temporary help funds to provide training to entry level computer programmers during 1981–82. The department plans to establish two six-month training periods because it is experiencing difficulties in recruiting and retaining skilled electronic data processing (EDP) personnel. Eight programmers would be trained during each six-month training session. The department proposes to fund the training program from anticipated salary savings resulting from vacancies in the Data Processing Bureau during the budget year.

We have the following concerns with the department's proposal:

First, the department's proposal attempts to address what is a statewide problem on a piecemeal basis. Most state agencies are currently experiencing difficulties in recruiting and retaining qualified EDP personnel. In order to address this and other statewide EDP issues, the Director of Finance created the California Information Technology Advisory Board (CITAB) in May 1980. As a result of CITAB's review, the following actions are being taken to deal with the problem of recruiting EDP personnel for state government: (a) testing to fill programmer positions will be done on an open and continuous basis, (b) modifications are being made in the recruitment process to minimize delays in hiring personnel, (c) a survey is being taken to determine the comparability of state and private sector salaries for EDP personnel and (d) the appropriate ratio of EDP supervisors to staff is being reviewed. The approach to the shortage of EDP personnel proposed by the department also warrants consideration by CITAB.

Second, it would provide the Department of Social Services with a recruiting procedure unavailable to other departments. It is our understanding that other departments of comparable size have not been provided funds through temporary help to meet their EDP training needs.

Third, if a training program for entry level programmers is needed, it should be operated on a statewide, rather than departmental, basis. Departments should use the state EDP education program in the Department of General Services to meet their training needs in this area. Otherwise, each department will develop duplicative training programs which will result in additional General Fund costs.

Fourth, the proposal does not reflect sound budgeting policy. Departments should not fund training programs by increasing temporary help funds in *anticipation* that excess salary savings will occur.

For these reasons, we recommend deletion of the $119,232 budgeted in temporary help to train computer programmers.

Foster Care Management Information System

We withhold recommendation on $500,000 in federal funds proposed for a contract with a private vendor to develop and implement an automated foster care management information system until information required by the State Administrative Manual has been submitted to the Legislature.

The budget proposes the expenditure of $500,000 in federal funds for the development and implementation of an automated foster care information system during 1981–82. This system will comply with the requirements of the Federal

Adoption Assistance and Child Welfare Act of 1980. (We discuss the act in more detail later in this analysis.) Supporting material also states that $250,000 in federal funds will be spent for this purpose during the current year. At the time this analysis was prepared, the Legislature had not received notification that the department had been authorized to expend these unbudgeted federal funds.

Our analysis of this proposal notes the following deficiencies:

Required Feasibility Study Report Not Prepared. The State Administrative Manual requires departments to prepare a feasibility study report (FSR) on major data processing activities. Without such a report, the Legislature is unable to determine what alternatives were considered for the development of the proposed system and why a private contractor is preferable to state data processing resources. In addition, the Legislature has no basis upon which to assess the progress of such a system without the time schedule routinely included in a feasibility study report. The department advises that a feasibility study report on this system will be developed and approved by the state Office of Information Technology by February 9, 1981. (This appears to be an unusually short turn-around time for an FSR.)

Proposal Not Coordinated with Other Requirements of Federal Law. The Adoption Assistance and Child Welfare Act of 1980 (PL 96-272) allows the state to obtain additional federal funds if specific management information system components are implemented in conjunction with a series of other requirements. The proposed management information system, by itself, will not fulfill federal requirements for additional funding. For example, the inventory of children in foster care required by Chapter 1229, Statutes of 1980, must be conducted in close coordination with the development of the federally mandated management information system if additional federal funds are to be obtained.

Because a feasibility study report has not been prepared and because there is no specific estimate of the costs of this system, we withhold recommendation on this proposal. We recommend that the Department of Social Services submit to the Legislature, prior to budget hearings, a feasibility study report as required by Section 4920 et. seq., of the State Administrative Manual, which includes (1) an analysis of the information requirements necessary to meet state and federal objectives, (2) a description of the problems that must be overcome to meet these requirements, (3) an analysis of each of the alternatives available, including (a) utilization of existing reporting formats and systems and (b) development of a new information system using state-owned resources, (4) a detailed cost estimate for each of the alternatives considered, (5) a discussion of why the chosen alternative was selected, (6) a detailed implementation plan, and (7) an analysis of how the proposed system will interface with (a) the Statewide Public Assistance Network and (b) other requirements of PL 96-272.

STATEWIDE PUBLIC ASSISTANCE NETWORK PROJECT

AB 8 requires the Department of Social Services to implement a centralized delivery system (CDS) in all counties by July 1, 1984. The system, which is known as the Statewide Public Assistance Network (SPAN) project, will assist in the delivery of benefits to participants in the following programs: Aid to Families with Dependent Children (AFDC); Food Stamps; Medi-Cal; Aid for the Adoption of Children; Special Adult Programs, and to the extent feasible, Social Services and Child Support Enforcement.

Table 12 shows the number of positions and expenditures committed to the SPAN project during the past, current, and budget years. The budget proposes 140 positions and total expenditures of $6,333,820 for the SPAN project in 1981–82. Of this amount, General Fund expenditures are proposed at $2,420,442, an increase of $425,478, or 21.3 percent, over estimated current year expenditures.

DEPARTMENT OF SOCIAL SERVICES—Continued

Table 12
SPAN Project Positions and Expenditures
1979–80 to 1981–82

	Actual 1979–80	*Estimated 1980–81*	*Proposed 1981–82*
Positions–Location by Division	41.8	136.5	140
Centralized Delivery System	—	(107.0)	(113.0)
Welfare Program Operations	(36.2)	(24.0)	(21.5)
Adult and Family Services	(3.9)	(3.0)	(2.0)
Administration	-	(2.5)	(3.5)
Medi-Cal	(1.7)	-	-
Total Expenditures	$1,454,275	$4,158,281	$6,333,820
General Fund	*758,201*	*1,994,964*	*2,420,442*
Federal funds	*696,074*	*2,163,317*	*3,913,378*

Of the 140 positions proposed for 1981–82, 128.5 were authorized previously by the Legislature. The department proposes to continue these positions in the budget year and to add 11.5 new positions. Of the 140 positions proposed for the SPAN project in 1981–82, 47 are permanent and 93 are limited term.

Effective October 1980, the federal share of costs for developing the food stamp portion of the project increased from 50 percent to 75 percent. The department anticipates that the federal share of costs for developing the AFDC component will increase from 50 percent to 90 percent, beginning July 1, 1981, pursuant to PL 96-265. That act provides for 90 percent federal financial participation for the planning, design, development and installation of a statewide EDP system for the AFDC program.

Consultant and Professional Services Contracts

We recommend a reduction of $220,000 ($74,800 General Fund and $145,200 federal funds) for consultant and professional services contracts because state staff are available to perform these activities.

The budget proposes $320,000 for consultant and professional services contracts for the SPAN project in 1981–82. (This amount excludes $60,902 proposed for an external affairs manager which is discussed elsewhere.) The department is requesting funds for (a) the design and implementation of a computer data base; (b) the design of a computer facilities, general systems, and a data communications network; and (c) assistance in adopting county or private vendor-developed software to SPAN usage.

Based on our analysis, we recommend the following reductions:

Double Budgeting. Our review found that the department had budgeted $40,000 for the same consultant and professional services in two separate budget proposals. Therefore, we recommend a reduction of $40,000 to correct double budgeting.

State Staff Are Available. Our analysis indicates that the department has adequate personnel resources available to perform several of the functions for which contract funds are requested. For example, the department requested, and the Legislature authorized, the establishment of 107 SPAN staff for the current year. Of this number, 34 are computer programmers, 29 are data processing analysts and 16 are data processing managers. Some of these positions are organized into several development specialty areas, such as network, data base and general systems design, in which the proposed consulting services would be provided. Because the department already has been authorized staff to perform the activities, we recommend a reduction of $180,000 in funds budgeted for consultant and professional services.

SPAN In-State Travel Overbudgeted

We recommend a reduction of $99,000 ($33,660 General Fund and $65,340 federal funds) overbudgeted for in-state travel related to the Statewide Public Assistance Network (SPAN) project.

The budget proposes an additional $198,000 for in-state travel for the SPAN project during 1981–82. (This amount excludes travel funds for the external affairs manager which is discussed elsewhere.) The components of this amount and our recommendations are as follows:

1. The department is requesting $138,000 for travel related to the pilot project and utilization of county staff in Sacramento. Of this amount, $69,000 is for travel and per diem costs for state personnel to travel to pilot county sites to train county staff. It also includes funds for pilot county staff to travel to Sacramento. The remaining $69,000 is for travel costs and per diem for various county staff to travel to Sacramento to provide assistance to state personnel in writing specifications, programming and testing the SPAN system.

We recommend deletion of $69,000 budgeted for travel of state and county staff related to the SPAN project because this amount has been built into the department's budget base for 1981–82. The Legislature approved approximately $99,414 for the travel expenses of permanent SPAN staff in 1980–81. The 1981–82 budget includes these funds plus a 7 percent price increase, so that $106,373 will be available to the department for this travel. In addition, our review of departmental budget documents found that the estimated cost for in-state travel was based on conversion activities in 10 counties during 1981–82. Discussions with departmental staff, however, have suggested that no more than three counties will participate in the pilot project.

2. The department is requesting $60,000 for the per diem and travel costs of various advisory committees which provide advice and recommendations to the department on the SPAN project. Actual expenditures to date for these committees total $5,758. The department states that the amount of claims paid to date is small because a number of claims have not yet been submitted to or processed by the department. Based on the actual expenditure data, however, we have no basis upon which to recommend approval of the full $60,000. We therefore recommend a reduction of $30,000 budgeted for in-state travel for the various advisory committees.

SPAN Training Funds Overbudgeted

We recommend a reduction of $40,108 ($13,637 General Fund and $26,471 federal funds) overbudgeted for training of various SPAN staff.

The budget proposes an additional $54,387 for training various state staff working on the SPAN project during 1981–82. The training is designed for data processing programmers and managers.

Our analysis indicates that funds budgeted for training should be reduced for the following reasons:

First, the amount of resources requested for training is overbudgeted to the extent that it does not take into account funds previously authorized by the Legislature. During hearings on the 1980 Budget Bill, the Legislature approved $37,484 for training SPAN positions in 1980–81. The 1981–82 budget includes these funds, plus a 7 percent price increase, for a total of $40,108.

Second, our review of the department's justification for the additional funds found that several of the proposed training programs were identical or similar to training programs for which the department has been provided funds in the

DEPARTMENT OF SOCIAL SERVICES—Continued

current year.

Third, the department has indicated that not all staff will receive training. Rather, training will be provided on an as-needed basis, depending on the individual requirements of each staff member.

Fourth, the department has indicated that it will make every effort to recruit experienced staff in order to minimize training.

For the above reasons, we recommend a reduction of $40,108 budgeted for training.

External Affairs Manager—SPAN Project

We recommend:

1. Deletion of $60,902 ($20,707 General Fund and $40,195 federal funds) in contractual services budgeted for an external affairs manager because county advice and recommendations are available to the department.

2. Deletion of $37,800 ($12,852 General Fund and $24,948 federal funds) budgeted for travel by an external affairs manager.

The 1980 Budget Act included funds for a staff services manager III position for the External Affairs Branch of the Centralized Delivery System Division. The External Affairs Branch is responsible for ensuring county input in the design and implementation of the SPAN project. The estimated cost of the position in 1980–81 was $42,800. The department deleted the position, however, and contracted with San Diego County Department of Public Welfare for the services of one of its employees. The cost of the contract in the current year is $55,365. The department proposes 1981–82 expenditures totaling $98,702 ($60,902 in contractual services and $37,800 for travel and per diem costs) to continue the external affairs manager.

Our analysis suggests that the proposed expenditures for the external affairs manager should be deleted for the following reasons:

1. *County Input Available Through Advisory Committees.* During the current fiscal year, the department has established five advisory committees representing the counties which provide advice and recommendations to the department on the SPAN project. The committees include the (1) California Welfare Directors Association, Management Policy Review Committee, (2) District Attorney Technical Advisory Committee, (3) Data Processors Technical Advisory Committee, (4) Centralized Delivery System (CDS) Advisory Council, and (5) SPAN Fiscal Impact Task Force.

2. *County Personnel Are Directly Involved in SPAN Development.* From May through mid-July 1980, 15 county welfare department staff from 10 counties worked with state staff in Sacramento on the system/program requirements report for SPAN. During November and December 1980, two county staff personnel worked with the state SPAN Design Team. Finally, the department has indicated that at least six county staff will be located in Sacramento and will work with state staff during 1981–82 on various aspects of SPAN development.

Because the department will have access to extensive county advice and recommendations on the SPAN project through advisory committees and county staff located in Sacramento, we do not find a need for an external affairs manager and recommend that funds budgeted for this position be deleted.

SPAN Feasibility Study Report (FSR)

We recommend that the department submit a report to the Legislature by May 1, 1981 which identifies county recommendations concerning the feasibility study report and the department's response to the recommendations.

The department has scheduled release of the feasibility study report (FSR) on the SPAN project for January 31, 1981. In addition, the department is scheduled to issue a supplemental report on May 1, 1981, which identifies the fiscal impact of SPAN on a county-by-county basis.

The department states that it will hold three one-day workshops throughout the state during February 1981 in order to obtain comments and recommendations on the feasibility study. In order that the Legislature may monitor the development of the system, we recommend that the department submit a report to the Legislature by May 1, 1981 listing the recommendations of counties concerning the feasibility study and the department's response.

SPAN Pilot Project

We withhold recommendation on $1,676,617 ($561,645 General Fund, $899,730 federal funds and $215,242 reimbursements) budgeted for the SPAN pilot project and other developmental activities, pending receipt of the feasibility study and a report describing the proposed operation of the pilot project.

The budget proposes $1,676,617 for personal services and equipment for operation of the pilot project and other SPAN-related development activities. Of this amount, $796,000 is for computer equipment, $429,977 is for personnel, and $310,000 is for an interagency agreement with the Health and Welfare Agency Consolidated Data Center. The personnel costs are for 19 computer operators and 6 data processing staff.

The department has scheduled field testing of the SPAN system, in selected pilot counties, starting in October 1981. The pilot test will last 15 months, until January 1, 1983. During this period, state and county staff will test the functions to be performed by SPAN, and train county eligibility and social worker staff in SPAN procedures. To date, 16 counties have volunteered to participate in the pilot project. The department indicates that the pilot counties will be selected by mid-February 1981.

We withhold recommendation on funds budgeted for the pilot project and SPAN development activities pending receipt of the feasibility study report and a document describing the pilot project.

1. *The Feasibility Study Report (FSR) Has Not Been Issued.* The State Administrative Manual (SAM) and Control Section 4 of the Budget Act require that a feasibility study report be prepared prior to the expenditure of funds for EDP projects of this magnitude. SAM requires the report to (1) define the requirements of the system being examined, (2) identify alternative ways of meeting those requirements, including a cost/benefit analysis, and (3) identify an implementation schedule for the proposed solution.

The department had not issued the feasibility study for the SPAN project at the time this analysis was written. The FSR is scheduled to be released on January 31, 1981. Until we have reviewed the proposed alternatives and implementation schedule contained in the FSR, we are unable to determine the number of personnel and computer equipment necessary for developmental activities related to SPAN, including the pilot project.

2. *The Legislature Needs a Document Describing the Pilot Project.* The department has not yet issued a document describing the operation of the pilot project. So that the Legislature can evaluate the department's request, we recommend that the department submit a report to the Legislature by April 1, 1981, describing the proposed pilot project. The report should contain the following: (1) an identification of the pilot counties, (2) an implementation schedule, (3) a description of the sequence in which functions will be assumed by the pilot counties, (for example, will the system be completely installed in one county before it is implemented in a second pilot county, or will one function be implemented in the first county and then put in place in a second county?), (4) quantifiable

DEPARTMENT OF SOCIAL SERVICES—Continued

performance criteria for evaluating the pilot, (5) a statement as to whether the pilot counties will be held harmless for AFDC error rates and if so, how such a hold harmless provision will be administered and (6) a statement as to whether the pilot counties will be held harmless for administrative costs under the department's cost control plan and if so, how such a hold harmless provision will be administered.

REFUGEE PROGRAMS

The Federal Comprehensive Refugee Act of 1980 (PL 96-212) was enacted in March 1980. This law (1) establishes annual quotas for refugee resettlement in the nation, (2) imposes, effective April 1981, a three-year limit on 100 percent federal funding for the cost of providing special refugee cash assistance to individual refugees, (3) requires the states to submit plans for the provision of cash assistance and services to refugees, (4) expands the scope of the refugee program to include services to individuals from all nations, provided they meet specified criteria, and (5) authorizes a specific dollar limitation on federal support for social services to refugees. The Department of Social Services is the state agency designated to receive federal funds for the administration of social services and cash assistance to refugees.

Refugees in California

The federal government has established national quotas on the number of refugees entering the United States. The quota for federal fiscal year 1981 is 217,000.

Estimating the refugee population in California is extremely difficult because (1) it is difficult to track refugees who move from one state to another, and (2) there is a general lack of information at the federal level regarding the number of refugees assigned to specific states. If present trends continue, however, a large number of these new refugees will settle in California.

According to the Population Research Unit of the Department of Finance, approximately 153,000 Indochinese refugees *resided* in California in October 1980, an increase of 55,000 over the estimated 98,000 in the state in December 1979. Based on the Department of Finance estimate and the total number of Indochinese refugees in the nation, it would appear that approximately 35 percent of all Indochinese refugees in the country reside in California.

In addition to Indochinese refugees, California has experienced influxes of refugees from Cuba and other nations. The state has also begun to experience an immigration of Cuban/Haitian entrants who have not been granted legal refugee status under the Comprehensive Refugee Act of 1980. Because these individuals have not been declared refugees, they are not entitled to the benefits outlined by the act for other new arrivals. Cuban/Haitian entrants may, however, receive similar assistance under the provisions of the federal Refugee Education Assistance Act of 1980. The federal Department of Health and Human Services reports that 4,700 Cuban refugees have been settled in California during 1980. Reliable estimates of the numbers of other refugees and Cuban/Haitian entrants in the state have not been developed.

Refugee Assistance Programs Administered by DSS

Pursuant to PL 96-212, California provides cash assistance, medical assistance, and social services to refugees. The Department of Social Services supervises the provision of cash assistance. DSS also administers the delivery of social services programs for refugees through (1) interagency and purchase-of-service agreements and (2) allocations to county welfare departments.

The Department of Social Services estimates 109,580 and 152,297 refugees will *receive cash assistance* during 1980–81 and 1981–82, respectively. The estimated 1980–81 caseload is an increase of 55,013 persons, or 100.8 percent, over the actual 1979–80 caseload. This anticipated increase is due to (1) expansion of the refugee assistance program to include refugees of other nationalities, and (2) continued influx of Indochinese refugees at the rate of 14,000 per month *nationwide*. Table 13 displays the estimated caseloads from 1979–80 to 1981–82 for each cash assistance program.

Table 13
California Refugee Resettlement Program
Estimated Average Monthly Cash Assistance Caseload
1979–80 to 1980–81 [a]

	Actual 1979–80 [b]	*Estimated 1980–81*	*Estimated 1981–82*
AFDC	29,564	61,164	85,540
SSI/SSP	2,395	4,566	6,452
Nonfederal AFDC [c]	—	370	388
Refugee cash assistance	22,608	41,614	57,772
General relief	—	1,866	2,145
Off aid [d]	—	(1,706)	(2,259)
Total Cash Assistance	54,567	109,580	152,297

[a] Source: Department of Social Services. No caseload estimates are available for the number of refugees receiving social services from private contractors and county welfare departments.
[b] 1979–80 data include Indochinese refugees only.
[c] These individuals do not meet federal eligibility requirements for the AFDC program but are eligible for the state-only program. In 1979–80 all refugees were eligible for federal refugee cash assistance, and thus none received state-only AFDC.
[d] This category includes individuals who, after three years in the country, are not eligible for cash assistance on the basis of income and are therefore terminated from aid. This provision of federal law was not effective in 1979–80.

Fiscal Impact

As a result of PL 96-212, a greater number of individuals are eligible for refugee services and cash assistance. In addition, because of the three-year limitation on individual eligibility for refugee cash assistance, a steadly increasing portion of these refugees will no longer be eligibile for income maintenance aid which has been 100 percent federally funded. Some of these individuals will become eligible for and receive aid through state and local cash assistance programs, while others will no longer receive any cash assistance. Table 14 shows the estimated expenditures required for cash assistance and social services to refugees in 1980–81 and 1981–82.

Refugee Assistance Staffing

We recommend deletion of 19 positions proposed to adminster refugee programs because workload is overestimated and the new positions would duplicate functions performed by existing staff, for a savings of $657,041 in federal funds.

The budget proposes $1,355,790 in federal funds to add 38.5 new positions to supervise the delivery of social services and cash assistance to refugees. This proposal includes $161,319 to reimburse the Health and Welfare Agency for four positions in the agency's Office of Refugee Affairs. The positions established in the agency are discussed in our analysis of Item 053.

Table 14
California Refugee Resettlement Program [a]
Estimated Expenditures—All Funds
1980–81 and 1981–82
(in millions)

	1980–81				*1981–82*				*Difference*			
Program Category	*Federal*	*State*	*County*	*Total*	*Federal*	*State*	*County*	*Total*	*Federal*	*State*	*County*	*Total*
Local Assistance												
AFDC	$90.8	$4.1	$0.5	$95.4	$136.8	$9.5	$1.1	$147.4	$46.0	$5.4	$0.6	$52.0
SSI/SSP	21.7	0.7	—	22.4	27.7	3.3	—	31.0	6.0	2.6	—	8.6
Refugee cash assistance	74.9	—	—	74.9	103.0	—	—	103.0	28.1	—	—	28.1
General relief	—	—	(1.9)	(1.9)	(0.2)	—	(4.7)	(5.0)	(0.2)	—	(2.8)	(3.0)
Subtotals	$187.4	$4.8	$0.5	$192.7	$267.5	$12.8	$1.1	$281.4	$80.1	$8.0	$0.6	$88.7
State Administration												
AFDC	$8.4	$0.1	$0.1	$8.6	$11.8	$0.4	$0.4	$12.6	$3.4	$0.3	$0.3	$4.0
Refugee cash assistance	8.6	—	—	8.6	10.9	—	—	10.9	2.3	—	—	2.3
Social Services												
Contracts	24.3	—	—	24.3	40.5	—	—	40.5	16.2	—	—	16.2
County welfare departments	6.6	—	—	6.6	9.4	—	—	9.4	2.8	—	—	2.8
State support	2.8	—	—	2.8	3.6	—	—	3.6	0.8	—	—	0.8
General relief	—	—	(0.1)	(0.1)	(0.1)	—	(0.2)	(0.3)	(0.1)	—	(0.1)	(0.2)
Subtotals	$50.7	$0.1	$0.1	$50.9	$76.2	$0.4	$0.4	$77.0	$25.5	$0.3	$0.3	$26.1
Totals	$238.1	$4.9	$0.6	$243.6	$343.7	$13.2	$1.5	$358.4	$105.6	$8.3	$0.9	$114.8

[a] Source: Department of Social Services. Does not include the costs of medical assistance provided by the Department of Health Services.

Of the total DSS request, 37.5 positions would be located in the Office of Refugee Services, created July 1, 1980, and the remaining position is proposed for the Accounting and Systems Bureau. The Office of Refugee Services (ORS) consists of three units: management, program monitoring and fiscal monitoring. The Legislature authorized 26 positions in the 1980 Budget Act for refugee programs. ORS absorbed 16 of the positions when it was created. The remaining 10 positions are assigned to other units of the department.

Section 28 Letter. In a letter dated December 30, 1980, submitted pursuant to Section 28 of the 1980 Budget Act, the Director of Finance requested a waiver of the 30-day waiting period so that the Department of Social Services could expend $470,199 to establish 32 of the proposed 38.5 additional positions during the current year.

In response to the December 30 letter, the Chairman of the Joint Legislative Budget Committee requested that the Director of Finance approve 11 of the 32 proposed positions ($224,437). He recommended that the remaining 21 positions not be authorized at this time because of (1) inappropriate workload projections and (2) a concern that the Legislature should have the opportunity to review potential duplication between the requested positions and existing staff.

Federal Funds Uncertain. Our analysis indicates that federal officials have not formally approved the specific funding level proposed for the administration of California's refugee resettlement program, and future federal appropriations may restrict the use of refugee program funds for administrative costs. In addition, the federal 1982 appropriation level for social services to refugees is lower than that anticipated by the budget. Because of this uncertainty over the amount of federal funds to support the administration of this program and to fund contracts, the General Fund may be faced with potentially significant funding demands in future years.

Additional Workload Has Not Been Justified. The budget proposes to utilize 33 of the 64.5 new and existing positions primarily for on-site monitoring of public and private agencies which contract with DSS to provide social services to refugees. The department is proposing to continue and expand a service delivery network for refugees which is separate from the established network serving nonrefugee clients. The staffing request is based on estimates of 80 and 90 contracts with private agencies in 1980–81 and 1981–82, respectively. In the October 1979 to September 1980 contract year, approximately 40 private agencies contracted with DSS for this purpose. In the current contract cycle, there are 65 such agencies, rather than the 80 on which the budget proposal is based.

The department advises that 99 percent of all refugees served by the resettlement programs reside in 15 major concentrations in the state. These refugees may receive services from county welfare departments, local school districts, and community colleges, in addition to the private provider agencies. Consequently, it is not clear that any new contracts are needed to provide services to refugees beyond the 65 provider agencies now under contract in 1980–81. Without documentation that 25 additional contracts (an increase of 38 percent) are needed, we must conclude that the staffing request is excessive.

Excessive On-Site Visits. In addition, the proposal includes sufficient program monitoring staff to conduct on-site visits to each contractor every six weeks. Federal guidelines for administration of refugee programs require "close monitoring of all aspects" of the refugee services program, but are silent on the frequency of visits. The state plan, which DSS submitted to the federal government in compliance with PL 96-212, calls for on-site program and fiscal monitoring visits at least quarterly. No information has been presented to justify visits on a more frequent basis than that identified in the state plan. Hence, we have no analytical basis to recommend approval of program monitoring staff in excess of the number required to do the quarterly visits.

DEPARTMENT OF SOCIAL SERVICES—Continued

Monitoring of Other State Agencies. As the single state agency designated to receive federal funds, the Department of Social Services is ultimately responsible for the administration of all refugee programs. In order to carry out this responsibility, the Governor's proposal contains staff in DSS to monitor the activities of subcontractors of the Departments of Education and Mental Health. Our analysis indicates that this activity is not specifically required by federal law and would result in duplication of effort between DSS and the respective departments.

Duplicative Manager Positions Proposed. The staffing proposal includes three staff services manager (SSM) II and four SSM I positions for 1981–82. More than 30 percent of the total workload proposed for the SSM II positions involves conducting visits to contractors and other local organizations. Workload for the SSM I positions includes time to perform visits to these same organizations. Our analysis has identified additional duplication of effort between these positions because both manager classifications would review the same reports and respond to inquiries from contractors.

Duplication of Existing Departmental Functions. DSS proposes that program management and fiscal staff would each conduct separate reviews of county welfare department refugee programs. Our analysis indicates, however, that staff in the department's Welfare Program Operations and Adult and Family Services Divisions will continue to review the program activities of county welfare departments, including those activities involving refugees. In addition, other functions proposed for the new staff appear to duplicate activities currently assigned to the translation unit of the Planning and Review Division.

Existing Staff Not Utilized for Refugee Programs. In our review of existing staff initially authorized by the 1979 Budget Act to administer refugee programs, we were unable to identify the functions of one position located in the Systems and Policy Branch of the Adult and Family Services Division. This position should be utilized for refugee resettlement programs, consistent with legislative action, before any additional positions are authorized for this purpose.

SPAN Positions Limited to June 30, 1982. Our review of the positions requested for refugee resettlement indicates that one Associate Governmental Program Analyst and one-half clerical position are proposed to provide program input to the SPAN project. Therefore, it is our understanding that these positions are limited to June 30, 1982.

Recommendation. We recommend deletion of (1) 18 proposed new positions ($629,911) to eliminate inappropriate workload and duplication and (2) funding for one new position ($27,131) to allow for the redirection of staff authorized for refugee programs but involved in unidentified functions, for a total reduction of $657,041 in federal funds. We recommend approval of 20.5 proposed new staff and $537,430 in federal funds.

Table 15 summarizes the existing and proposed refugee program staff in the department and identifies the positions which our analysis indicates are justified. Our recommended staffing level of 45.5 total positions is based on (1) the time required for individual tasks, as identified in the department's proposal, and (2) adjustments to workload projections based on the problems identified in our review.

STAFFING LEVELS

Fair Hearing Officers Overbudgeted

We recommend a deletion of nine fair hearing officers due to overbudgeting (five staff counsel I and four review officer II positions), for a total savings of $416,138 ($220,554 General Fund, $158,132 federal funds and $37,452 reimbursements).

Background. Welfare recipients have the right to appeal decisions by county welfare departments which they believe adversely affect their entitlements to

Table 15
Summary of Position Request
Department of Social Services
Refugee Resettlement Program
1981–82

Organization	*Existing Legislatively-Authorized Positions*	*New Positions Requested*	*Total Existing and Proposed Positions*	*LAO Recommended Total Staff*	*Total Recommended Reduction*	*LAO Recommended New Staff*
Office of Refugee Services						
Chief	1	1	2	2	—	1
Fiscal monitoring of contracts	5	12	17	12	−5	7
Program monitoring of contracts and public agencies	5	12	17	13	−4	8
Management	5	12.5	17.5	8.5	−9	3.5
Subtotals	16	37.5	53.5	35.5	−18	19.5
Other DSS Units						
Operations, assessments, and audits	3	—	3	3	—	—
Statistical services	3	—	3	3	—	—
Contracts	1	—	1	1	—	—
Public inquiry and response	1	—	1	1	—	—
Accounting and systems	—	1	1	1	—	1
Adult and family services	2	—	2	1	−1	−1
Subtotals	10	1	11	10	−1	—
Totals	26	38.5	64.5	45.5	−19	19.5

assistance. Typically, a fair hearing is requested when a county action results in the denial, reduction or termination of assistance or services. The Department of Social Services' Office of Chief Referee is responsible for conducting administrative hearings to determine the fairness of decisions made by county welfare departments.

The appropriate workload standard for fair hearing officers was an issue during legislative hearings on the department's budget for 1980–81. As a result, the Legislature deleted three hearing officer positions. The Legislature also adopted language in the Supplemental Report of the 1980 Budget Act requiring the Department of Finance to evaluate the workload standard for fair hearing officers.

Department of Finance Report. The Department of Finance report, submitted to the Legislature in December 1980, concluded that the appropriate workload standard for fair hearing officers was 194 cases per year. In other words, hearing officers should be able to hear and write an average of 194 cases annually. This productivity standard takes into consideration the number of hearing days, travel days and writing days required to produce a finished opinion, and is lower than the standard used in the past. The department's deputy director for legal affairs and the chief referee have endorsed the new workload standard.

Staffing Requirements in the Budget Year. The department estimates that 7,932 fair hearing cases will be heard and written in 1981–82. This is an increase of 153 cases above the estimated total of 7,779 for 1980–81. The number of hearing officers required to complete the estimated workload in 1981–82 is derived by dividing the estimated number of cases (7,932) by the workload standard (194). As a result of this calculation, the department requires 41 line hearing officers to meet estimated budget year workload (7,932 cases written ÷ 194 cases per officer = 41 hearing officers).

Current Staffing Level. The department states that it currently has 46 line hearing officer positions. Our records show, however, that the Legislature has authorized 50 hearing officers. The other four positions authorized by the Legisla-

DEPARTMENT OF SOCIAL SERVICES—Continued

ture to perform line hearing functions have been redirected by the department to perform other activities. Of the four positions, two are currently supervisors. The remaining two positions are assigned to the central review unit which is responsible for reviewing proposed decisions for consistency with regulations and prior decisions.

Consistent with the workload standard identified by the Department of Finance and the Department of Social Services' estimate of caseload for 1981–82, we recommend a staffing level of 41 hearing officers for 1981–82. This will provide the Department of Social Services with adequate staff to meet anticipated caseload. In the event that workload exceeds the department's estimate, the department will have 11 supervisors and 5 positions in the central review unit who occasionally hear cases, and can be used on a temporary basis to handle the excess . Our recommendation would result in the deletion of nine hearing officer positions that have not been justified on a workload basis.

Food Stamp Positions

We recommend deletion of three positions proposed in the Food Stamp Policy Coordination Bureau because workload has not been documented, for a savings of $83,442 ($41,721 General Fund and $41,721 federal funds).

The budget proposes $83,442 from all funds to establish three positions in the Food Stamp Policy Coordination Bureau. The bureau analyzes and interprets federal law and regulations concerning the Food Stamp program. Currently, the bureau consists of 12 professional positions and 1 clerical position. The three proposed positions are requested in order to handle increased workload due to anticipated passage of federal legislation.

Our analysis indicates the following:

1. ***Amount and Complexity of Workload Is Unknown.*** The department points out that during 1980, the federal government enacted 38 amendments to the Food Stamp Act. This resulted in increased workload for the Policy Bureau during 1980–81. Discussions with departmental staff indicate that state regulations to implement the 38 amendments will be developed and promulgated during the current year.

For planning purposes, the department has assumed that an additional 38 amendments will be adopted by the federal government during 1981–82. We have no basis upon which to project the number of amendments which may be enacted by Congress in future years. The number of amendments adopted in past years, however, has been substantially less than 38. For example, in 1979, seven amendments were enacted, and in 1978 only one amendment was adopted. Furthermore, the complexity of the regulations, and in turn the amount of time required to write and implement state regulations, cannot be determined in advance of the passage of specific federal legislation.

2. ***Food Stamp Policy Bureau Larger Than AFDC Policy Bureau.*** Within the department, the Food Stamp and AFDC Policy Bureaus perform similar activities. Both are responsible for analyzing, interpreting and implementing federal and state policy for their respective programs. Currently, the AFDC Policy Bureau has eight permanent professional positions and the Food Stamp Bureau has ten permanent professional staff. Approval of the department's request for three additional Food Stamp Policy Bureau positions would provide that unit with a total of thirteen permanent positions, or 63 percent more permanent staff than authorized for the AFDC Policy Bureau even though they perform similar activities. We have no data to indicate that the Food Stamp Policy Bureau needs 63 percent more staff to handle its workload than its counterpart bureau in the AFDC program.

For these reasons, we are unable to document the need for additional staff, and recommend deletion of the proposed positions. We also note that it is not sound budgeting practice to establish positions in anticipation that federal legislation might be passed. Contingency staffing is generally not provided to other state agencies that administer federally supported programs.

Community Care Licensing Workload Standards Contain Unjustified Tasks

We recommend a reduction of 19 positions proposed for the Community Care Licensing Division to reflect (a) the deletion of unjustified tasks and (b) actual experience in filling new positions, for a General Fund savings of $454,332.

The budget proposes to add 52 new positions to the Field Operations Branch of the Community Care Licensing Division, at a General Fund cost of $1,136,745. The Field Operations Branch directly licenses community care facilities through nine offices located throughout the state. The request for additional positions is based on (1) application of a January 1980 workload study of the tasks involved in licensing and evaluating community care facilities and (2) a projected increase in the number of community care facilities licensed by state staff from 12,793 in March 1980 to 15,498 in June 1982, a projected annual increase of approximately 12 percent.

Workload Study. A workload study completed by the Department of Social Services indicates that the historically accepted staffing standards of 150 licensed day care or 75 licensed residential care facilities per evaluator do not accurately reflect the actual workload required to license and evaluate community care facilities. Based on a review of actual time spent and tasks performed, the workload study establishes alternative staffing standards for seven distinct categories of facilities, rather than the two broad categories utilized currently.

Our review of this study has identified two components which should not be included in the workload standards: (1) evaluations of community care facilities within 90 days after intitial approval of a license to operate (referred to as post-licensing evaluations) and (2) caseload management activities.

Post-Licensing Evaluations. The proposed staffing standard includes time for evaluators to visit each facility within 90 days after approval of a license to operate. The department advises that these visits may reduce (1) the amount of time required for annual visits and (2) the number of complaints received regarding violations of licensing regulations. Because no data are available to document the effects of these visits, we have no analytical basis to recommend provision for these visits in the proposed workload standard. In addition, because these post-licensing visits have not been conducted on a uniform basis in the past, we cannot assess the amount of time built into the licensing standard for this activity.

Caseload Management. The workload study also includes a factor referred to as "caseload management." This activity is built into the total workload standard as a 20 percent increase to the time required for all other activities. This component includes several tasks, such as case file review and drop-in visits, which are performed as part of other tasks included in the workload study.

Our analysis indicates that the department has implemented new procedures to increase staff efficiency since the time of the workload study. These changes are not reflected in the staffing standard. We recommend the portion of the staffing standards based on this caseload function be reduced by 50 percent to reflect these new procedures. This would reduce the 20 percent factor for caseload management activities to 10 percent.

For the reasons given above, we cannot recommend that provision be made for the post-licensing evaluation and caseload management workload components in the workload standards for licensing evaluations. Table 16 compares the workload standards proposed by the Department of Social Services with the adjusted standards we recommend, based on the deletion of the two identified components.

DEPARTMENT OF SOCIAL SERVICES—Continued

Table 16
Department of Social Services
Alternative Staffing Standards
for Facilities Evaluators
(Facilities per Evaluator)

Facility Category	*Existing Standard*	*Proposed Standard*	*Analyst's Proposed Adjusted Standard*
Day Care	150		
Family day care		129	143
Other day care		104	114
Residential Care	75		
Foster family homes		115	126
Other family homes		113	124
Group homes for children		67	73
Other group homes		51	56
Homefinding agencies		84	84

Projection of Licensed Facilities. Our analysis indicates that the budget's projection of the number of licensed facilities in 1981–82 is based on a continuation of actual experience and appears to be valid. Actual experience throughout 1981–82, however, may vary to the extent that some counties return the licensing function to the state or other program changes occur. In addition, the use of a staffing standard based on the more specific facility categories will require closer tracking of facility growth than in the past. To the extent that the rate of growth in facility types with high staffing standards, such as group homes for children, is less than the overall projected growth rate, the use of prorated overall growth rates employed in the proposal will overstate the actual need for staff. The Department of Social Services advises that systems improvements to its Facilities Information System will allow detailed tracking of facility increases for the department's 1982–83 budget proposal.

Recommend Staffing Level for 1981–82. Based on an application of the adjusted staffing standards shown in Table 16 to the projected number of licenses in force as of June 30, 1982, we have developed an estimate of the staff required to license community care facilities during 1981–82. Table 17 compares the Governor's proposal with our recommended staff level.

Table 17
Department of Social Services
Field Operations Branch
Comparison of Proposed Staffing
and Analyst's Recommended Staffing Level
1981–82

	Existing Staff	*Proposed New Staff*	*Proposed Total Staff*	*Analyst's Proposed New Staff*	*Analyst's Proposed Total Staff*
Evaluator	149.5	33.0	182.5	18.5	168.0
Supervisor	24.0	6.4	30.4	2.4	26.4 [b]
Clerical	50.5	12.5	63.0	12.5	63.0
Manager	14.0	–	14.0	–	14.0
Totals	238.0 [a]	51.9	289.9	33.4	271.4

[a] This column includes 20 positions added to the Field Operations Branch during 1980–81 to perform workload transferred to the state from counties.

[b] Based on one supervisor to every 6.35 evaluators as included in the 1980 Budget Act.

Effective Dates of Positions. The budget proposes to establish 30 of the 51.9 positions on July 1, 1981. The remaining 21.9 positions would be established effective January 1, 1982 to provide adequate staff to handle anticipated increases in the number of licensed facilities during the year. Our analysis of the department's projection of facilities licensed indicates that a total of 14,750 facilities are expected to be licensed by December 1981. Based on our recommended staffing standard, this workload will require the addition of 11.5 evaluators, 1.2 supervisors and 8 clericals on July 1, 1981 and the remaining 12.7 positions on January 1, 1982.

Salary Savings. The proposal for 51.9 new positions includes an estimate of $258,565 for salary savings anticipated as a result of reducing gross salaries and wages required for these positions by an amount equal to (1) 50 percent of the annual salaries for those positions proposed to be established at midyear, plus (2) an additional reduction of 5 percent to allow for normal turnover and unpredictable absences. The Department of Finance's budget instructions for new positions requires that (1) adjustments must be made to salary savings for dollars and personnel-year fractions to compensate for the actual number of months the position is expected to be vacant during the year, and (2) a minimum of 5 percent salary savings be budgeted for new positions in addition to this vacancy adjustment.

A review of Field Operations Branch experience in filling 41 new positions authorized in the 1980 Budget Act and 20 positions administratively established during 1980–81 indicates that, on average, these positions were vacant 127 working hours prior to being filled; a period equal to 7 percent of annual work time. According to the Department of Finance instructions, 7 percent, rather than 5 percent, of gross salaries and wages for the positions approved should be deducted from the proposal to reflect the actual experience of this unit in filling newly authorized positions. Using the department's methodology for estimating salary savings, plus an additional 2 percent to reflect actual experience, we estimate salary savings of $147,732 for our recommended staffing level.

Recommendation. Based on the adjusted staffing standards shown in Table 16, we recommend that the number of staff authorized for 1981–82 be increased by 33.4—19 positions (15 evaluators and 4 supervisors) less than the number requested in the budget. Of these 33.4 positions, we recommend that 11.5 evaluators, 1.2 supervisors, and 8 clerical positions be established effective July 1, 1981, and the remaining positions be established January 1, 1982.

Based on these adjustments to the proposed position request and taking into account the salary savings needed to comply with Department of Finance budget instructions, we recommend a total reduction of $454,332 from the General Fund, consisting of $377,052 from personal services and $77,280 from operating expenses and equipment.

Legal Assistance for Community Care Licensing Division

We recommend that five new positions proposed to provide additional legal assistance for the community care licensing program be limited to June 30, 1982 because of probable workload savings in the future.

The budget proposes $143,456 from the General Fund to establish 1.5 attorneys, 2.5 legal assistants, and 1 clerical position in the Office of the Chief Counsel to provide legal support to the community care licensing program. The Office of the Chief Counsel (1) prepares licensure cases for litigation by the Attorney General and (2) represents the Community Care Licensing Division in administrative hearings on license revocations and denials. The department advises that additional legal support is needed for these activities due to (1) increased emphasis on enforcement of licensing laws and regulations by state and county evaluator staff, (2) continued growth in the number of licensed facilities, and (3) increased num-

DEPARTMENT OF SOCIAL SERVICES—Continued

bers of trained licensing evaluators employed by the state.

Efficient Procedures Reduce Staff Need. A major portion of the workload anticipated for the proposed legal assistants involves the preparation of cases for attorney work. Our analysis indicates that the licensing evaluation staff of the department has recently implemented case preparation procedures which are expected to reduce the workload of these legal assistants. This workload reduction factor has not been taken into account in the proposal for additional legal assistants.

Staff Need Based on Number of Evaluators. The proposal for legal staff is built on a projection of the percentage increase in state licensing staff in 1981–82. Consequently, to the extent that legislative action on the 1981 Budget Bill reduces the licensing staff, the legal staff proposal may also be subject to reduction.

Existing Backlog. The department advises that the Office of the Chief Counsel processed 70 of the 134 referrals from the Community Care Licensing Division during 1979–80, leaving a backlog of 64 cases. Our analysis indicates that (1) the number of referrals far exceeded the legal staff's output during the period June 1979 to November 1979, (2) the number of referrals per month is expected to remain constant during 1981–82, and (3) the number of cases processed by the Office of the Chief Counsel increased after November 1979 but has not kept pace with the number of new referrals. Our analysis has not identified, however, an acceptable backlog for this program activity.

We recognize the current and budget year workload facing the Office of the Chief Counsel. Our analysis indicates that the elimination of existing backlogs by limited-term staff and increased staff efficiency may reduce the need for these positions in future years. Therefore, we recommend that approval of these five proposed positions be limited to June 30, 1982.

Request for Additional Social Services Evaluation Positions

We recommend the deletion of six new positions proposed to evaluate children's services programs because existing staff can absorb this workload, for a General Fund savings of $183,097, consisting of $136,687 in personal services and $46,410 in operating expenses and equipment.

The budget proposes to add six new positions in the Operations Assessment Unit of the Planning and Review Division, at a cost of $183,097. The new positions are proposed to review over a two-year period, the (a) delivery of children's protective services, (b) 24-hour emergency response system, and (c) foster care programs in 10 counties. The objectives of these reviews are to:

(1) Evaluate the effectiveness, efficiency and equitable local administration of services systems, procedures, regulations and/or operations.

(2) Provide evaluation of proposed program modifications through detailed field studies and operations reviews.

(3) Develop program and services information necessary for program/policy decisions, planning and reviews by outside agencies.

(4) Conduct an evaluation of the effect of specific children's services programs on the recipients.

Our analysis indicates that additional staffing to conduct the reviews proposed for these six positions is not required for several reasons.

Current Staff Not Utilized for Social Services Reviews. The Operations Assessments Unit currently is authorized eight positions to conduct social services reviews similar to those proposed in the budget. During the first six months of 1980–81, the eight positions were involved in assessing county delivery of food stamps and had not initiated a single review of social services activities. Although

24 positions were approved specifically for food stamp review in the 1980 Budget Act, only six of the positions were filled as of January 1981.

Program Operations Bureau. The Family and Children's Services Program Operations Bureau (15 positions) monitors children's services programs delivered by the counties to ensure effective, equitable and efficient service delivery. This bureau also conducts special studies of high priority program issues. An example of such a special study is a detailed review scheduled to be conducted during January and February 1981 of the children's protective services (CPS) program. In a letter dated November 24, 1980, county welfare directors were notified by the department that the CPS review would include (1) an administrative questionnaire, (2) a compliance-oriented case review, (3) a review of services characteristics, and (4) an intake decision making survey. The Family and Children's Services Program Operations Bureau has announced that a review of foster care will also be conducted during 1981. Because existing staff is already assigned to review those programs, additional staff is not required.

Integrated Review and Improvement Studies Have Already Documented Delivery Systems. A series of Integrated Review and Improvement Studies of the children's services programs was conducted in 17 counties by the Operations and Assessments Unit during 1978–79. The studies identified problem areas and documented the characteristics of each county's service delivery system. The department's proposal for additional staff in the Operations Assessments Unit anticipates workload in excess of two personnel-years in order to redocument the service systems previously identified.

Evaluation of Family Protection Act and 24-Hour Response Systems. Pursuant to legislative direction, the department has committed staff in the current year to conduct evaluations of the Family Protection Act (Chapter 21, Statutes of 1977) pilot counties and the 24-Hour Response System. The evaluation designs for both studies included a client outcome component. Our preliminary review of the 24-Hour Response System report, submitted January 20, 1981, indicates that this report includes an assessment of the effects of these services on clients. Although the Family Protection Act report has not yet been submitted to the Legislature, preliminary results indicate that this effort may preclude the need for the client outcome portion of the proposed workload.

Positions Authorized For the 24-Hour Response System. The 1979 Budget Act established 16 permanent positions specifically for the implementation and continued monitoring of the 24-hour response system. This is one of the two programs for which the department is requesting six new positions. Our analysis indicates that current staff resources are sufficient to monitor this program adequately.

Existing departmental staff are currently monitoring and evaluating the programs identified in the request for six additional positions. In addition, the department has not utilized existing staff in the Operations Assessments Unit for social services reviews. The existing eight positions in that unit could be directed to conduct special audits and outcome evaluations of county delivered children's services programs without the addition of six new staff. We therefore recommend deletion of the six proposed new positions, for a General Fund reduction of $183,097, consisting of $136,687 in personal services and $46,410 in operating expenses and equipment.

Interstate Compact for the Placement of Children

We recommend (1) transfer of responsibility for the administration of the foster care component of the Interstate Compact for the Placement of Children from the Planning and Review Division to the Adult and Family Services Division, and (2) deletion of two proposed new positions for this activity, for a General Fund savings of $58,142.

The Interstate Compact for the Placement of Children (ICPC) (Civil Code

DEPARTMENT OF SOCIAL SERVICES—Continued

Sections 264-274) obligates the 46 member states to coordinate the interstate placement of children in foster care and adoptive homes. Prior to a major reorganization of the Department of Health in 1978, the adoptions and foster care components of California's ICPC activities were administered by a single organization in the Department of Health. After the transfer of social services programs to the Department of Social Services, however, this function was split. Currently within DSS, the Adult and Family Services Division coordinates the placement of children for *adoption*, and the Planning and Review Division is responsible for the assignment of *foster care* cases to appropriate county welfare departments and agencies in other states.

Need for Closer Coordination. The current California ICPC designated compact administrator is the deputy director for Adult and Family Services. The Adult and Family Services Division has the responsibility for overall supervision of the state's foster care program and contains field staff and program policy staff to carry out this responsibility. Currently, four positions in the Planning and Review Division are responsible for (1) reviewing ICPC requests from other states and from California county welfare departments for home evaluations and (2) monitoring the supervision of foster care placements in California from other states. Because (1) the Adult and Family Services Division contains a field monitoring capacity and (2) major policy decisions in the foster care program are coordinated within the Adult and Family Services Division and should incorporate problems identified with the interstate flow of children, California could more effectively carry out its obligations under the ICPC if the administration of the entire compact was consolidated under the direct supervision of the designated compact administrator.

Additional Staff Not Required. Existing resources within the Family and Childrens Services Branch of the Adult and Family Services Division can meet the anticipated workload identified in connection with the request for two additional positions to administer the foster care component of ICPC. The organization responsible for foster care program policy is the Family and Children's Services Policy Unit. The budget proposes to continue three positions in the Family and Children's Services Policy Unit, which were initially authorized in the 1979 Budget Act. This unit, consisting of 20 authorized positions, experienced a 17 percent vacancy rate in 1979–80, for an average of 3.4 vacant positions. During the first six months of 1980–81, the vacancy rate for this unit was 21 percent.

The department advises that, as of November 1980, all positions authorized in this unit have been filled. In order to justify the need for continuation of the three limited-term positions, the department has identified several tasks that have been delayed due to past vacancies. One of these tasks is a response to program problems related to ICPC foster care cases. Our analysis indicates that the continuation of the three limited-term positions, combined with the recent filling of positions which were previously vacant, will enable the Family and Children's Services Policy Unit to assume the responsibilities identified in the department's proposal for two ICPC positions.

Therefore, we recommend (1) a transfer of the function of ICPC foster care and related positions from the Planning and Review Division to the Adult and Family Services Division and (2) deletion of two positions proposed for the Planning and Review Division, for a General Fund savings of $58,142 consisting of $45,566 in personal services and $12,576 in operating expenses and equipment.

Systems and Policy Branch Reorganization

We withhold recommendation on $438,148 ($370,673 General Fund and $67,475 in federal funds) budgeted for 11 positions in the Systems and Policy Branch of the Adult and Family Services Division, pending receipt of detailed workload data for these positions.

The budget proposes continuation of 13 of the 14 existing positions for the Systems and Policy Branch of the Adult and Family Services Division. The responsibilities of this branch include forms and systems development for all the social services programs administered by the Adult and Family Services Division. During our review of the staff requests for this division, however, we learned that the Systems and Policy Branch will be dissolved prior to the beginning of 1981–82, and that 13 positions will be assigned to other branches within the division. The remaining position, authorized to provide program input to the Statewide Public Assistance Network (SPAN) project, expires June 30, 1981. Two of the 13 continuing positions are proposed for a limited term, expiring June 30, 1982, to provide input to SPAN.

The Department of Social Services advises that this branch will be dismantled in order to eliminate duplication and inefficient management practices. Table 18 shows the department's organizational plan for positions currently assigned to the Systems and Policy Branch.

Table 18
Department of Social Services
Reorganization of Systems and Policy Branch
Proposed Organizational Location of Redirected Positions

Branch		*Positions*
Family and Children's Services Systems Bureau (New)	1	Staff Services Manager II
	1	Staff Services Manager I
	2	Associate Governmental Program Analyst (AGPA)
	1	AGPA (SPAN)
	1	Social Services Consultant (SSC) III
Social Services Planning Branch	(1)	AGPA-Expires June 30, 1981 (SPAN)
	1	AGPA
	1	SSC II
	1	Staff Services Analyst
	1	Management Services Technician
	1	Office Technician
Adult Services Branch	1	AGPA
	1	SSA (SPAN)
Total	13	

We have identified three problems with this proposed reorganization: (1) the budget does not identify workload which justifies additional staff in the units currently anticipated to receive the redirected positions, (2) administrative efficiency anticipated as a result of the proposed redirection is not reflected in reductions of requested 1981–82 staff, and (3) the absence of workload data regarding the reorganization makes it difficult for the Legislature to review the staffing needs of the Adult and Family Services Division.

Because of these problems, we withhold recommendation on $438,148, ($370,673 from the General Fund and $67,475 in federal funds)—the funding necessary to continue the 11 non-SPAN positions. We recommend that the Department of Social Services prepare and submit detailed workload justification for the continuation of these 11 positions prior to legislative hearings on its budget.

DEPARTMENT OF SOCIAL SERVICES—Continued

Office of Government and Community Relations

We recommend:

1. The deletion of 3 government liaison positions and 2.5 clerical positions because they duplicate functions of other authorized personnel, for a savings of $212,342 ($116,788 General Fund and $95,554 federal funds).

2. The deletion of a staff services manager II in the Welfare Program Operations Division and a staff services manager II in the Adult and Family Services Division, because the positions duplicate functions of authorized positions, for a savings of $92,926 ($70,125 General Fund and $22,801 federal funds).

Background. The Office of Government and Community Relations assists in the formulation of departmental policy and represents the department before the Legislature, local governmental agencies and community groups. The office consists of six units, as shown in Chart 1. The office reports to the director of the department and is separate from the departmental divisions responsible for supervising the administration of welfare and social services programs in California.

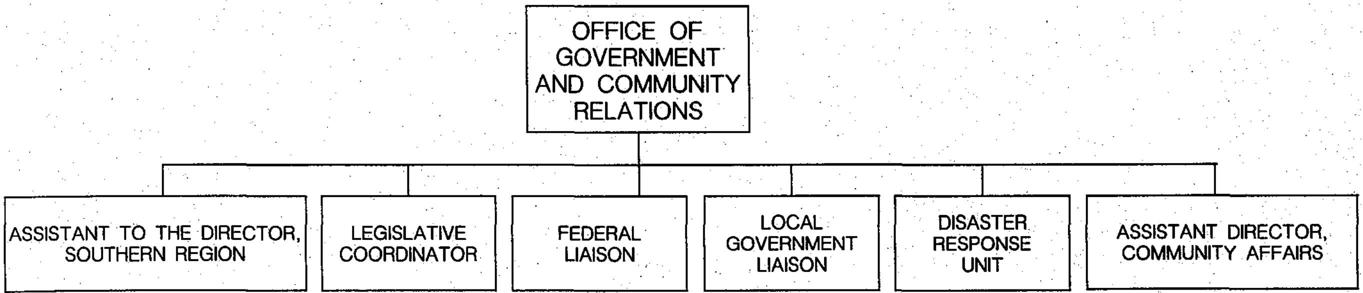
Our analysis suggests that several of the units in the office duplicate the activities of various line bureaus of the department.

Local and Small County Liaison Positions. The Local Government Liaison Unit consists of one professional position who participates in the development of departmental policies and provides policy interpretation between the department and county welfare directors, boards of supervisors and local government officials. This unit is also responsible for conveying local government positions on welfare issues to the department.

The Office of Government and Community Relations also contains one person on contract as the Small County Liaison. This position is responsible for providing advice and recommendations from small counties to the department.

Chart 1

Office of Government and Community Relations



DEPARTMENT OF SOCIAL SERVICES—Continued

Our analysis suggests that the duties of the local government and the small county liaisons duplicate the responsibilities of other positions within the department. For example:

- The department has 10 deputy directors who assist in the formulation of departmental policies and who are responsible for representing the department before local government officials. Of the 10 deputies, one is responsible for providing policy interpretation and direction to county welfare department directors and local government officials in the administration of income maintenance programs. Another deputy performs the same functions in the delivery of social services throughout the state.
- There are also various program operation bureaus within the department which are responsible on a daily basis for interpreting federal and state regulations and providing management consultation to county welfare departments. In addition, the program staff are responsible for "providing effective feedback to top DSS administration on local concerns and problems from both welfare administrative officials and outside organizations." In the Welfare Program Division alone there are currently 49.5 professional positions authorized to provide policy interpretation and consultation to local officials on cash assistance programs.

Because the local and small county liaisons duplicate the functions of other authorized positions in the department, we recommend that they be deleted, for a savings of $101,575.

Federal Liaison. The Federal Liaison Unit is responsible for reviewing state plans for cash grant and social services programs prior to their submission to the federal government. In addition, the unit is responsible for tracking federal bills and reviewing proposed federal regulations.

Our review of departmental operations, however, found that day-to-day contacts with the federal government are carried out by the deputy directors and their program staffs. For instance, program staffs review and propose changes in the various state plans. In addition, there are separate policy bureaus in the department responsible for analyzing proposed federal legislation and regulations. As an example, the Welfare Program Operations Division is authorized 36.5 professional positions to review proposed federal laws and regulations for the AFDC, SSI/SSP, Food Stamp and Child Support Enforcement programs.

Because the federal liaison duplicates the activities of other authorized positions, we recommend that funding for the unit be deleted, for a savings of $56,069.

We also recommend a corresponding reduction of 2.5 clerical positions. This would leave the Office of Government and Community Relations with four clerical positions for the ten remaining professional positions.

Assistant to the Director, Southern Region. It is our understanding that the duties of this position are similar to those of the local government liaison, but limited to southern California. The position participates in the development of departmental policies and provides policy interpretation between the department and local government officials, including county welfare departments, in southern California.

Our analysis suggests that these duties duplicate the functions of the deputy directors and various operation bureaus within the department. Currently, this position is exempt from civil service hiring requirements. Because this position is performing some of the workload of authorized positions within the program operations bureaus of the department, however, we recommend the deletion of a staff services manager II position within the Welfare Program Operations Division, for a savings of $45,602.

Assistant Director, Community Affairs. The department's organization handbook states that in order to improve the administration of welfare programs, this position is responsible for a "variety of special projects involving liaison between the department, the Legislature, the private business sector, and numerous community groups. . . ." In addition, the position "manages the American Indian Foster and Day Care Home Recruitment Project and serves as the American Indian Coordinator for all aspects of departmental operations affecting that population group."

Our analysis suggests that this position duplicates activities of other staff in the department. First, one of the responsibilities of this position is to improve welfare administration. As noted previously, the department has various deputy directors and program staff responsible for providing policy interpretation and direction to local governments in the administration of welfare programs.

Second, to the extent that this position works on American Indian Welfare programs, it duplicates activities of positions currently authorized in the Adult and Family Services Division. For example, the 1980 Budget Act authorized one position for the adoptions branch to work specifically on Indian adoptions. The department also requested one position to implement the federal Indian Child Welfare Act. The Legislature, however, denied the requested position, based on its determination that adequate personnel were available in the Adult and Family Services Division.

The Assistant Director, Community Affairs position is exempt from civil service hiring requirements. However, because the position in the Office of Government and Community Affairs appears to perform some of the workload of other positions, we recommend the deletion of a staff services manager II within the Adult and Family Services Division, for a savings of $47,324.

Health and Welfare Agency

DEPARTMENT OF SOCIAL SERVICES

Items 518-101 from the General Fund

Requested 1981–82	$2,539,486,144
Estimated 1980–81	2,751,983,412
Actual 1979–80	2,309,996,836
Requested decrease $212,497,268 (−7.7 percent)	
Total recommended reduction [a]	$20,682,362
Total recommendation pending [a]	$32,398,314

[a] General Fund totals for all local assistance elements.

1981–82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
518-101-001—Local Assistance		General	$2,539,486,144
—(a)	AFDC cash grants		(1,215,955,900)
—(b)	SSI/SSP cash grants		(1,051,005,000)
—(c)	Special adult programs		(3,728,800)
—(d)	County welfare department administration		(110,092,643)
—(e)	Special social services programs		(143,782,101)
—(f)	Community care licensing		(6,463,700)
—(g)	Local mandate		(8,458,000)

DEPARTMENT OF SOCIAL SERVICES—Continued

Item 518-101-001 appropriates all of the General Fund support for the state share of the local assistance programs administered by the Department of Social Services. We discuss the programs separately in the following six sections. We have identified the Budget Bill reference by the appropriate letter, such as 518-101(a) for the AFDC cash grant program.

Department of Social Services
AID TO FAMILIES WITH DEPENDENT CHILDREN

Item 518-101(a) from the General Fund — Budget p. HW 163

Requested 1981–82	$1,215,955,900
Estimated 1980–81	1,195,856,900
Actual 1979–80	964,760,500
Requested increase $20,099,000 (+1.7 percent)	
Total recommended reduction	$4,393,213

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Performance Standards for Administering the AFDC Program. Reduce by $4,393,213.* Recommend *General Fund* reduction of $4,393,213 from Item 518-101-001(a), AFDC cash grants, because funds are overbudgeted give the application of fiscal sanctions. 992

GENERAL PROGRAM STATEMENT

The Aid to Families with Dependent Children (AFDC) program provides cash grants to 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 their parents or guardians.

The Budget Bill contains an in-lieu appropriation for the Aid to Families with Dependent Children (AFDC) program. This does not limit program expenditures because the Welfare and Institutions Code provides a continuous appropriation to finance cash grants to eligible children, and their parents or guardians, under the program. In addition, language in the Budget Bill provides that the Director of Finance can increase AFDC expenditures due to (1) changes in caseload or payment standards, (2) enactment of a federal or state law or (3) a final court decision on the merits of a case.

ANALYSIS AND RECOMMENDATIONS

Current Year Deficiency

The budget estimates that there will be a General Fund deficiency of $41,924,650 in the current year for the AFDC program. The deficiency is due to caseload increases in the AFDC-unemployed parent program resulting from: (a) regulations issued by the department following the United States Supreme Court decision in *Westcott* v. *Califano* and (b) a greater than anticipated number of unemployed parents due to the recession.

The 1980 Budget Act assumed a caseload of 201,070 recipients in the AFDC-unemployed parent program during 1980–81. Based on caseload data through August 1980, the department has revised its current year estimate upward by 51,350 recipients, to 252,420. Of this increased caseload, the department estimates that approximately 37,486 additional recipients, or 73 percent, are due to the Westcott regulations and the remaining 13,864 are related to the recession. The cost for the new recipients added as a result of the Westcott regulations is estimated at $35,410,100 for 1980–81. Of this amount, the state share is $26,320,300, the county costs are $3,186,900, and the federal government's share is $5,902,900. (This issue is discussed later in this analysis.)

It is possible that the General Fund deficiency in the current year could be greater than estimated due to recent increases in the AFDC-family group caseload. Current year estimates of expenditures for the AFDC-family group program are based on two months of actual caseload experience (July and August 1980). Actual caseload data, which is now available for September and October 1980, show that the family group caseload is above the estimate shown in the 1981–82 budget document. To the extent that the family group caseload exceeds current year projections, additional General Fund costs will be incurred.

Because the Welfare and Institutions Code provides a continuous appropriation to finance cash grants to eligible children and their parents, a deficiency bill is not required to increase the amount of funds for this program. Control Section 32.5 of the 1980 Budget Act authorizes the Director of Finance, after notifying the Legislature, to approve increases in expenditures for the AFDC program which are in excess of the amounts appropriated for the 1980–81 fiscal year.

Budget Year Proposal

The budget proposes program expenditures of $1,215,955,900 from the General Fund in 1981–82. In addition to these funds, the budget provides $5,762,000 from the General Fund for costs related to the AFDC program mandated by the state's legislative and executive branches. Thus, the state's General Fund cost for AFDC grants and local mandates in fiscal year 1981–82 is proposed at $1,221,717,900. This is an increase of $20,263,500, or 1.7 percent, over estimated 1980–81 expenditures.

Total expenditures from all funds for AFDC cash grants are proposed at $2,662,-136,700, which is an increase of $108,285,100, or 4.2 percent, over estimated current year expenditures. In addition to these funds, the budget includes federal funds of $103,007,300 for cash grants to refugees (Indochinese, Cubans and others) who do not meet the eligibility requirements for existing welfare programs, but who will receive a grant amount equal to the AFDC payment level as a result of federal requirements.

Total expenditures, including AFDC grants, local mandates, and payments to refugees, are proposed at $2,765,144,000, which is an increase of $136,359,800, or 5.2 percent, above estimated current year expenditures. Table 1 shows the total estimated expenditures for AFDC grants in 1980–81 and 1981–82.

Table 1
Total Expenditures for AFDC Grants

Funding	*Estimated 1980–81*	*Proposed 1981–82 Amount*	*Proposed 1981–82 Percent Increase*
AFDC			
Federal	$1,252,372,000	$1,338,361,800	6.9%
State	1,195,856,900	1,215,955,900	1.7
County	105,622,700	107,819,000	2.1
Subtotals	$2,553,851,600	$2,662,136,700	4.2%
Local Mandates			
Federal	—	—	—
State	$5,597,500	$5,762,000	2.9
County	–5,597,500	–5,762,000	2.9
Subtotals	—	—	—
Refugees			
Federal	$74,932,600	$103,007,300	37.5%
State	—	—	—
County	—	—	—
Subtotals	$74,532,600	$103,007,300	37.5%
Special adjustments	(—)	(46,000,800)	(—)
Totals	$2,628,784,200	$2,765,144,000	5.2%

Table 2
Expenditures for AFDC Grants by Category of Recipient
(in millions)

	Estimated 1980–81				Proposed 1981–82							
					Amount				Percent Change			
Recipient	*Total*	*Federal*	*State*	*County*	*Total*	*Federal*	*State*	*County*	*Total*	*Federal*	*State*	*County*
Family group	$2,121.1	$1,080.6	$928.1	$112.4	$2,212.1	$1,135.6	$960.3	$116.2	4.3%	5.1%	3.5%	3.4%
Unemployed parent	345.4	161.8	163.8	19.8	356.5	191.0	147.6	17.9	3.2	18.0	−9.9	−9.6
Foster care	183.7	43.9	132.9	6.9	192.8	46.9	138.6	7.3	5.0	6.8	4.3	5.8
Aid for adoption of children	3.0	—	3.0	—	3.2	—	3.2	—	6.7	—	6.7	—
Child support incentive payments to counties	—	14.7	13.5	−28.2	—	15.1	12.9	−28.0	—	2.7	−4.4	−0.7
Child support collections from absent parents	−99.5	−48.6	−45.5	−5.4	−102.5	−50.3	−46.6	−5.6	3.0	3.5	2.4	3.7
Totals	$2,553.7	$1,252.4	$1,195.8	$105.5	$2,662.1	$1,338.3	$1,216.0	$107.8	4.2%	6.9%	1.7%	2.2%

Table 3
Proposed General Fund Budget Increases for AFDC Grants
1981–82

	Cost	*Total*
1980–81 Current Year Revised		$1,195,856,900
A. Baseline Adjustments		
1. Basic Caseload		−5,561,900
2. Cost-of-living increase		
a. 1980–81: Reduced costs as a result of providing a 13 percent increase instead of 15.48 percent increase	−$9,905,900	
b. 1981–82: 4.75 percent increase	65,813,000	
Subtotal		$55,907,100
3. Refugees—terminate 100 percent federal funding for time limited refugees		
a. Indochinese	$5,118,300	
b. Cubans	321,000	
Subtotal		$5,439,300
4. Court cases		
a. Northcoast Coalition-vs-Woods	1,859,400	
b. Vaessen-vs-Woods	−1,241,600	
c. Youakim-vs-Miller	6,600	
d. Westcott-vs-Califano	2,060,500	
e. Garcia-vs-Swoap (80 percent supplementation)	8,000	
Subtotal		$2,692,900
5. Regulations		
a. Overpayment/recoupment	−66,800	
b. Stepparent responsibility	−71,600	
c. Foster care eligibility	−957,500	
d. Federal budgeting regulations	1,277,400	
e. Eliminate passing grade requirement	890,200	
Subtotal		$1,071,700
6. Reduced grant costs due to:		
a. Increases in minimum wage	−$2,512,600	
b. Increases in Retirement, Survivors, Disability and Health Insurance	−2,228,800	
c. Extension of unemployment benefits	−1,730,900	
Subtotal		−$6,472,300
7. Special adjustments		
a. Limit eligibility for state AFDC-U program	−28,780,200	
b. Eliminate 80 percent supplementation	−6,423,000	
Subtotal		−$35,203,200
8. Reduced costs due to increased child support collections		−$1,078,300
9. Reduced costs for child support incentive payments		−696,300
B. Total Budget Increase		($20,099,000)
C. Proposed 1981–82 Expenditures		$1,215,955,900

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Expenditures by Category of Recipient

AFDC grant payments are provided to four categories of recipients, as shown in Table 2. Total payments from all funds for the family group component—typically a mother with one or more children—are proposed at $2,212.1 million for 1980–81, an increase of 4.3 percent over the current year. In addition, the 1981–82 budget proposes an expenditure of $356.5 million, from all funds, for cash grants to unemployed parents with dependent children. This is an increase of 3.2 percent over the current year. Finally, the budget proposes an expenditure of $192.8 million in 1981–82 for grants to children receiving foster care in boarding homes and institutions, which is an increase of 5 percent over the current year.

Proposed General Fund Budget Increases

Table 3 shows the changes in General Fund expenditures for the AFDC program proposed in the 1981–82 budget. General Fund expenditures in the budget year will increase by $20,099,000 over estimated current year expenditures. This amount consists of $65,111,000 in increased expenditures and $45,012,000 in offsetting savings.

Most of the proposed increase—85.9 percent, or $55,907,100—is related to cost-of-living increases for AFDC grants.

AFDC Caseload

The budget projects that the AFDC caseload will increase by 12,210 persons, or 0.8 percent, in 1981–82 as shown in Table 4.

Table 4
AFDC Average Monthly Persons Receiving Assistance
1980–81 and 1981–82

Program	*Estimated 1980–81*	*Proposed 1981–82*	*Percent Change*
AFDC-Family Group	$1,214,410	$1,227,310	1.1%
AFDC-Unemployed	252,420	251,770	−0.3
AFDC-Foster Care	26,320	26,280	−0.2
AFDC-Aid for Adoption of Children	1,840	1,840	-
Totals	$1,494,990	$1,507,200	0.8%

SPECIAL ADJUSTMENTS PROPOSED BY THE ADMINISTRATION

Fiscal Impact of Special Adjustments and Cost-of-Living Increases

Table 5 shows the "special adjustments" and cost-of-living reductions from what current law requires proposed by the budget for the AFDC program in 1981–82. The table reflects savings due to both reduced grant and administrative costs. The General Fund reductions total $124,047,800. Of this amount, savings resulting from cost-of-living adjustments that are less than what existing law requires total $87,174,000. In addition, the administration proposes to limit eligibility for the state AFDC-U program which will result in reduced costs of $30,013,900. The budget also proposes to modify the AFDC budgeting system which will reduce costs by $6,859,900.

Table 5
Proposed Budget Reductions
General Fund
1981–82

	Cost	*Total*
1. Special Adjustments		
a. Limit eligibility for the state AFDC-U program		
(1) Assistance payments	−$28,780,200	
(2) Administration	−1,233,700	
Subtotal		−$30,013,900
b. Eliminate 80 percent supplementation of AFDC grants		
(1) Assistance payments	−6,423,000	
(2) Administration	−436,900	
Subtotal		−$6,859,900
2. Cost-of-living increase—Reduce cost-of-living from 11.2 percent to 4.75 percent		−$87,174,000
Totals		−$124,047,800
Grant Payments		(−$122,377,200)
Administrative Costs		(−$1,670,600)

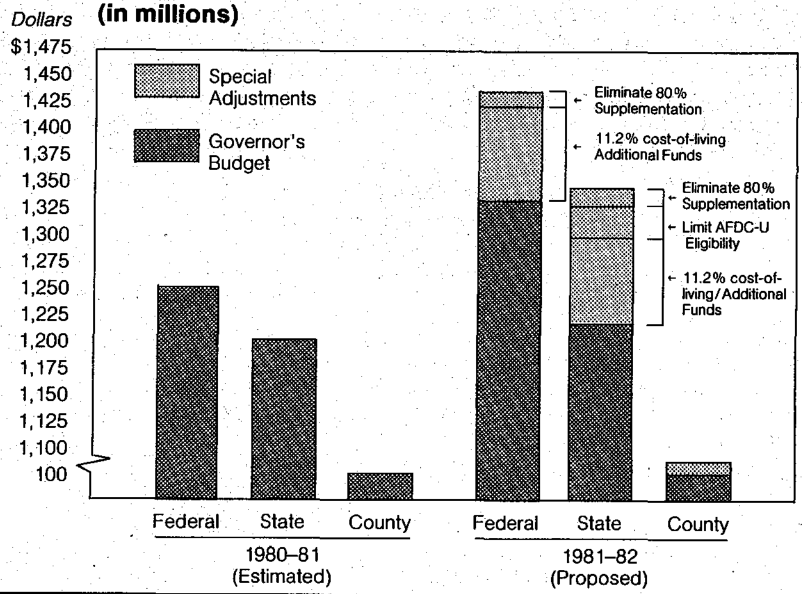
Chart 1 shows the fiscal effect of the proposed reductions on AFDC *grant* expenditures for 1981–82. Under current law, General Fund costs for AFDC grants (including local mandates) would total $1,344.2 million in 1981–82. If the administration's proposed reductions are adopted, General Fund expenditures for AFDC grants (including local mandate costs) in 1981–82 would be $1,221.8 million, a difference of $122.4 million.

Limit Eligibility for the State AFDC-U Program.

The AFDC-unemployed parent program provides cash assistance to needy children and their parents who are unemployed. State participation in the AFDC program is optional. Currently 26 states, including California, participate with the federal government in providing cash grants to children and their parents who are unemployed. In addition, California provides cash assistance to children and their unemployed parents who do not meet the federal eligibility requirements for the AFDC-U program. The state AFDC-U program is funded solely by state and county funds. At the time this Analysis was written, it was our understanding that the administration proposed to limit eligibility for the state-only program to families where neither parent is employed full time. As a result, families with a full time employed parent and an unemployed parent, who did not meet federal requirements, would not be eligible for the state AFDC-U program.

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Chart 1
AFDC Expenditures
1980–81 and 1981–82
(in millions)



Eliminate 80 Percent Supplementation of AFDC Grants.

Current federal regulations allow states to adopt one of three methods for calculating a recipient's monthly grant payment. These options are: (a) prior-month budgeting with supplementation of grant payments, (b) prior-month budgeting with no supplementation, provided the assistance payment is issued within a specified time frame, and (c) concurrent (prospective) budgeting.

Currently, California calculates a recipient's grant payment using prior-month budgeting with supplementation of the grant. Under this method, the recipient's grant in the current month is based on actual income received in a prior month. If, as a result of this calculation, the recipient's combined grant and income is less than 80 percent of the maximum aid payment standard, the recipient is entitled to a supplemental grant. The value of the supplemental grant is that amount which, when combined with the grant and income, equals 80 percent of the maximum grant.

At the time this Analysis was written, it was our understanding that the administration proposes to change its regulations so that the recipient's grant is calculated using prior-month budgeting with no supplementation. Under this proposal, the state is required to provide the assistance payment within 25 days of the prior month used for calculation of the grant.

Currently, counties do not meet the 25 day requirement. Under the current system, income received between the first and last day of month one (budget month) is reported to the county welfare department in month two. This information is used to calculate the grant provided in month three (payment month). As a result, there is a 30-day lag between the *budget month* (month one—used to calculate the grant) and the *payment month* in which the grant is received. The administration proposes to change the budget month from the first through the last day of the month, to the seventh day of one month through the sixth day of the next month. This change would allow the checks provided on the first and fifteenth of the month to fall within the necessary 25-day period.

Cost-of-Living Increase

Current Law and the Administration's Proposal. State law requires that recipients of assistance under the AFDC family group and unemployed parent programs receive an annual cost-of-living increase on their grants effective July 1 of each year. The cost-of-living adjustment required on July 1, 1981 is based on the change in the California Necessities Index from December 1979 to December 1980. It is currently estimated that the required cost-of-living adjustment is 11.2 percent. The budget proposes to suspend, during 1981–82, the automatic cost-of-living increase required by current law and to provide instead a 4.75 percent increase in AFDC grants.

Maximum Payment Levels. Table 6 shows the maximum AFDC grant levels for selected family sizes assuming: (a) a 4.75 percent cost-of-living adjustment, as proposed by the administration and (b) an 11.2 percent increase, as required by current law. If a 4.75 percent increase is provided, the grant for a family of three will increase by $22 to $485. Under current law, the grant would increase by $52 to $515.

Historically, AFDC grant levels for children residing in foster care have been established by county boards of supervisors. On occasion, the counties adjusted the grant amounts without taking changes in the Consumer Price Index into consideration. AB 8 limited state reimbursement for increases in AFDC foster care grants to the same percentage increase applied to grants for the AFDC family group and unemployed parent program. Chapter 511, Statutes of 1980 (AB 2982), suspended this provision by providing for a 15.48 percent increase in foster care grants during the entire 1980–81 fiscal year. Counties may increase the foster care grants by more than 15.48 percent during the current year, but they will have to fund the full cost of the larger grant amount. In 1981–82, under current law, state reimbursement for cost-of-living increases for foster care will be the same as that provided for the family group and unemployed parent grants.

Table 6
Maximum AFDC Grant Levels
1980–81 and 1981–82

		1981–82			
		Governor's Proposal 4.75 Percent		*Current Law 11.2 Percent*	
Family Size	*1980–81 Estimated Jan–Jun '81*	*Amount*	*Change*	*Amount*	*Change*
1	$227	$238	$11	$252	$25
2	374	392	18	416	42
3	463	485	22	515	52
4	550	576	26	612	62
5	628	658	30	698	70

Fiscal Effect of Various Cost-of-Living Increases. Table 7 shows the fiscal effect on the General Fund of providing a 4.75 percent cost-of-living increase and a 11.2 percent adjustment. The administration's proposal to provide a 4.75 percent increase will cost $65,813,000 from the General Fund. An 11.2 percent cost-of-living adjustment would require an additional $87,174,000 from the General Fund.

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Table 7
Cost-of-Living Expenditures for AFDC Grants
Assuming Various Cost-of-Living Increases
General Fund
1981–82

	Current Law (11.2 Percent)	*Administration's Proposal (4.75 Percent)*	*Difference*
General Fund	$152,987,000	$65,813,000	$87,174,000

Previous Increases in AFDC Grants. Each month, recipients of assistance under the AFDC program receive a payment consisting of two components: (1) the basic grant and (2) the cost-of-living adjustment. The basic grant represents the cost of obtaining necessary living needs such as food, clothing, shelter and utilities. State law requires that the basic grant amount be adjusted annually to reflect changes in the cost of living. The purpose of the cost-of-living adjustment is to help the purchasing power of welfare recipient grants keep pace with the rising costs of food, shelter, transportation and other necessities of life.

Prior to July 1973, AFDC grants were not regularly increased to reflect the impact of inflation. For example, between October 1951 and June 1973, the grant for a family of three was increased six times. Table 8 shows the increases in the AFDC grant for a family of three since July 1973. This table shows that:

- Starting in July 1973, cost-of-living adjustments have been provided in each year except 1978–79. Cost-of-living increases were suspended during 1978–79 after the passage of Proposition 13. (The Welfare Reform Act of 1971 (Chapter 578, Statutes of 1971) required, effective July 1, 1973, that AFDC grants be increased annually based on the change in the Consumer Price Index.)
- Effective January 1977, AFDC grants were increased by six percent. This increase was in addition to the annual cost-of-living adjustment required by the Welfare and Institutions Code.
- For the first six months of 1980–81 (June–December 1980), grants were increased 15.48 percent above the grant amounts provided in 1979–80. During the last six months of 1980–81 (January–June 1981), grants were reduced to a level which was 13 percent above the amounts provided in 1979–80.

Table 8
AFDC Grant Increase for a Family of Three
1973–74 to 1981–82

Grant Period Covered	*Amount*	*Change Amount*	*Change Percent*
1973–74	$243	—	—
1974–75	262	$19.00	7.8%
1975–76	293	31.00	11.8
1976–77			
July–December 1976	319	26.00	8.9
January–June 1977	338	19.00	6.0
1977–78	356	18.00	5.3
1978–79	356	—	—
1979–80	410	54.00	15.2
1980–81			
July–December 1980	473	63.00	15.4 [a]
January–June 1981	463	−10.00	−2.1
1981–82 (Proposed)	485	22.00	4.75

[a] Does not equal 15.48 percent due to rounding.

California's AFDC Grants Compared to Other States. Table 9 compares the maximum grant levels for the 10 most populous states for family sizes three, four, and five, as of January 1, 1981.

Table 9
State Comparison [a]
Maximum AFDC Grant Levels
January 1, 1981

States	*Family Size* *Three*	*Four*	*Five*
California	$463	$550	$628
New York	394	476	544
Texas	116	140	164
Pennsylvania	332	395	451
Illinois	302	368	432
Ohio	263	327	381
Michigan	432	508	591
Florida	195	230	265
New Jersey	360	414	468
Massachusetts	379	445	510

[a] In descending order by state population.

Maximum AFDC Levels Compared to Poverty Levels. One of the objectives of the AFDC program is to provide eligible children and their parents with a minimum standard of living. One method of assessing whether this objective has been achieved is to compare the maximum AFDC grant payments with the poverty levels for various family sizes. Although it is difficult to define the true poverty level, the Bureau of the Census publishes annually an estimate of "poverty thresholds." The thresholds, which are intended to reflect the costs for minimum nutrition and other items for various family sizes, are updated annually to reflect changes in the Consumer Price Index (CPI). For a family below the poverty level, the difference between a family's income and the threshold represents the amount of additional money needed to reach the poverty line.

The use of the overall CPI to increase the poverty thresholds can overstate the true poverty level. This is because the index includes the impact of increased costs for items which many grant recipients do not purchase. For example, a major cause of rapid CPI inflation in 1979 (11.3 percent), involved escalating housing costs and rising mortgage interest rates. Although most grant recipients are renters and do not purchase homes, the impact of housing costs is included in the index for increasing the poverty level. On the other hand, to the extent that the original market basket used to define the poverty threshold excludes goods which welfare recipients purchase, this measure could understate the true poverty level.

Keeping in mind these limitations of the poverty definition, Table 10 compares, for illustrative purposes, the maximum AFDC grant levels in California with the poverty thresholds published by the Bureau of the Census for family sizes of three and four. The grant amounts do not include the value of other benefits, such as food stamps and Medi-Cal, which the family also may receive.

The table shows that families which received the maximum AFDC grant levels, had an income which placed them below the poverty levels for 1977, 1978, and 1979. In 1979, the poverty level for a nonfarm family of three was $5,784. During the same period, the maximum grant for an AFDC family of three was $4,596, or 20.5 percent ($1,188) below the poverty level. The poverty level for a family of four in 1979 was $7,412. The maximum AFDC grant for the same family size during 1979 was $5,460, or 26.3 percent ($1,952) below the poverty level.

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Table 10
Poverty Levels and Maximum
AFDC Payment Levels
1977 to 1979

	Family of Three			Family of Four		
		AFDC Grant			AFDC Grant	
Year	*Poverty Level*	*Amount*	*Percent Below Poverty Level*	*Poverty Level*	*Amount*	*Percent Below Poverty Level*
1979	$5,784 [a]	$4,596	20.5%	$7,412 [a]	$5,460	26.3%
1978	5,201	4,272	17.9	6,662	5,076	23.8
1977	4,833	4,164	13.8	6,191	4,950	20.0

[a] Preliminary

Westcott v. Califano

Background. In June 1979, the United States Supreme Court ruled that Section 407 of the Social Security Act was unconstitutional because it discriminated on the basis of sex by providing AFDC benefits to families only when the father was the unemployed parent. Unlike the federal government, California did not discriminate on the basis of sex at the time of the ruling because it provided AFDC benefits to families with either unemployed fathers or mothers. The cost of the benefits provided to families where the mother is the unemployed parent has been paid by the state and counties.

Following the Westcott decision, the Department of Social Services repealed that part of its regulations which specified the eligibility requirements to be met for the AFDC-U program when both parents lived in the home, but the unemployment of only one parent was the basis for eligibility. Specifically, it deleted the requirement that the unemployed parent have been in the labor market for a period of 30 days prior to eligibility.

In the May 1980 revision of expenditures, the department identified the court case but did not provide an estimate of cost due to the lack of caseload data. In concurring with the department's proposed regulations, the Department of Finance indicated that while the regulations might increase the AFDC-unemployed caseload, the impact was expected to be insignificant.

November 1980 Expenditures. The Department of Social Services' revised estimate of expenditures for 1980–81 identifies a total cost of $35,410,100 in 1980–81 related to its *Westcott vs Califano* regulations. Of this amount, the state share is $26,320,300, the county costs are $3,186,900, and the federal costs total $5,902,900. The department estimates that General Fund costs in 1981–82 will be $28,380,800.

Because California has historically provided AFDC benefits to families where either the father or mother was the unemployed parent, we requested that the department explain why it had significantly modified its regulations following the Westcott decision. The department cited the following considerations:

1. *Unwarranted Distinction Between Unemployed Parents.* The department stated that its regulations created a distinction, without basis in federal or state law, between cases in which both parents were unemployed and those in which only one parent was unemployed. Specifically, previous regulations required that in a family where only one parent was unemployed, that parent had to have been "in the labor market for full time employment" at least 30 days prior to receiving aid. No such requirement was placed on a family where both parents were unem-

ployed. The Legislative Counsel has provided our office with an opinion which supports the department's conclusion on this point. However, it is not clear that the Westcott decision specifically required this change in state regulations.

2. ***Labor Force Connection.*** The department's regulations required the unemployed AFDC parent to "have been in the labor market for full time employment at least the 30-day period immediately prior to the beginning date of aid." The department stated that the 30-day requirement was not in conformity with state statute because the Welfare and Institutions Code makes no reference to a 30-day labor market connection. The Legislative Counsel concluded that "the labor market requirement would not, however, appear to violate the state statutory definition of employment, since that statute does require that a person be seeking employment." Legislative Counsel points out that "applying the rule of statutory interpretation that statutes must be given a reasonable construction (Great Western Distiller Products, Inc., v. J. A. Wather & Co., 10 Cal 2d 442, 446), the labor market requirement can be viewed as a reasonable means of determining whether the person has been seeking employment."

3. ***County Application of Labor Force Connection.*** The department stated that it had received indications that the 30-day labor force connection, while gender neutral, was applied by the counties in a way that discriminated against women. The regulations required that the unemployed parent have been in the labor market for full time employment for at least 30 days prior to the beginning date of aid. Although this meant that the unemployed parent need only have been looking for a job, the department asserted that some counties interpreted this to require the parent to have been employed full time prior to the beginning of aid.

We are unable to determine how the counties applied the labor force connection. However, if the department determined that counties were incorrectly applying the regulations, the department could have provided instructions clarifying the intent and application of the rules, rather than repealing the requirement.

Based on the information provided by the department and the opinion of the Legislative Counsel, it appears that parts of the regulations concerning eligibility of unemployed parents for AFDC benefits were inconsistent with state law, and other parts (30-day work requirement) were consistent. Nevertheless, it is not clear to us that the Westcott decision required the department to modify its regulations. The administration's proposal in the budget to limit eligibility for the state AFDC-U program, however, appears to be addressing the fiscal impact of the Westcott regulations.

Funds for Preliminary Court Injunctions

Department of Finance request. Section 32.5 of the 1980 Budget Act authorizes the Director of Finance to increase expenditures in the AFDC program for purposes which were not anticipated in the budget. The section requires the director to notify the Legislature, through the Joint Legislative Budget Committee, of increased costs in excess of $500,000 when such increases are not the result of enactment of a federal or state law. During 1980, the Director of Finance notified the Legislature on three occasions of increased costs in the AFDC program due to pending court cases. In May and June 1980, the director requested a waiver of the 30-day waiting period in order to allow the Department of Social Services to issue instructions directing counties to comply with *preliminary court injunctions* in the cases of *Vaessen* v. *Woods* and *North Coast Coalition* v. *Woods.* In addition, the director proposed in October 1980 to allow the department to issue emergency regulations to comply with a *preliminary court injunction* in the case of *Angus* v. *Woods.*

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Legislative Response. The Joint Legislative Budget Committee denied the request for a waiver of the 30-day waiting period in the Vaessen and North Coast Coalition cases because the department was appealing the court's decision. Because final decisions had not been issued in the cases, there was no basis for determining what, if any, changes the state would be required to make in its program. In addition, compliance with the preliminary injunctions would have resulted in significant General Fund costs (in 1980–81 approximately $2.8 million in the Vaessen case and $2.6 million in the North Coast Coalition case) which the department would not be able to recoup if it ultimately prevailed in court. In conclusion, the committee denied the request for a waiver of the 30-day waiting period and urged that the Directors of the Departments of Finance and Social Services use all legal means to maintain the status quo, pending a final decision invalidating the existing regulations.

Funds made available for court decisions. On October 28, 1980, the Director of Finance notified the Joint Legislative Budget Committee that she had exhausted all reasonable legal means available to the state to resolve the cases. Accordingly, she stated that she had approved the issuance of all-county letters in the Vaessen and North Coast Coalition cases and emergency regulations in the Angus case. The director noted that the North Coast Coalition case had been decided on its merits by the First District Court of Appeal on October 1, 1980. In addition, she pointed out that the federal government had concluded that state regulations which were at issue in the Angus case were out of compliance with federal requirements.

The director concluded that by approving funds for the North Coast Coalition and Angus cases, she had no choice but to approve funding for the Vaessen case even though the department was continuing to appeal the decision. The director stated that under the language in Section 32.5 of the 1980 Budget Act, she did not have the discretion to pick and choose the cases for which funds were made available.

Proposed control language. In order to restrict the availability of funds for court orders, the 1981 Budget Bill contains control language which provides that no funds are appropriated or available for court orders until a final court decision on the merits is issued. The intent of this language is to prohibit the administration from modifying its regulations in order to comply with court orders until a final decision invalidating the regulations is issued. Our analysis indicates that the proposed language responds to the issues previously identified by the Joint Legislative Budget Committee. We recommend approval.

Performance Standards for Administering the AFDC Program

We recommend a General Fund reduction of $4,393,213 from Item 518-101-001 (a), AFDC cash grants, because funds are overbudgeted given the application of fiscal sanctions.

This issue is discussed on page 1011 of the Analysis under Item 518-101-001 (d), County Administration of Welfare Program.

Department of Social Services

STATE SUPPLEMENTARY PAYMENT PROGRAM FOR THE AGED, BLIND AND DISABLED

Item 518-101 (b) from the General Fund — Budget p. HW 166

Requested 1981–82	$1,051,005,000
Estimated 1980–81	1,251,981,900
Actual 1979–80	1,087,536,118
Requested decrease $200,976,900 (−16.1 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Optional Supplementation of Federal SSI Benefits. Recommend enactment of legislation which requires legislative approval of program changes in those cases where state supplementation of federal SSI benefits is optional. 1002

GENERAL PROGRAM STATEMENT

The supplemental Security Income/State Supplementary Payment (SSI/SSP) program is a federally-administered program under which eligible aged, blind and disabled persons receive financial assistance. It began on January 1, 1974 when the federal Social Security Administration assumed responsibility for administration of the cash grant program which provides assistance to California's eligible aged, blind and disabled. Prior to that, California's 58 county welfare departments administered a joint federal-state-county program which provided cash assistance to these recipients. The federal and state governments share the grant costs of the SSI/SSP program. The federal government pays the cost of the SSI grant and the state pays the cost of the SSP program.

ANALYSIS AND RECOMMENDATIONS

Current Year Deficiency

The budget estimates that there will be a deficiency of $11,267,168 in the SSI/SSP program for 1980–81, primarily due to increased caseload. The 1980 Budget Act assumed a total SSI/SSP caseload of 704,742 persons. The department's most recent estimate projects a caseload of 707,528, or 2,786 more recipients than anticipated for 1980–81. All of the caseload increase is in the disabled category.

Budget Year Proposal

The budget proposes an appropriation of $1,051,005,000 from the General Fund for the state share of the SSI/SSP program in 1981–82. This is a decrease of $200,976,900, or 16.1 percent, below estimated current year expenditures. Federal expenditures of $886,985,400 are proposed for 1981–82, an increase of $100,946,900, or 12.8 percent, over estimated current year expenditures.

Total expenditures of $1,937,990,400 are proposed for the SSI/SSP program for 1981–82, as shown in Table 1. This is a decrease of $100,030,000, or 4.9 percent, below estimated current year expenditures.

35—81685

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

Table 1
Total Expenditures for the SSI/SSP Program
1980–81 and 1981–82

	Estimated 1980–81	*Proposed 1981–82*	*Change Amount*	*Change Percent*
Federal	$786,038,500	$886,985,400	$100,946,900	12.8%
State	1,251,981,900	1,051,005,000	−200,976,900	−16.1
County	–	–	–	–
Totals	$2,038,020,400	$1,937,990,400	−$100,030,000	−4.9%

Federal Revenue Sharing Funds

Budget Bill language in Item 954 specifies that $180.3 million, plus any interest earnings, shall be appropriated from the Federal Revenue Sharing Fund to the General Fund to finance part of the state's cost of the SSP program. Language in Item 518 (the SSP appropriation) specifies that the revenue sharing funds will be expended prior to the expenditure of the remaining General Fund amount appropriated in the item.

Expenditures by Category of Recipients

Grant payments in the SSI/SSP program are made to three general categories of recipients, as shown in Table 2. Total grant expenditures to aged recipients are proposed at $657,183,900, a decrease of 9.2 percent below estimated current year expenditures. In addition, the budget proposes $1,221,139,200, from all funds, for cash grants for disabled recipients. This is a decrease of $30,737,900, or 2.5 percent, below the estimated current year expenditures. The budget also proposes to spend $59,667,300 for cash grants for blind recipients, a decrease of 4.2 percent below estimated current year expenditures.

Proposed General Fund Budget Decreases

Table 3 shows the proposed changes in General Fund expenditures for the SSP programs. General Fund expenditures are proposed to decrease by $200,976,900 in 1981–82. This consists of $14,954,200 in increased costs and $215,931,100 in reduced expenditures. The major cost increase is $11,849,300, due to anticipated caseload growth. The budget also contains General Fund costs of $2,551,900 for Indochinese refugees who, because they have been in the United States more than three years, are not eligible for 100 percent federal funding. The $2,551,900 represents the state's share of costs for these individuals, which will be matched by federal funds. In addition, the budget contains $200,000 to provide cost-of-living increases to a category of recipients known as "mandatory supplementation cases."

Three factors account for the decrease of $215,931,000 in General Fund expenditures for the SSI/SSP program. First, recipient unearned income (for example, Retirement, Survivors, Disability and Health Insurance) is estimated to increase by 12.3 percent on July 1, 1981. This will result in increased unearned income of $136.3 million which will reduce total SSP grant costs. Second there is a savings of $64.1 million as a result of annualizing a 13 percent cost-of-living adjustment, rather than a 15.48 percent increase in 1981–82. Third, due to the method of calculating the SSI/SSP cost-of-living increase, federal funds, rather than General Fund support, will be used to provide the proposed 4.75 percent cost-of-living adjustment. (This issue is discussed elsewhere in the Analysis.)

Table 2

Expenditures for SSI/SSP Grants by Category of Recipient
1980–81 and 1981–82

	Estimated 1980–81			Proposed 1981–82			Percent Change From 1980–81		
Recipient	*Total*	*Federal*	*State*	*Total*	*Federal*	*State*	*Total*	*Federal*	*State*
Aged	$723,870,600	$207,478,800	$516,391,800	$657,183,900	$231,737,100	$425,446,800	−9.2%	11.7%	−17.6%
Blind	62,272,700	21,783,600	40,489,100	59,667,300	24,668,800	34,998,500	−4.2	13.2	−13.6
Disabled	1,251,877,100	556,776,100	695,101,000	1,221,139,200	630,579,500	590,559,700	−2.5	13.3	−15.0
Totals	$2,038,020,400	$786,038,500	$1,251,981,900	$1,937,990,400	$886,985,400	$1,051,005,000	−4.9%	12.8%	−16.1%

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

Table 3
Proposed General Fund Budget Changes
1981–82

	Amount	*Total*
1980–81 Current Year Revised		$1,251,981,900
A. Baseline Adjustments		
1. Basic caseload increase		11,849,300
2. Cost-of-living increase		
a. 1980–81: Reduced costs as a result of providing a 13 percent increase instead of 15.48 percent adjustment	−$64,149,800	
b. 1981–82: Reduced costs because federal cost-of-living funds are used to offset state grant costs	−12,708,100	
Subtotal		−$76,857,900
3. Reduced grant costs due to increased recipient unearned income		
a. 1980–81 increase adjusted for caseload	−$2,741,500	
b. 1981–82 increase	−136,331,700	
Subtotal		−$139,073,200
4. Federal legislation		
a. Substantial gainful employment (PL 96-265)	$353,000	
b. Indochinese refugees—PL 96-212	2,551,900	
Subtotal		$2,904,900
5. Mandatory supplementation cases		200,000
Total Budget Decrease		(−$200,976,900)
Proposed General Fund Expenditures		$1,051,005,000

Caseload

The budget projects that the caseload for the SSI/SSP program will increase by 8,855 persons, or 1.3 percent, as shown in Table 4. These projections are subject to change during the May revision of expenditures.

Table 4
SSI/SSP Average Monthly Persons Receiving Assistance
1980–81 and 1981–82

Program	*Estimated 1980–81*	*Proposed 1981–82*	*Change Persons*	*Change Percent*
Aged	315,060	317,500	2,440	0.8%
Blind	17,603	17,850	247	1.4
Disabled	374,865	381,033	6,168	1.6
Totals	707,528	716,383	8,855	1.3%

Cost-of-Living Increase

Current Law. Current law requires cash grants for SSI/SSP recipients to be increased annually to compensate for increases in the cost-of-living. The cost-of-living adjustment required on July 1, 1981 is based on the change in the California Necessities Index between December 1979 and December 1980. It is currently estimated that the cost-of-living adjustment required under existing law is 11.2 percent.

Administration's Proposal. The administration proposes to suspend, during 1981–82, the automatic cost-of-living adjustment required by current law and to provide instead a 4.75 percent increase on the SSI/SSP grant. Under the budget proposal, federal funds made available for a cost-of-living increase on the SSI grant would be used to finance the 4.75 percent cost-of-living adjustment on the total SSI/SSP grant.

The federal government will provide $154.4 million for a 12.3 percent cost-of-living increase on the SSI grant in 1981–82. The administration is proposing to use $141.9 million of the federal funds to provide a 4.75 percent cost-of-living adjustment to the total combined SSI/SSP grant. The remaining $12.5 million in federal funds will be used to reduce the state's SSP grant costs. Under current law, the state can use the federal funds to offset General Fund costs so long as the SSP grant levels do not drop below the December 1976 payment standards.

Table 5 illustrates how the federal funds will be used to (a) finance the 4.75 percent cost-of-living increase and (b) reduce the state's SSP grant costs. Under the administration's proposal, the *total* SSI/SSP grant for an aged individual will increase by $19, or 4.75 percent, to $421 in 1981–82. Because the federal government will provide a cost-of-living increase on the SSI grant of 12.3 percent, or $29.30, the state's share of costs on the SSP grant will decrease by $10.30.

Table 5
SSI/SSP Maximum Grant
Aged Individual

	1980–81 Jan–June 1981	*1981–82*	*Change Amount*	*Change Percent*
Total Grant	$402.00	$421.00	$19.00	4.73% [a]
SSI	238.00	267.30	29.30	12.3
SSP	164.00	153.70	−10.30	−6.3

[a] Does not equal 4.75 percent because the amount of money for the increase is rounded to the nearest dollar.

Maximum Payment Levels. Table 6 compares the maximum SSI/SSP grant payments, for selected categories of recipients, assuming: (a) a 4.75 percent cost-of-living adjustment as proposed by the administration and (b) an 11.2 percent increase required by current law. Under existing law, the maximum grant for an aged individual would increase by $45, to $447 in 1981–82. Under the administration's proposal, the grant for an aged individual will increase by $19, to $421 in the budget year.

Table 6
Maximum SSI/SSP Grant Levels
1980–81 and 1981–82

		1981–82			
		Governor's Proposal 4.75 Percent		*Current Law 11.2 Percent*	
Category of Recipient	*1980–81 Estimated Jan–June '81*	*Amount*	*Change*	*Amount*	*Change*
Aged/Disabled Individual					
Total grant	$402.00	$421.00	$19.00	$447.00	$45.00
SSI	238.00	267.30	29.30	267.30	29.30
SSP	164.00	153.70	−10.30	179.70	15.70
Aged/Disabled Couple					
Total grant	746.00	781.00	35.00	830.00	84.00
SSI	357.00	401.00	44.00	401.00	44.00
SSP	389.00	380.00	−9.00	429.00	40.00
Blind Individual					
Total grant	451.00	472.00	21.00	502.00	51.00
SSI	238.00	267.30	29.30	267.30	29.30
SSP	213.00	204.70	−8.30	234.70	21.70
Blind Couple					
Total grant	877.00	919.00	42.00	975.00	98.00
SSI	357.00	401.00	44.00	401.00	44.00
SSP	520.00	518.00	−2.00	574.00	54.00

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

Fiscal Effect of Various Cost-of-Living Increases. If the statutory cost-of-living adjustment of 11.2 percent is provided to SSI/SSP recipients instead of the proposed 4.75 percent increase, the additional General Fund cost would be $207.1 million as shown in Chart 1. This would increase General Fund costs for this program to $1,258.1 million in the budget year, or $6.1 million more than estimated current year expenditures.

Chart 1
SSI/SSP Expenditures 1980–81 and 1981–82 (in millions)

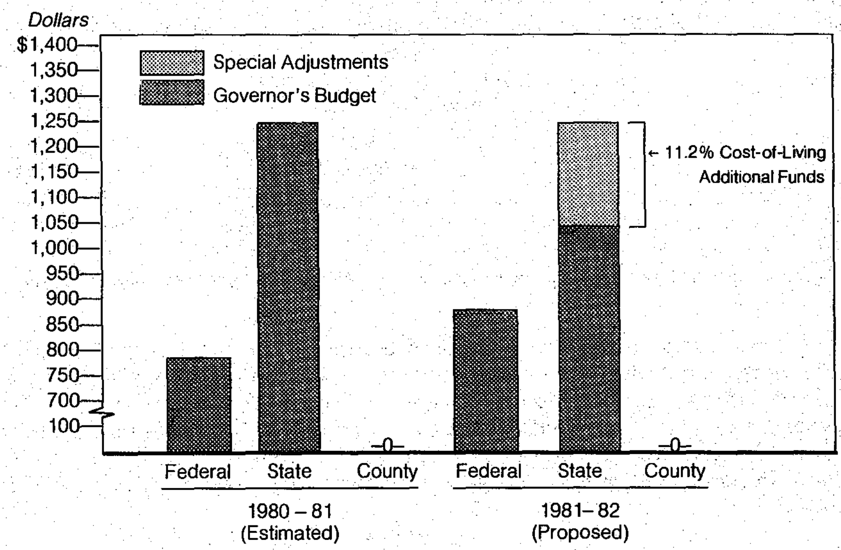


Table 7 compares the fiscal effect of providing a 4.75 percent, rather than an 11.2 percent, cost-of-living adjustment. The administration's proposal to provide a 4.75 percent cost of living will cost $141.9 million. Federal funds will be used to fund the entire amount. An 11.2 percent cost-of-living adjustment would require expenditures totaling $349.0 million. The cost to the state for providing an 11.2 percent adjustment, instead of a 4.75 percent increase, would be $207.1 million in 1981–82.

Table 7
Cost of Living Expenditures for SSI/SSP Grants Assuming Various Cost-of-Living Increases
1981–82

	Current Law (11.2 Percent)	*Administration's Proposal (4.75 Percent)*	*Difference*
General Fund	$194,591,900	−$12,508,100	$207,100,000
Federal funds	154,418,100	154,418,100	—
Totals	$349,010,000	$141,910,000	$207,100,000

Consequences of Modifying the Cost-of-Living Adjustment for SSI/SSP Recipients. Failure to provide the full cost-of-living adjustment required by current statute would have the following consequences.

a. ***Loss of Food Stamp "Cash—Out" Status.*** If California does not provide the full cost-of-living increase, it could be required to provide food stamps to eligible SSI/SSP recipients. Under current federal law, California is allowed to provide cash in lieu of food stamps to eligible SSI/SSP recipients so long as the state: (1) passes on the federal cost-of-living increase for the SSI grant and (2) provides a cost-of-living increase for the SSP grant pursuant to current state law. This provision of federal law allows the state to avoid the administrative costs which would occur if county welfare departments were required to distribute food stamps to SSI/SSP recipients.

It is uncertain whether the federal government would require the state to provide food stamps to eligible SSI/SSP recipients if the full cost-of-living was not provided in 1981–82. For example, although the state changed its cost-of-living formula for 1980–81, the federal government did not require it to provide food stamps to SSI/SSP recipients.

The issue in 1981–82 may be different, however. While the state changed its method for calculating cost-of-living increases in 1980–81, it provided the maximum increase required by the new formula. In 1981–82, the administration is proposing to provide an adjustment which is less than that required by the current cost-of-living formula.

If the state loses its "cash-out" status, the state and counties would incur administrative costs of approximately $40 million to provide food stamps to eligible SSI/SSP recipients. Under current sharing ratios, the state and counties each would pay $20 million. The federal government would contribute $40 million.

b. ***Failure to Meet the Federal Government's Maintenance of Effort Requirement (PL 94-585).*** In order to receive federal Title XIX Medicaid funds (Medi-Cal), the state is required to either (1) maintain its gross expenditures for the SSP program at the current year levels or (2) maintain the state payment levels provided in December 1976. The state has been complying with this law by meeting the gross expenditure test. If a 4.75 percent cost-of-living increase is provided, the state's expenditures for the SSP program would be insufficient to meet the gross expenditure test. If the state fails to meet the gross expenditure test, it could still avoid the loss of Medicaid funds by insuring that SSP grants for all categories of recipients did not drop below the grant levels paid in December 1976. In order to meet this requirement, the state would be required to provide the cumulative amount of all SSI cost-of-living increases since December 1976 to mandatory supplementation cases. The Governor's Budget contains $200,000 to provide the cost-of-living increases to the mandatory supplementation cases during 1981–82.

Historical Cost-of-Living Increases for SSI/SSP Recipients. Each month, SSI/SSP recipients receive a single monthly check from the federal government. The amount of the check covers the federal grant payment for SSI and the state grant payment for SSP. Both the SSI and SSP grants consist of a basic grant amount and a statutorily set cost-of-living factor. The basic grant represents the cost of obtaining necessary living needs, such as food, clothing, shelter and utilities. The purpose of the cost-of-living adjustment is to help the purchasing power of grants to SSI/SSP recipients keep pace with the rising costs of food, shelter, transportation and other necessities of life.

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

Table 8 shows the increase in SSI/SSP grants for an aged or disabled individual from the beginning of the program in January 1974 through 1981–82. During this seven-year period, the SSI/SSP grant increased annually at a rate of 8.0 percent.

Table 8
SSI/SSP Grant Increases for an Aged Individual
January 1974 to 1981–82

	SSI/SSP Grant	*Percent Increase*
January–June 1974	$235.00	–
1974–75	235.00	–
1975–76	259.00	10.2%
1976–77	276.00	6.6
1977–78	296.00	7.2
1978–79	307.60	3.9[a]
1979–80	356.00	15.7
1980–81		
July–December 1980	420.00	18.0
January–June 1981	402.00	12.9
1981–82[b]	$421.00	4.7%

[a] Reflects the effect of the SSI cost-of-living increase for 1978–79. The SSP cost-of-living increase was suspended except for July and August 1978 when the total grant payment for an aged individual was $322.
[b] Proposed by the administration.

California's SSI/SSP Grants Compared to Other States. The federal government allows states, at their option, to supplement the federal SSI benefits. California supplements the SSI benefits through the State Supplementary Payment (SSP) program. Table 9 shows the SSI/SSP benefits for an aged individual for the 10 most populous states as of January 1, 1981. Of the 10 states, six supplemented the basic grant, with California providing the largest supplementation of $164, followed by New York with a monthly supplement of $63. California's supplementation was 160 percent more than that provided by New York.

Table 9
State Comparison[a]
Maximum Monthly SSI/SSP Grant Levels
For An Aged Individual, Ten Largest States
January 1, 1981

State	*Total Grant*	*Federal SSI*	*State SSP*
California	$402	$238	$164
New York[b]	301	238	63
Texas	238	238	0
Pennsylvania	270	238	32
Illinois[b]	238	238	0
Ohio	238	238	0
Michigan[b]	262	238	24
Florida	238	238	0
New Jersey	261	238	23
Massachusetts	357	238	19

[a] In descending order by state population.
[b] Grant levels vary by region within the state.

Table 10 shows the maximum SSI/SSP grant levels for aged couples as of January 1, 1981. Of the 10 most populous states, California's grant level was the highest at $746 per month. Six of the 10 states supplemented the federal grant. Four of the six states provided supplemental payments of less than $100. California provided the largest supplemental grant of $389, followed by Massachusetts with a supplement of $215 per month. California's supplement is $174, or 81 percent, more than that provided by Massachusetts.

Table 10
State Comparison
Maximum Monthly SSI/SSP Grant Levels
For An Aged Couple, Ten Largest States
January 1, 1981

State	*Total Grant*	*Federal SSI*	*State SSP*
California	$746	$357	$389
New York	436	357	79
Texas	357	357	0
Pennsylvania	406	357	49
Illinois	357	357	0
Ohio	357	357	0
Michigan	393	357	36
Florida	357	357	0
New Jersey	369	357	12
Massachusetts	572	357	215

Maximum SSI/SSP Levels Compared to Poverty Levels. One of the objectives of the SSI/SSP program is to provide aged, blind and disabled recipients with a minimum standard of living. One way of assessing whether this objective has been achieved is to compare the maximum SSI/SSP grant amounts with the poverty levels for various family sizes. Although it is difficult to define the true poverty level, the Bureau of the Census publishes annually an estimate of "poverty thresholds." The thresholds, which are intended to reflect the costs for minimum nutrition and other items for various family sizes, are updated annually to reflect changes in the Consumer Price Index (CPI). For a family below the poverty level, the difference between a family's income and the threshold represents the amount of additional money needed to reach the poverty level.

The use of the overall CPI to increase the poverty thresholds can overstate the true poverty level. This is because the index includes the impact of increased costs for items which many grant recipients do not purchase. For example, a major cause of rapid CPI inflation in 1979 (11.3 percent) involved escalating housing costs and rising mortgage interest rates. Although most grant recipients are renters and do not purchase homes, the impact of rising housing costs is included in the index for increasing the poverty level. On the other hand, to the extent that the original market basket used to define the poverty threshold excludes goods which welfare recipients purchase, this measure could understate the true poverty level.

Keeping in mind these limitations of the poverty definition, Table 11 compares the SSI/SSP grant levels in California with the poverty levels for an aged individual and a two-person family (head of household over age 65). The grant amounts do not include the value of other benefits, such as Medi-Cal, which the family may receive. The table shows that recipients who received the maximum SSI/SSP grant had an income which placed them above the poverty levels for 1977, 1978 and 1979. For example, in 1979 the poverty level for an individual 65 years of age or older was $3,479. During the same period, the maximum annual SSI/SSP grant was $3,982, or 14.5 percent ($503), above the poverty level. The poverty level for a

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

two-person household (with the head of household over age 65) was $4,390. At the same time, the maximum SSI/SSP grant was $7,406, or 68.7 percent ($3,016), above the poverty threshold.

Table 11
Poverty Levels and Maximum SSI/SSP Grant Levels
1977 to 1979

	Aged Individual			*Aged Couple*		
		SSI/SSP Grant Level			*SSI/SSP Grant Level*	
	Poverty Level	*Amount*	*Percent Above Poverty Level*	*Poverty Level*	*Amount*	*Percent Above Poverty Level*
1979	$3,479 [a]	$3,982	14.5%	$4,390 [a]	$7,406	68.7%
1978	3,127	3,650	16.7	3,944	6,844	73.5
1977	2,906	3,432	18.1	3,666	6,474	76.6

[a] Preliminary.

Eligibility for State Supplementary Payment Program

We recommend enactment of legislation which requires legislative approval of program changes in those cases where state supplementation of federal SSI benefits is optional.

General eligibility criteria for the state supplementary payment (SSP) program are contained in the Welfare and Institutions Code. Section 12150 of the Welfare and Institutions Code provides that individuals who are eligible for the federal Supplemental Security Income (SSI) program are also entitled to receive SSP benefits. Historically, there have been few changes to the federal SSI eligibility requirements which have had significant fiscal impact on the state's supplementation program. However, enactment of recent federal legislation (PL 96-265) suggests that by conditioning eligibility for state supplementation on federal eligibility, the Legislature has delegated substantial authority over adoption of optional SSP changes to the administration.

PL 96-265 Substantial Gainful Activity. Prior to enactment of PL 96-265, a disabled individual who was employed and earning more than $300 a month was considered to be engaged in substantial gainful activity (SGA), and therefore not eligible for SSI benefits. As a result of the enactment of PL 96-265, an individual who loses his eligibility for regular SSI benefits because of performance of substantial gainful activity becomes eligible for a special benefit status which entitles him to cash benefits equivalent to those he would be entitled to receive under the regular SSI program. In addition, a person who receives the special benefits is eligible for Medicaid and social services on the same basis as a regular SSI recipient.

PL 96-265 provides that state supplementation of the federal benefits for SGA cases is *optional*. The Department of Social Services has notified the Social Security Administration, which administers the SSI/SSP program, that California will supplement the federal grant for SGA cases starting in 1980–81.

It is the department's position that the state is required to supplement the Federal benefits provided to SGA cases. This is because Section 12150 of the Welfare and Institutions Code provides that an individual who receives SSI benefits is eligible for the state supplementary payment program. The department estimates the cost of the supplementation at $300,900 in 1980–81 and $670,000 in 1981–82. Of the $670,000, the state will pay $640,800 and the federal government will pay $29,200.

We have no programmatic basis for recommending against the administration's decision to supplement federal SSI grants to individuals who demonstrate substantial gainful activity. To the extent that PL 96-265 encourages disabled recipients to work, it would have a beneficial effect.

It appears that the administration's decision to supplement the federal SSI benefits provided to SGA individuals is consistent with state law concerning eligibility for the SSP program. (We have requested an opinion from Legislative Counsel as to whether receipt of SSI benefits triggers eligibility for SSP benefits.)

Our analysis indicates, however, that this program change raises a larger issue of legislative control. Specifically, it appears that state statute does not provide for legislative review and control over *optional* changes in the SSP program. In order to provide an opportunity for such review, we recommend legislation be enacted which requires legislative approval of program changes in those cases where state supplementation of federal SSI benefits is optional.

Department of Social Services
SPECIAL ADULT PROGRAMS

Item 518-101(c) from the General Fund — Budget p. HW 167

Requested 1981–82	$3,728,800
Estimated 1980–81	5,719,016[a]
Actual 1979–80	5,236,700
Requested decrease $1,990,216 (−34.8 percent)	
Total recommended reduction	None

a. Includes $123,000 from Emergency Revolving Fund.

GENERAL PROGRAM STATEMENT

This item contains the General Fund appropriation to provide grants for the emergency and special needs of SSI/SSP recipients. The special allowance programs for SSI/SSP recipients are paid entirely from the General Fund, and are administered by county welfare departments. In addition, this item contains the cash grant costs for three special groups of recipients: (a) refugees (Indochinese, Cubans and others) who do not meet the eligibility criteria for other cash assistance programs, (b) Cuban refugees on general relief, and (c) repatriated Americans.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Current Year Deficiency

The budget estimates a 1980–81 deficiency of $357,600 for special adult programs. The deficiency is attributable to an increase in the number of uncollected emergency loans provided to SSI/SSP recipients.

Budget Year Proposal

The budget proposes an appropriation of $3,728,800 from the General Fund for special adult programs administered by the Department of Social Services in 1981–82. This is a decrease of $1,990,216, or 34.8 percent, below estimated current year expenditures.

Table 1
Special Adult Programs
1980–81 and 1981–82

Program	Estimated 1980-81				Proposed 1981-82				Percent Change			
	County	State	Federal	Total	County	State	Federal	Total	County	State	Federal	Total
Special circumstances	-	$1,981,200	-	$1,981,200	-	$2,052,700	-	$2,052,700	-	3.6%	-	3.6%
Special benefits	-	113,500	-	113,500	-	114,300	-	114,300	-	0.7	-	0.7
Aid to the potentially self-supporting blind	-	1,424,400	-	1,424,400	-	1,561,800	-	1,561,800	-	9.6	-	9.6
Emergency loan program	-	1,409,800[a]	-	1,409,800	-	-	-	-	-	−100.0	-	−100
Repatriated Americans	-	-	$53,000	53,000	-	-	$53,000	53,000	-	-	-	-
Indochinese refugees cash assistance	-	-	70,480,800	70,480,800	-	-	94,893,200	94,893,200	-	-	34.6%	34.6
Cuban refugees cash assistance	-	-	781,300	781,300	-	-	1,658,800	1,658,800	-	-	112.3	112.3
Other refugees cash assistance	-	-	3,670,500	3,670,500	-	-	6,455,300	6,455,300	-	-	75.9	75.9
Cuban refugees general relief	$1,161,500	-	355,900	1,517,400	$1,167,300	-	232,900	1,400,200	0.5%	-	−34.6	−7.7
Low income energy assistance administration	-	790,116	-	790,116	-	-	-	-	−1	−100	-	−100
Totals	$1,161,500	$5,719,016[a]	$75,341,500	$82,222,016	$1,167,300	$3,728,800	$103,293,200	$108,189,300	0.5%	−34.8%	37.1%	31.6%

[a] Includes $123,000 from the Emergency Revolving Fund.

Total expenditures for this item are proposed at $108,189,300, an increase of $25,967,284, or 31.6 percent, over estimated current year expenditures. The federal government will pay $103,293,200, or 95.5 percent, of this amount. Total federal expenditures in this program, except $285,900, are for cash grants to refugees who normally would not be eligible for assistance under the AFDC program. Due to a federal law, however, these refugees will receive a grant equal to the AFDC payment standard. This cash assistance is time-limited to three years from the date that the refugee enters the country. At the end of the three-year period, the refugee will either receive county-funded general relief or no assistance. Table 1 shows the proposed expenditures for special adult programs in 1981–82.

Special Circumstances

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 also are made for moving expenses, housing repairs and emergency rent.

The budget proposes $2,052,700 for grants under the special circumstances program for 1981–82. This is an increase of $71,500, or 3.6 percent, over estimated current year expenditures.

Special Benefits

This program contains funds for (a) SSP recipients who have guide dogs and (b) recipients who receive assistance as a result of the *Harrington -vs- Obledo* court case. The guide dog program provides a special monthly allowance to cover the cost of dog food. The budget proposes General Fund expenditures of $108,900 for these allowances in 1981–82.

The *Harrington -vs- Obledo* court case concerns two welfare recipients who received aid under California's adult welfare program, but who were not eligible to receive aid under the SSI/SSP program when it replaced the categorical aid programs on January 1, 1974. The California Court of Appeals ruled that the two plaintiffs were entitled to assistance at state expense. State expenditures for this assistance are proposed at $5,400 in the budget year.

Aid to the Potentially Self-Supporting Blind

The Aid to the 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 program encourages these individuals to become economically self-supporting. The budget proposes $1,561,800 for 1981–82, which is an increase of $137,400, or 9.6 percent, over estimated current year expenditures. The increase is due to: (a) a proposed 4.75 percent cost-of-living adjustment and (b) an increase in caseload.

Emergency Loan Program

Chapter 1216, Statutes of 1973, mandates that counties provide emergency loans to aged, blind and disabled recipients whose regular monthly checks from the federal Social Security Administration have been lost, stolen or delayed. The budget assumes enactment of legislation which would eliminate this program effective July 1, 1981.

There are two types of costs related to this program: (1) uncollected loans and (2) administrative costs. Counties are required to initiate collection efforts before determining that a loan is uncollectable. If the county is unable to collect the loan

SPECIAL ADULT PROGRAMS—Continued

from the SSI/SSP recipient, the county may submit a claim for state reimbursement. The department estimates that the counties will be unable to collect repayments in 491 cases in the current year. As a result, state costs to reimburse counties for uncollected loans in 1980–81 are estimated at $1.4 million. County administrative costs, which are funded 100 percent by the state, are estimated at $0.5 million in 1980–81.

Temporary Assistance for Repatriated Americans

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 a period of up to 12 months. County welfare departments administer the program based on federal and state guidelines. The program is 100 percent federally funded. Expenditures for the budget year are proposed at $53,000, the same amount estimated to be expended in the current year.

Refugees—Cash Assistance

In March 1980, President Carter signed the Comprehensive Refugee Act of 1980 (PL 96-212), which extended 100 percent federal funding for refugee assistance through March 30, 1981. Effective April 1, 1981, 100 percent federal funding of cash assistance is limited to three years from the date the refugee entered the country.

Federal funds for cash grants to refugees who do not meet the eligibility requirements for the AFDC program, but who, due to federal law, are receiving a grant equal to the AFDC payment standard are contained in Item 518-101-866(d), Refugee Programs. The budget proposes expenditures of $103,007,300 from federal funds for these costs. This is an increase of $28,074,700, or 37.5 percent, over estimated current year expenditures. The significant increase in expenditures is due to projected caseload growth. The department estimates that the number of refugees receiving assistance under this special program will increase from approximately 41,614 in the current year to 57,772 in the budget year,an increase of 16,158 recipients, or 38.8 percent.

Department of Social Services

COUNTY ADMINISTRATION OF WELFARE PROGRAMS

Item 518–101 (d) from the General Fund — Budget p. HW 169

Requested 1981–82	$110,092,643
Estimated 1980–81	102,249,654
Actual 1979–80	87,406,111
Requested increase $7,842,989 (+7.7 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS *Analysis page*

1. Cost-of-Living Increases for County Welfare Departments. Recommend adoption of control language to limit funds appropriated by the Budget Bill for county cost-of-living increases for personal, and 1009

nonpersonal, services to the amount consistent with the percentage increase authorized by the Legislature. Further recommend adoption of supplemental language directing the department to administer the 1981–cost control plan accordingly.

2. Performance Standards for Administering the AFDC Program. Recommend:
   a. General Fund Reduction of $4,393,213 from Item 518-101-001(a), AFDC cash grants, because funds are overbudgeted given the application or fiscal sanctions. 1016
   b. Department advise the Legislature during budget hearings on:
   1. Criterion to be used to eliminate or reduce amount of county fiscal liability for October 1979–March 1980. 1016
   2. Whether counties will be held fiscally liable for high error rates for April–September 1980 review period. 1017
   3. Whether counties can be held fiscally liable using regulations not in effect throughout the October 1980–March 1981 review period. 1017
   c. Department submit a plan to the Legislature for reducing error rates in specified counties. 1018

GENERAL PROGRAM STATEMENT

This item contains the General Fund appropriation for the state's share of costs incurred by the counties for administering: (a) the AFDC program, (b) the Food Stamp program, and (c) special benefits and emergency payment programs for aged, blind, and disabled recipients. In addition, it identifies the federal and county costs of administering cash assistance programs for refugees. The costs for training county eligibility and nonservice staff also are included in this item.

ANALYSIS AND RECOMMENDATIONS

Current Year Deficiency

The budget estimates that there will be a deficiency of $4,632,254 in county administration for 1980–81. Of this amount, $1,510,900 is due to regulations issued by the department following the *Westcott vs. Califano* court case. The remaining $2,369,500 results from an unanticipated caseload increase in the food stamp program.

Budget Year Proposal

The budget proposes an appropriation of $110,092,643 from the General Fund as the state share of county administration of welfare programs in 1981–82. This is an increase of $7,842,989, or 7.7 percent, over estimated current year expenditures.

Total expenditures of $544,245,014 are proposed for county administration of welfare programs in 1981–82. This is an increase of $40,826,288, or 8.1 percent, over estimated current year expenditures. Table 1 shows the total expenditures for county welfare department administrative costs.

Table 2 shows the proposed changes in General Fund expenditures for county administration for 1981–82. The largest General Fund increase is $6,416,900 due to projected caseload increases in the nonassistance food stamp program. Three program changes proposed by the administration will reduce General Fund costs for county welfare department administration by $2,149,662. The proposed changes are (1) limit eligibility for the state AFDC-U program (–$1,233,700) (2) eliminate 80 percent supplementation of AFDC grants (–$436,900), and (3) eliminate emergency loans to SSI/SSP recipients (–$479,062).

Table 1

Expenditures for County Welfare Department Administration
1980–81 and 1981–82
(in thousands)

Program	*Estimated 1980–81*				*Proposed 1981–82*							
									Percent change			
	Federal	*State*	*County*	*Total*	*Federal*	*State*	*County*	*Total*	*Federal*	*State*	*County*	*Total*
AFDC administration	$148,761	$73,326	$73,327	$295,414	$155,133	$74,012	$74,012	$303,157	4.3%	0.9%	0.9%	2.6%
Nonassistance food stamp administration	51,018	25,509	25,509	102,035	66,299	33,150	33,150	132,599	30.0	30.0	30.0	30.0
Child support enforcement												
Welfare	52,257	—	17,419	69,677	52,264	—	17,421	69,685	—	—	—	—
Nonwelfare	13,321	—	4,440	17,761	13,321	—	4,440	17,761	—	—	—	—
Special adult programs	—	2,384	18	2,402	—	1,907	18	1,925	—	−20.0	—	−19.9
Refugee cash assistance	7,840	—	48	7,888	10,877	—	49	10,926	38.7	—	2.1	38.5
Staff training	6,182	1,030	1,030	8,242	6,144	1,024	1,024	8,192	−0.6	−0.6	−0.6	−0.6
Totals	$279,379	$102,249	$121,791	$503,419	$304,038	$110,093	$130,114	$544,245	8.8%	7.7%	6.8%	8.1%

Table 2

County Welfare Department Administration
Proposed 1981–82 General Fund Changes

	Cost	*Total*
1980–81 Current-Year Revised		$102,249,654
Baseline Adjustments		
A. AFDC Administration		
1. Basic caseload	$1,368,600	
2. Cost-of-living		
a. 1980–81 cost-of-living adjusted for caseload	148,500	
b. 1981–82	—	
3. Refugees	265,500	
4. Court cases		
a. Westcott	328,100	
b. Others	9,100	
5. Special adjustments		
a. Limit AFDC/U-state eligibility	−1,233,700	
b. Eliminate 80 percent supplementation	−436,900	
6. Other adjustments	236,711	
Subtotal		$685,911
B. Nonassistance Food Stamps		
1. Basic caseload	$6,416,900	
2. Cost-of-living		
a. 1980–81 cost-of-living adjusted for caseload	777,800	
b. 1981–82	—	
3. Refugees	504,500	
4. Other	−58,304	
Subtotal		$7,640,896
C. Special Adults		
1. Special adjustments		
a. Eliminate emergency loans to SSI/SSP recipients	−$479,062	
2. Other	1,544	
Subtotal		−$477,518
D. Staff Development		−$6,300
E. Total Budget Increase		($7,842,989)
F. General Fund Expenditures		$110,092,643

Cost-of-Living Increases for County Welfare Department Employees

We recommend adoption of control language which would limit funds appropriated by the Budget Bill for county cost-of-living adjustments for personal, and nonpersonal services, to an amount consistant with the percentage increase authorized by the Legislature. We further recommend adoption of supplemental language directing the department to administer the 1981–82 cost control plan accordingly.

Item 518(d) appropriates $110,092,643 as the state's share of costs for county administration of welfare programs. This amount does not contain the state's share of funds to provide a cost-of-living increase to county employees during 1981–82.

Under current law, costs for county administration of the AFDC and food stamp programs are shared by the federal government (50 percent), state government (25 percent), and county government (25 percent). Unless control language is added to the Budget Bill, the state is obligated to reimburse the counties for its share of cost-of-living increases provided by local governments to their employees.

In the current fiscal year, the Legislature appropriated funds to provide a 9

COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued

percent cost-of-living adjustment for county welfare department employees. The funds were intended to cover increases in personal services (salaries, and employee benefits) and nonpersonal services (operating expenses and equipment). Although the Legislature appropriated funds for a 9 percent cost-of-living adjustment, counties have granted cost-of-living increases which average 10.09 percent. Table 3 shows the cost-of-living increases for personal services (salaries, and staff benefits) provided in 1980–81 by counties with large and medium size welfare caseloads.

Table 3
Cost-of-Living Increases For Personal Services
County Welfare Department Employees
1980–81

Eleven Largest Counties	*Cost-of-Living Increase*
Alameda	Not Reported
Contra Costa	10.78%
Fresno	7.38
Los Angeles	10.73
Orange	Not Reported
Riverside	12.73
Sacramento	13.20
San Bernardino	9.27
San Diego	7.49
San Francisco	8.52
Santa Clara	Not Reported
Fourteen Medium Size Counties	
Butte	Not Reported
Humboldt	7.19
Kern	11.58
Merced	10.73
Monterey	Not Reported
San Joaquin	9.12
San Mateo	11.91
Santa Barbara	11.07
Santa Cruz	10.04
Solano	9.55
Sonoma	11.04
Stanislaus	9.15
Tulare	8.74
Ventura	6.81%

The issue of cost-of-living increases is likely to become an even more important fiscal issue in 1981–82 if the Budget Act contains no funds or only limited funds for county employee salary and benefit increases. For example, if the Legislature appropriated funds for a 4 percent increase but the counties granted a 9 percent adjustment, the additional cost would be approximately $5.2 million from the General Fund and $10.1 million in federal funds. Moreover, in subsequent fiscal years, the 9 percent cost-of-living adjustment would be built into the base expenditures against which next year's increase is applied.

The issue facing the Legislature is: should the state pay for the cost of salary and benefit increases granted by the counties that exceed the percentage increase provided for by the Legislature? There is no explicit legislative policy on this matter at the present time.

We believe that the state should establish the policy that it is *not* obligated to pay for the cost of salary increases in excess of the percentage increase provided for by the Legislature. We recommend the Legislature establish this policy (a) to avoid possible cost overruns in the county administration item and (b) to avoid different percentage increases for state and county emloyees. Accordingly, we recommend that Budget Bill language be added which (a) makes clear that the state will not pay the cost-of-living increases above the percentage increase provided in the Budget Act, regardless of whether funds are available in this item to fund such increases, and (b) instructs the department to administer the 1981–82 cost control plan accordingly. The following Budget Bill language is consistent with this recommendation:

"Provided further, that notwithstanding any provision of law to the contrary, none of the funds appropriated by this act for Program 10.20, county administration, shall be used by counties to provide a cost-of-living increase to county welfare departments for personal, and nonpersonal services, which exceeds the percentage increase authorized by the Legislature in this act for 1981–82.

"Provided further, that the 1981–82 county administrative cost control plan for program 10.20, county administration, shall contain a provision which specifies that the share of any county cost-of-living increase for personal, and nonpersonal services, which exceeds the percentage increase authorized by the Legislature shall be the sole fiscal responsibility of the county."

Even if the Legislature chooses to limit state funds for county cost-of-living increases in the budget year, any cost-of-living adjustments granted and paid for by the counties which exceed the percentage increase for which state funds are available in 1981–82 would automatically be built into the following year's budget for county administration. To prevent this from happening, we recommend that the Legislature instruct the department to operate the cost control plan in such a manner that any cost-of-living increase provided by counties for 1981–82 above the amount of state reimbursement shall be a permanent county fiscal obligation. The following supplemental report language is consistent with this recommendation:

"The department's 1982–83 request for funds for county administration shall not include the cost of any 1981–82 cost-of-living increases for personal, and nonpersonnel services which exceeds the percentage increase authorized by the Budget Act of 1981. The department shall notify the counties that the state will not pay for excess cost-of-living increases and that the increases granted in excess of the percentage approved by the Legislature shall be a permanent county fiscal obligation. The department shall maintain documentation which indicates that county cost-of-living increases granted by counties which exceed the amount of state reimbursement shall be excluded from the 1982–83 funding requests made in January and May 1982. Finally, the 1981–82 and 1982–83 county administrative cost control plans shall contain a provision which explicitly provides that any county authorized increases for personal and nonpersonal services provided in 1981–82 which exceed the percentage increase authorized in the Budget Act of 1981 shall be the permanent fiscal obligation of the county."

Performance Standards for the Administration of the AFDC Program

We recommend:

1. *A General Fund reduction of $4,393,213 from Item 518-101-001 (a), AFDC cash grants, because funds are overbudgeted given the application of fiscal sanctions.*
2. *The Director of the Department of Social Services advise the Legislature during budget hearings on:*

COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued

(a) *The criterion he will use to eliminate or reduce the amount of the fiscal liability assessed on 13 counties for the review period of October 1979–March 1980.*

(b) *Whether counties will be held fiscally liable for errors which exceed the statewide error rate during the April–September 1980 review period.*

(c) *Whether counties can be held fiscally liable using regulations which were not in effect throughout the October 1980–March 1981 quality control period.*

3. *The department submit a plan to the Legislature prior to the budget hearings for reducing the error rates in specified counties.*

Background. As a result of SB 154 in 1978, the state assumed the county share of grant costs for the AFDC program for 1978–79, while the counties continued to administer the program. In addition, the act gave the Director of the Department of Social Services the authority to establish a statewide error rate standard against which the performance of counties in their administration of the AFDC program could be measured. Furthermore, the act authorized the director to hold counties financially liable for errors above the statewide error rate standard. Under this provision of SB 154, the director can recoup funds misspent by counties in excess of the statewide performance standard.

The department issued regulations establishing a 4 percent payment error rate standard for 1978–79. The payment error rate consists of payments to ineligible recipients and overpayments to eligible recipients.

AB 8 incorporated the provision of SB 154 concerning county liability for high error rates. In addition, AB 8 required that the Joint Legislative Budget Committee be notified of the performance standard for 1979–80, and that beginning with fiscal year 1980–81, the standard be established annually in the Budget Act. The 1980 Budget Act established a 4.0 percent error rate standard for the review period of October 1980–March 1981 and a 3.75 percent standard for April–September 1981. The 1981 Budget Bill proposes a 4.0 percent standard for October 1981–September 1982.

The federal government has issued regulations which provide that federal matching funds will not be available for erroneous expenditures by states in excess of a specified error rate standard. Federal regulations require that states achieve a payment error rate of 4.0 percent for the quality control periods of October 1, 1982–September 30, 1983. In addition, the regulations require the states to reduce their error rates by one-third decrements starting with the October 1980–September 1981 review period. Failure of states to achieve the interim reductions or the ultimate 4.0 percent level will result in a reduction in federal financial participation. The department indicates that because California's error rate in the base period (April–September 1978) was below 4.0 percent, the state must achieve the 4.0 percent standard for the review period of October 1980–September 1981 and subsequent review periods.

California's Error Rate. Historically, California's error rates for the administration of the AFDC program have been among the lowest of all states. Similarly, among the states with the largest caseloads, California has had one of the lowest error rates. Table 4 compares California's error rate with those of six other states for the three quality control review periods between April 1978 and September 1979. The table shows that during this period:

- California's payment error rate was below the national average in each of the review periods. During April–September 1978, California's error rate was 3.7 percent while the national average was 9.4 percent. New York, with an 8.8 percent error rate, came closest to California's performance. During the October 1978–March 1979 review cycle, when California's error rate increased to 7.2 percent, the national average was 10.4 percent. In the last review period for which national data are available, California's error rate was 7.8 percent and the U.S. average was 9.5 percent.

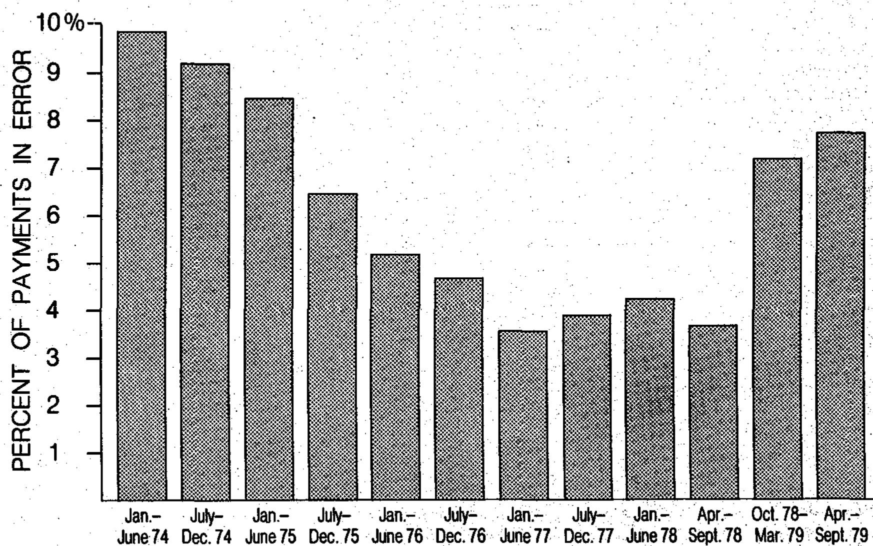
- California's error rate almost doubled—it increased by 95 percent—between the review periods of April–September 1978 and October 1978–March 1979. During the same period, the error rate nationwide increased 10.6 percent.
- California's error rate increased again during the April–September 1979 period from 7.2 percent to 7.8 percent. During the same period, the error rate for the six states as well as the nation decreased. In sum, California's error rate which was significantly below the national average on September 30, 1978, more than doubled during the following 12-month period.

Table 4
AFDC Payment Error Rates [a]
April 1978–September 1979

State	*April–September 1978*	*October 1978–March 1979*	*April–September 1979*
California	3.7%	7.2%	7.8%
Illinois	17.1	13.8	11.9
Massachusetts	15.9	24.8	22.4
Michigan	9.2	10.3	9.6
New York	8.8	10.3	8.8
Ohio	9.5	11.9	9.1
Pennsylvania	16.3	11.9	9.7
U.S. Average	9.4	10.4	9.5

[a] Includes technical errors.

Chart 1
Statewide AFDC Payment Error Rates[a]
January 1974 to September 1979



[a] Federal Findings. Combined payment error rates for overpayments and payments to ineligibles.

COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued

Chart 1 shows the trend in California's payment error rate between January 1974 and September 1979. During that period, the error rate decreased from a high of 9.8 percent in January–June 1974 to a low of 3.5 percent in January–June 1977. Since June 1977, California's error rate has more than doubled from 3.5 percent to 7.8 percent, as of September 1979.

California's most recent error rate of 7.8 percent represents misspent funds totaling $70,336,000. Of this amount, the state share is $33,794,600, the county share is $1,963,000, and the federal amount is $34,623,400. The Department of Social Services has pointed out that the error rate of 7.8 percent includes errors related to the treatment of social security numbers over which the federal government

Table 5
Thirty-Five Largest Counties
AFDC Payment Error Rates[c]
October 1978—March 1980

County	*October 1978–March 1979*	*April–September 1979*	*October 1979–March 1980*
Alameda[a]	5.9%	8.8%	11.0%
Butte	1.7	1.0	1.3
Contra Costa[b]	7.3	8.4	3.9
Fresno	3.9	3.0	3.0
Humboldt	1.4	1.9	2.7
Imperial	4.0	3.7	–[e]
Kern	0.8	0.6	2.0
Kings	3.7	5.3	3.9
Los Angeles	7.4	2.2	2.9
Madera	3.7	2.8	2.5
Marin[a]	5.7	4.9	5.9
Mendocino	4.5	1.5	1.5
Merced[b]	4.1	3.4	6.6
Monterey[b]	4.0	5.6	9.2
Orange[a]	4.8	5.5	6.4
Placer	–[d]	3.0	3.9
Riverside	3.2	2.7	4.0
Sacramento	2.4	3.6	4.3
San Bernardino[b]	7.3	3.7	13.4
San Diego[a]	9.5	5.2	7.1
San Francisco[a]	10.7	9.6	10.6
San Joaquin	3.3	1.0	2.6
San Luis Obispo	6.6	2.5	1.3
San Mateo[a]	8.5	5.1	5.1
Santa Barbara[b]	4.4	4.2	3.3
Santa Clara	3.6	6.3	3.6
Santa Cruz	3.3	1.6	2.9
Shasta	3.5	3.4	4.5
Solano[b]	2.9	4.7	5.6
Sonoma[a]	7.2	6.8	7.5
Stanislaus	1.4	2.9	3.2
Tulare	1.9	6.0	1.3
Ventura	5.1	3.1	3.9
Yolo[b]	3.4	6.6	10.5
Yuba	0.9	2.4	0.5

[a] Error rates above 4 percent for each of the three review periods.
[b] Error rates above 4 percent for two out of three review periods.
[c] Excludes social security enumeration errors, includes WIN registration errors.
[d] Reliable error rate data not available due to insufficient number of cases being completely reviewed.
[e] Reliable error rate data not available due to disruption caused by the October 1979 earthquake.

and California currently have a policy difference. If social security enumeration errors are excluded, the state's error rate is 5.6 percent. The adjusted error rate represents misspent funds totaling $50,497,600, of which the state share is $24,230,500. In 1979–80, each 1 percent of error cost the General Fund an estimated $9.6 million.

County Error Rates. Prior to October 1978, the department collected county specific error rate data for the 15 counties with the largest caseloads. After enactment of SB 154 and the state buy-out of county costs for the AFDC program, the state expanded its quality control sample to the 35 largest caseload counties.

Table 5 shows the error rates for the 35 largest counties for the three periods between October 1978 and March 1980. The department established a 4 percent performance standard for the three quality control periods shown in Table 5. During this time, 14 counties exceeded the error rate standard for two or more review periods. Seven counties had error rates above the 4 percent standard for each of the three review cycles. An additional seven counties had error rates above 4 percent for two out of three review periods.

Legislative Action. Under current law, the Director of the Department of Social Services has the authority to hold counties financially liable for high error rates. The Supplemental Report of the 1980 Budget Act required the department to submit a report concerning the future use of fiscal sanctions. The report was to identify (a) the review period for which counties would be financially liable for high error rates, (b) the circumstances under which counties would not be held liable even though they exceeded the error rate standard, and (c) features to be included in calculating the error rate.

Department to Hold Counties Fiscally Liable for Excessive Errors Using Current Regulations. In his report to the Legislature dated January 1981, the Director of the Department of Social Services stated that fiscal santions would be applied against counties with error rates above 4 percent for the October 1979–March 1980 review period. The director assessed such sanctions on January 8, 1981. Table 6 shows the counties which were sanctioned, their error rates, the amount of misspent state funds, and the amount of the fiscal sanction. It should be noted that of the 13 counties which were sanctioned, five had exceeded the statewide error rate (4 percent) for three consecutive review periods. An additional three counties had error rates above 4 percent for two out of three review periods.

General Funds Overbudgeted Based on Department's Plan to Hold Counties Fiscally Liable for High Error Rates. The director of the department has indicated that no funds will be withheld from counties while they are appealing the fiscal sanctions for the October 1979–March 1980 review period. Upon completion of the administrative appeal process, however, the state will reduce its share of funds which are advanced to the counties for AFDC assistance payments by the amount of the fiscal sanction. Because of the time required for the administrative appeal process, the department will probably not be able to recoup the misspent funds during the current year.

Our analysis indicates that the department will be able to withhold the amount of the fiscal sanction from county advances in 1981–82. The proposed General Fund appropriation for AFDC cash grants for 1981–82 has not been reduced by the amount of the fiscal sanctions proposed by the department. As a result, General Fund support for Item 518-101-001 (a), AFDC cash grants, is overbudgeted. We therefore recommend a General Fund reduction of $4,393,213 from Item 518-101-001 (a) because the state will be able to recover these funds during the budget year from the counties.

COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued

Table 6
Fiscal Sanctions for High Error Rates[a]
October 1979–March 1980

County	*Error Rate*	*Amount of Misspent State Funds*	*Amount of Sanction*
Alameda[b]	5.74%	$1,390,429	$944,597
Marin[b]	4.36	57,112	10,568
Merced	6.47	219,747	188,008
Monterey[c]	8.01	349,967	392,645
Orange	4.16	605,086	52,156
Sacramento	4.37	981,143	186,172
San Bernardino[c]	6.91	1,366,738	1,289,914
San Francisco[b]	6.48	840,853	721,203
San Mateo[b]	4.10	192,190	10,505
Shasta	4.48	123,601	29,679
Solano	4.70	200,655	66,975
Sonoma[b]	6.92	326,973	309,207
Yolo[c]	8.32	164,641	191,584
Totals		$6,819,135	$4,393,213

[a] Error rates are *lower* than those shown in Table 5 because the rate used by the director: (1) excluded "technical errors" such as social security enumeration and WIN registration, and (2) were prior to inclusion of quality control findings by State staff.
[b] Error rate had been above 4 percent for the last three review periods, including October 1979–March 1980.
[c] Error rate had been above 4 percent for two out of the last three review periods, including October 1979–March 1980.

Criterion for Appealing Sanctions is Unclear. The department's report to the Legislature states that counties may appeal the sanction based upon extenuating circumstances which may have affected their performance. If "good cause" is found, the director may eliminate or reduce the amount of fiscal liability. The report does not specify the criterion to be used to determine if "good cause" exists to reduce or eliminate the amount of the sanction. In order that the Legislature may be informed of circumstances under which an appeal will be approved, we recommend that the department report during the budget hearings on the criterion it will use to eliminate or reduce the amount of the fiscal sanction.

Department Proposes to Revise Current Sanction Regulations. In the January 1981 report, the director stated that it was his intent to revise the current state sanction regulations and to make the revised regulations effective retroactively to October 1980. A comparison of the major features of the department's proposed regulations with the current regulations that the federal government would utilize to sanction the states for excessive errors, follows:

1. ***Error Rate Must be Above the State Performance Standard for Two Consecutive Review Periods.*** The department's proposal provides that fiscal sanctions will be applied when the county's error rate is above the state's performance standard for two consecutive review periods (a total of 12 months). In addition, the plan provides that county performance below the statewide error rate standard in one 12-month period can reduce or eliminate the sanction amounts in the next 12-month period. This "banking" feature is not contained in existing federal regulations.

2. ***"Client Caused" Errors Will Be Included.*** The department proposes to include "client caused" errors when determining a county's error rate. This feature is consistent with current federal regulations.

3. ***Technical Errors Will Be Excluded.*** Technical errors include the county's failure to have a recipient's social security number on file or the failure of a recipient to register for the Work Incentive (WIN) program. The department proposes to exclude these errors when determining a county's error rate because it maintains that such errors do not result in misspent funds. Current federal regulations include technical errors for purposes of applying future fiscal sanctions against the states.

4. ***Use of the Lower Limit of the Point Estimate as the Error Rate.*** Quality control reviews produce a point estimate of a county's error rate. The reviews also produce a range above and below the point estimate in which the "true" error rate would fall if every case in a county, rather than a statistical sample, were reviewed. For example, survey findings may show that a county's error rate is 5.0 percent plus or minus 1.0 percent. This means that there is a certain probability that the error rate for the county could be as low as 4.0 percent or as high as 6.0 percent. The department has elected to use the lower limit of the error rate (4.0 percent in the example above) when applying sanctions. Under current regulations, the federal government would use the point estimate, not the lower limit if it were to apply sanctions against California.

5. ***County Appeals.*** Counties could appeal a fiscal sanction based on circumstances outside of the county welfare department's control. Circumstances outside of county control could include, for example: (a) disasters, (b) strikes or work actions, and (c) incorrectly written state policy. The federal government allows waiver of the sanction based on a finding of a "good faith effort" by the state to reduce its error rate.

Department's Plans to Apply Sanctions During April–September 1980 is Unclear. In his January report to the Legislature, the director stated that he will apply sanctions for the review period October 1979–March 1980. In addition, the director indicated his intent to apply sanctions using revised regulations starting with the October 1980–March 1981 review period. The department's report is silent, however, on its plans to apply sanctions for the intervening review period of April–September 1980. In order that the Legislature is aware of the department's plans, we recommend that the department advise the Legislature during budget hearings as to whether or not it will hold counties fiscally liable for high error rates during the April–September 1980 review period.

Department's Authority to Apply Sanctions Based on Retroactive Regulations Is Uncertain. In his report to the Legislature, the director stated his intention to revise the current sanction regulations and to apply the revised regulations starting with the review period of October 1980–March 1981. At the time this Analysis was written, the department had not issued revised regulations. We are unable to advise the Legislature when the revised regulations will be issued and to what extent the final regulations will reflect the department's current proposal. Moreover, it is uncertain whether the department can apply fiscal sanctions based on regulations which are to take effect retroactively.

We recommend that the department be prepared to inform the Legislature during the budget hearings if it can hold counties fiscally liable using regulations which were not in effect throughout the October 1980–March 1981 quality control period. If the department determines that the revised regulations cannot be applied during this period, it should be prepared to advise the committee of its alternative plans.

Corrective Action. The AFDC program management branch within the department is responsible for supervising county administration of the AFDC program in California. Within the branch, the program operations bureau provides assistance to county welfare departments in the administration of the AFDC

COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued

program, including assistance in county specific corrective action efforts. This bureau is currently authorized 15 permanent professional positions. In addition to this bureau, the program systems bureau is authorized 10.5 permanent professional positions responsible for implementing statewide changes in welfare administrative systems for corrective action purposes.

On January 22, 1981, the department provided our office with a document identifying the statewide corrective actions undertaken by state staff since 1979, as well as those currently underway. In addition, the report summarized the corrective actions underway by state and county staff in 15 counties with error rates above 4 percent.

As Table 5 on page 1014 shows, seven counties have had error rates above the statewide standard (4 percent) for the last three review periods. An additional seven counties have had error rates above 4 percent in two out of three review periods. Because of the continued high error rate in the 14 counties, we recommend that the department, in cooperation with the counties, submit a report to the Legislature prior to the budget hearing stating how it plans to reduce the error rates in the 14 counties. The report should identify for each of the 14 counties: (a) the specific type of assistance which state staff will provide, (b) the type of errors which will be reduced, (c) the specific corrective actions, in order of priority, which will be implemented by the county to reduce identified errors, (d) a time table for implementing the corrective actions, and (e) the method for evaluating the effectiveness of the planned corrective action.

SPECIAL SOCIAL SERVICES AND COMMUNITY CARE LICENSING PROGRAMS

Item 518-101(e) and (f), from the General Fund — Budget p. HW 172

Requested 1981–82	$150,678,638 [a]
Estimated 1980–81	187,948,622
Actual 1979–80	157,982,830
Requested decrease $37,269,984 [a] (−19.8 percent)	
Total recommended reduction	$7,848,749
Total recommendation pending	$32,398,314

[a] Reflects replacement of $52,013,942 from the General Fund with equivalent federal funds. Special social services program General Fund expenditures are proposed to increase by $14,743,958, or 7.8 percent over estimated 1980–81 expenditures.

1981–82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
518-101-001 (e)	—Social services program	General	$143,782,101
518-101-001 (f)	—Community care licensing	General	6,463,700
Budget Act of 1978, Item 274		General	432,837
Total			$150,678,638

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

		Analysis page
1.	***Unbudgeted Federal Title IV-B Funds. Reduce by $7,310,123.*** Recommend anticipated federal funds be scheduled in the Budget Bill for a savings in overbudgeted General Fund support of $7,310,123.	1031
2.	Transfer of Foster Care Costs to Title IV-A. Recommend Department of Finance advise Legislature of anticipated General Fund savings prior to budget hearings. Further recommend Budget Bill language requiring reduction of General Fund support by the amount of federal fund increase to prevent overbudgeting and ensure legislative review of appropriations.	1032
3.	Control of Program Appropriations. Recommend detailed Budget Bill schedule of social services programs. Further recommend language requiring advance notification to the Legislature when funds are to be transferred among these programs, to ensure legislative review of program expenditures.	1033
4.	Social Services Planning Act. Recommend Department of Finance include in its 1980–81 progress report a description of a process for weighting state and county priorities. Further recommend supplemental report language requiring that a design for prediction of program utilization be submitted to the Legislature by September 1, 1981.	1034
5.	Cost-of-Living Increase for County Employees. Recommend adoption of Budget Bill and supplemental report language limiting state liability for county cost-of-living adjustments to the cost-of-living percentage increase authorized by the Legislature.	1035
6.	In-Home Supportive Services. Withhold recommendation on $27,398,314 from the General Fund pending receipt of (a) report required by the 1979 Budget Act and (b) report and plans for corrective action for the April to October 1980 quality control review period.	1040
7.	In-Home Supportive Services Payrolling System. Recommend adoption of Budget Bill language requiring (a) a feasibility study report be submitted to the Joint Legislative Budget Committee by September 1, 1981 and (b) a competitive bid process be implemented upon expiration of current contract to select most cost-effective vendor.	1042
8.	Twenty-Four-Hour Emergency Response System. Withhold recommendation on $7,929,319 ($5,000,000 General Fund and $2,929,319 federal funds), pending review of (a) a report submitted January 20, 1981 and (b) actual expenditures during 1979–80.	1045
9.	***Community Care Licensing. Reduce by $371,134.*** Recommend deletion of unjustified tasks from workload standard, for a General Fund reduction of $371,134.	1046
10.	***Adoptions Cost Per Placement. Reduce by $167,492.*** Recommend cost per placement be based on full year rather than single quarter experience, for a General Fund reduction of $167,492.	1048
11.	Federal Funds for Refugees. Recommend Department of Finance advise the Legislature during 1981 budget hearings regarding the administration's plans in the event the state does not receive federal funds anticipated in the budget.	1049
12.	Title XX Training. Recommend Department of Finance advise the Legislature regarding the administration's plans in the event the state does not receive federal funds anticipated in the budget.	1050

DEPARTMENT OF SOCIAL SERVICES—Continued

GENERAL PROGRAM STATEMENT

The Department of Social Services (DSS) administers various social services programs which provide *services* to eligible clients rather than *cash* as in the AFDC and SSI/SSP programs. The programs differ from each other in the nature of the services provided, the characteristics of clients served, the source of funding, and the agency that delivers the service.

Social services programs are administered by the Adult and Family Services and Community Care Licensing Divisions of the department. The budget includes seven programs: (1) other county social services, (2) specialized adult services, (3) specialized family and children's services, (4) adoptions, (5) county staff development and services training, (6) demonstration projects, and (7) community care licensing. The major components of these programs are identified below.

Title XX Social Services

The largest group of programs funded through this item are those operated pursuant to Title XX of the federal Social Security Act. The Department of Social Services is the single state agency designated to receive federal social services funds under this title. Federal Title XX 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 the five federal Title XX program goals of (1) self-support, (2) self-sufficiency, (3) protection of children and adults and reunification of families, (4) prevention or reduction of inappropriate institutional placements, and (5) institutionalization only when necessary.

Federal financial participation in state Title XX programs is contingent on preparation of a statewide Comprehensive Annual Services Program (CASP) plan. Under the provisions of Public Law 96-272, enacted in May 1980, the states may choose to prepare the CASP annually or on a multi-year basis. The CASP must identify and describe (a) the services to be provided within the Title XX program, (b) the specific target groups for each service, and (c) the structure of the social services delivery system. Federal regulations allow each state to establish a delivery system that is most appropriate to the state's Title XX needs.

County-Administered Services. County welfare departments administer the majority of California's Title XX social services. State law and regulations (1) require counties to provide 10 specific services and (2) permit counties to offer any of 13 additional services. One of the 10 mandated activities is In-Home Supportive Services (IHSS). The 22 remaining services comprise the Other County Social Services (OCSS) program.

Of the 10 mandated activities, four are required to be available to all persons: information and referral, protective services for adults, protective services for children, and court ordered foster care. Other services are provided to individuals who receive SSI/SSP or AFDC, or who are eligible because of their low income. Federal regulations require that 50 percent of all clients receiving services supported by federal Title XX funds must receive or be eligible for (a) AFDC, (b) SSI/SSP, *or* (c) Medi-Cal.

State-Administered Services. The budget proposes the expenditure of federal Title XX funds for family planning services administered by the Department of Health Services. Federal regulations do not require family planning services to be offered as part of the state's Title XX program. The federal government, however, may withhold financial participation in the state's AFDC program if family planning services are not made available to AFDC recipients. Federal funds received by the Department of Social Services as the single state agency responsible for Title XX are transferred to the Department of Health Services under the terms of an interagency agreement.

Federal Title XX Allocations. Based on its share of the nation's total population, California receives slightly more than 10 percent of the federal funds available each year from Title XX of the Social Security Act. Prior to passage of PL 96-272, there was a nationwide *authorization* ceiling of $2.5 billion. Public Law 96-272 contains provisions which increase this national ceiling each fiscal year until 1985. The federal ceiling on nationwide Title XX reimbursements is set at $2.9 billion in federal fiscal year 1981 and $3.0 billion in federal fiscal year 1982.

Title XX Matching Requirments. Federal law requires that federal Title XX funds expended on most social services be matched on a 75:25 federal/nonfederal sharing basis. Family planning services, however, require only a 10 percent nonfederal match. Special federal fund augmentations for child development programs made in past years have not required state or local matching funds. Because federal Title XX funds are capped, state and local funds must be used not only for the nonfederal match but for any expenditures that exceed the federal allocation. California is now providing support for social services which far exceeds the required 25 percent nonfederal match.

Other Social Services

In addition to Title XX social services, the department is responsible for administering the following social services programs:

1. Child welfare services which are funded under Title IV-B of the Social Security Act. These funds are used to supplement the Title XX protective services for children.
2. Maternity care services, which are funded from a continuing annual General Fund appropriation of $2.4 million pursuant to 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. Work Incentive Program (WIN) social services, which are funded 90 percent by federal funds and 10 percent by the General Fund. Federal law requires that all nonexempt AFDC applicants register with local WIN sponsors to receive employment and job training services. Through local separate administrative units (SAUs), the Department of Social Services administers the delivery of supportive social services, including child care, for WIN participants. These SAUs are generally operated by county welfare departments.
4. Services to Indochinese refugees, which are 100 percent federally-funded. These social services, job training, and English language instruction programs are delivered by county welfare departments and private contractors.
5. Adoption services delivered by counties which are 100 percent federally-funded. (The cost of adoption case work conducted directly by the state is budgeted in Item 518—Departmental Support.)
6. Community care licensing services provided by counties, under contract with the state, which are 100 percent state-funded. (Facilities evaluation and licensing conducted directly by state personnel are included in Item 518—Departmental Support.)
7. Demonstration programs which are funded individually by the state or federal government. These are intended to test alternative programs and procedures to existing social services delivery systems.
8. County staff development and training programs which are supported by federal Title XX funds and matched with state, county, and university funds. These programs are directed at both long-term skill needs and short-term training needs of Title XX service workers.

DEPARTMENT OF SOCIAL SERVICES—Continued

ANALYSIS AND RECOMMENDATIONS

The budget proposes expenditures of $150,678,638 from the General Fund for social services programs in 1981–82. This is a decrease of $37,269,984, or 19.8 percent, below estimated current year expenditures. The General Fund reduction of $37.3 million does not represent an overall reduction in services. The major component of the proposed reduction is a replacement of $52.0 million in General Fund support for social services programs with equivalent federal funds budgeted in past years for child development programs. The General Fund commitment for social services programs is actually proposed to increase by $14.7 million rather than decrease by $37.3 million. This funding shift is described in more detail below.

Table 1

Proposed 1981–82 General Fund Budget Adjustments For Special Social Services and Community Care Licensing Programs

	Adjustment	*Total*
A. 1980–81 Current Year Revised		$187,948,622
B. Budget Adjustments		
1. In-home supportive services		
a. Title XX funding shift	−$52,013,942	
b. Additional Title XX allocation	−601,791	
c. Caseload growth (6.49 percent)	16,233,408	
d. 1981–82 statutory cost-of-living (4.75 percent)	1,368,820	
e. Minimum wage increase (January 1981)	7,633,525	
f. Provider benefits (Chapter 463, Statutes of 1978)	2,163,346	
g. Restaurant meal allowance	−785	
Subtotal		−$25,217,419
2. Adoptions		
a. Caseload growth (2.5 percent)	378,136	
b. 1980–81 cost-of-living	34,200	
c. Indian Child Welfare Act (PL 95-608)	1,860	
d. Adoption fees	−9,148	
Subtotal		$405,048
3. Community Care Licensing		
a. Revised workload standards	−$1,521,800	
b. Implementation of regulations	108,700	
c. Deletion of family day care facility licensing	−7,879,300	
Subtotal		−$9,292,400
4. Demonstration Programs		
a. Termination of projects	−2,399,765	
b. Multipurpose senior services project	−627,966	
Subtotal		−$3,027,731
5. Other Programs		
a. Work incentive program—child care	59,319	
b. Transfer of access assistance for deaf to state support	−44,801	
c. Transfer of domestic violence programs to counties	−152,000	
Subtotal		−$137,482
Total Proposed General Fund Adjustments		−$37,269,984
C. Proposed Total General Fund		150,678,638
D. Other General Fund Appropriations		
1. Multipurpose senior services project		−432,837
E. General Fund in Item 518-101-001 (e) and (f)		$150,245,801

Total proposed General Fund expenditures include $150,245,801 appropriated in this item and $432,837 carried forward from the 1980 Budget Act for the multipurpose senior services project. Of the total proposed for the budget year, $6,463,700 is identified in the Budget Bill for community care licensing and $143,782,101 is proposed for special social services programs. Included in the $143,782,101 is $2,079,670 appropriated in lieu of a $2.4 million statutory appropriation (Welfare and Institutions Code Section 16151) for licensed maternity care homes.

As shown in Table 1, the major components of the anticipated decrease are (1) a replacement of $52,013,942 in General Fund support budgeted for in-home supportive services with federal funds formerly budgeted for child development programs administered by the Department of Education and (2) a reduction of $7,879,300 due to the anticipated deletion of statutory requirements to license family day care homes.

Total expenditures, all funds, for social services programs are projected to total $593,925,900 in 1981-82. This is a decrease of $26,568,157, or 4.3 percent, below total estimated expenditures in the current year. Table 2 identifies total proposed expenditures for social services programs for the budget year.

As shown by Table 2, federal funds comprise $385.8 million, or 65.0 percent of total proposed expenditures for social services programs. The availability of these funds depends on congressional action on the 1981 and 1982 federal fiscal year budgets. Congress may appropriate less for the programs identified in Table 2 than anticipated by the Governor's Budget. If this occurs, a larger amount of General Fund support may be required in 1981-82 than included in the budget. In addition, because of the overlap of state and federal fiscal years, lower federal appropriations than anticipated by the budget for the Title XX program, in particular, would result in an increased demand for General Fund support in 1982-83 in order to maintain the same level of service proposed for 1981-82.

FEDERAL FUNDING FOR SOCIAL SERVICES PROGRAMS

Title XX—State and County Overmatch

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 $300,413,509, or 98.7 percent, of the available Title XX funds be allocated to the counties in 1981-82. The remaining federal funds, $4,000,000 (1.3 percent of the total), are allocated to the family planning program adminstered by the Department of Health Services.

Of the $300,413,509 allocated to the counties by the budget, $153,157,180 is for IHSS, $144,327,010 is for the OCSS program and $2,929,319 is for the 24 hour emergency response system. (In addition, $9,411,631 in federal funds for social services provided by county welfare departments to Indochinese refugees is included in the budget subitems for IHSS and OCSS.)

Section 12306 of the Welfare and Institutions Code requires the state to provide the 25 percent match for federal funds used for IHSS.In order to receive federal Title XX funds, counties traditionally have been required by the annual Budget Act to provide the 25 percent match for OCSS. In addition, the state has provided General Fund support for OCSS, although it is not required by state law to do so.

DEPARTMENT OF SOCIAL SERVICES—Continued

Table 2
Total 1981–82 Proposed Expenditures
For Social Services and Community Care Licensing Programs

	General Fund in Item 518(e,f)	*Other General Fund*	*Federal Funds in Item 518(e)*	*County Funds*	*Reimburse-ments*	*Total*
A. Title XX Social Services						
1. In-home supportive services (IHSS)	$117,727,145	—	$153,157,180	—	—	$270,884,325
2. Other county social services (OCSS)	—	—	144,327,010	$47,802,455	—	192,129,465
3. 24-hour emergency response	5,000,000	—	2,929,319	2,643,107	—	10,572,426
4. Family Planning (DHS)	—	—	4,000,000	—	$444,444	4,444,444
Subtotals	$122,727,145	—	$304,413,509	$50,445,562	$444,444	$478,030,660
B. Title XX Training						
1. County staff development	—	—	2,507,000	835,667	—	3,342,667
2. University training	—	—	9,093,000	—	3,031,000	12,124,000
Subtotals	—	—	$11,600,000	$835,667	$3,031,000	$15,466,667
C. Refugee Assistance						
1. County social services						
a. IHSS	—	—	306,813	—	—	306,813
b. OCSS	—	—	9,104,818	—	—	9,104,818
2. Contracted services	—	—	40,482,334	—	—	40,482,334
Subtotals			$49,893,965			$49,893,965
D. Other Social Services						
1. Adoptions	$16,946,994	—	—	—	—	$16,946,994
2. Community care licensing						
a. Total cost	(14,343,000)	—	—	—	—	(14,343,000)
b. Deletion of family day care licensing	(−7,879,300)	—	—	—	—	(−7,879,300)
c. Net total cost	6,463,700	—	—	—	—	6,463,700
3. Demonstration programs	—	$432,837	269,093	—	—	701,930
4. Child welfare services (Title IV-B)	—	—	4,119,446	$1,373,149	—	5,492,595
5. Work incentive program (Title IV-C)						
a. WIN child care	430,946	—	3,878,512	—	—	4,309,458
b. WIN administrative unit	—	—	11,648,624	1,294,291	—	12,942,915
6. Maternity care	2,079,670	—	—	—	—	2,079,670
7. Deaf Access	1,597,346	—	—	—	—	1,597,346
Subtotals	$27,518,656	$432,837	$19,915,675	$2,667,440	—	$50,534,608
Totals	$150,245,801	$432,837	$385,823,149	$53,948,669	$3,475,444	$593,925,900 [a]

[a] This amount includes a reduction of $62,685,256, total funds ($52,013,942 federal Title XX funds and $10,671,314 reimbursements) from the 1980 Budget Act appropriation for Special Social Services programs due to a transfer of funds budgeted for child development programs to the Department of Education. This $62,685,256 is included in Item 610 of the 1981 Budget Bill for child development programs.

For fiscal year 1981-82, total state and county Title XX expenditures are proposed to exceed the required match by $73,034,871. *Because of this General Fund overmatch, any savingss, deficits, reductions, or augmentations in any of the Title XX social services programs will have a corresponding dollar-for-dollar impact on the states.* Table 3 displays the relationship between state, county, and federal Title XX expenditures from 1977-78 through 1981-82.

Table 3
Title XX Program Funding Sources
1977–78 to 1981–82

	Federal	*State General Fund*	*County*	*Totals*	*Percent General Fund*
1977–78	$276,585,768	$71,275,945	$46,335,905	$394,197,618	18.1%
1978–79	274,237,842	115,959,405	41,160,800	431,358,047	26.9
1979–80	283,887,900	135,267,127	45,493,155	464,648,182	29.1
1980–81 (estimated)	303,811,718	159,060,322	50,445,562	513,317,602	31.0
1981–82 (proposed)	304,413,509	123,171,589	50,445,562	478,030,660	25.8

Title XX Funding Transfer

The budget proposes to (1) redirect $52 million in federal Title XX funds from the child development program administered by the Department of Education to the In-Home Supportive Services program and (2) replace these funds with an equal amount of General Fund support which has been budgeted in past years for the In-Home Supportive Services program. This transfer will result in no net change in the level of funding for either program or in the total General Fund amount required for the support of the two programs. The effect of the funding shift will be to (1) increase federal funds budgeted for In-Home Supportive Services, (2) "buy out" federal funds for child development programs with General Fund support, and (3) transfer appropriations for child development programs from the budget item for special social services programs (Item 518) to Item 610. Similar funding transfers were contained in the 1978 and 1979 Budget Acts, when General Fund support replaced federal Title XX funds in the Community Care Licensing program and programs administered by the Departments of Rehabilitation, Developmental Services, and Mental Health.

Potential Administrative Savings. As the single state agency designated to receive federal Title XX funds, the Department of Social Services (DSS) historically has entered into an interagency agreement with the Department of Education (DOE) to transfer federal funds to DOE for child development programs. Federal regulations concerning state Title XX programs require the designated single state agency to (1) compile an annual plan for all services supported by federal Title XX funds and (2) ensure that the state's Title XX program meets all federal requirements. In past years, the interagency agreement between DSS and DOE provided DSS with approximately $270,000 for the administrative costs of monitoring DOE child development programs and complying with other federal requirements. Because the proposed funding transfer will eliminate federal Title XX funds in the child development program, there is no longer a need for the $270,000 allowance for DSS administrative costs. We discuss the proposed use of these funds in the budget year in our analysis of child development programs (Item 610).

Change in Federal Law. For federal fiscal years 1977, 1978 and 1979, $200 million in federal child day care appropriations were made available nationwide without state or local match requirements. The allocation each state received from this amount was in addition to the state's normal share of federal funds for Title XX social services. The increased amount, however, could be spent only for child development. The Adoption Assistance and Child Welfare Act of 1980 (PL 96-272), enacted in May 1980, deletes the requirement that a portion of the state's Title XX allocation must be spent on child development programs. Instead this law exempts up to 8 percent of a state's total annual Title XX allocation (an amount equal to

DEPARTMENT OF SOCIAL SERVICES—Continued

approximately $24.7 million in California in federal fiscal year 1982) from existing state match requirements if the funds are used for child development.

Because the budget already contains more General Fund support for special social services programs than is required by federal law, California would not have to provide any additional match even if it fails to use 8 percent of its Title XX allocation for child development. As a result, California will not gain or lose federal funds as a result of the proposed General Fund buyout of child day care.

Proposed Allocation of Federal Title XX Funds by State Fiscal Year.

Because the federal and state fiscal years are not the same, the state must decide how federal funds provided during a given federal fiscal year are to be split between two state fiscal years. For example, the state must decide how to split funds received during federal fiscal year 1982 (October 1, 1981–September 30, 1982), between the state's fiscal year 1981–82 (which encompasses 75 percent of fiscal year 1982) and 1982–83 (which encompasses 25 percent of fiscal year 1982). Table 4 shows the proposed allocation of federal Title XX funds by state fiscal year.

The budget proposes to allocate $304.4 million in federal Title XX funds for use during state fiscal year 1981–82. This includes $261.7 million, or 84.6 percent, of the amount expected to be available to the state during federal fiscal year 1982. The remaining funds from federal fiscal year 1982 are reserved for use during state fiscal year 1982–83.

By allocating more than 75 percent of the federal funds available in a federal fiscal year for use during the initial state fiscal year for which they are available, the state (1) increases the base budget for social services programs and (2) decreases federal funds available for the subsequent year. Therefore, this practice creates a need for future year increases in state or federal support.

Table 4
Federal Title XX Funds
Allocated by State Fiscal Year
1980–81 and 1981–82
(in millions)

	Federal Fiscal Year			
	1980	*1981*	*1982*	*Total*
State fiscal year 1980–81	$62.0	$241.8	—	$303.8
State fiscal year 1981–82	—	42.7	$261.7	304.4
Unbudgeted	—	11.9 [a]	47.6 [b]	—
Totals	$273.3	$296.4	$309.3	

[a] The 1980 Budget Act reserved this amount to fund legislation enacted prior to June 30, 1981.
[b] These funds are reserved for use during the first quarter of state fiscal year 1982–83.

Major Federal Legislation—PL 96-272

The Adoption Assistance and Child Welfare Act of 1980 (Public Law 96-272) was enacted by Congress on June 17, 1980. This law made several major amendments to the federal Social Security Act related to the following programs: (1) Title XX social services, (2) Title IV-B child welfare services, (3) Aid for the Adoption of Children, and (4) Title IV-A foster care payments. The intent of the federal law is to (1) reduce the numbers of children in out-of-home placements nationwide by providing states with financial incentives to prevent the initial separation of families and (2) encourage permanent planning for children who are separated from their families. The actual fiscal impact on California of many of the provisions

Table 5
Adoption Assistance and Child Welfare Act of 1980
Summary of Major Provisions

Program	*Effective October 1, 1980*	*Effective October 1, 1981*	*Effective October 1, 1982*	*Effective October 1, 1983*	*Effective October 1, 1984*
Foster Care Payments	1. Cap on federal participation if $163.55 m. Title IV-B appropriated.	1. Cap if $220m. Title IV-B appropriated.	1. Cap if $266 m. Title IV-B appropriated.	1. Same as October 1982.	1. Same as October 1982.
	2. Optional shift to new Title IV-E program—potential additional funding if specific requirements met.	2. Same as October 1980.	2. Mandatory shift to new Title IV-E. Case plan and six-month review required. Other requirements to obtain voluntary placements funding.	2. Preplacement preventive and reunification services required. Termination of funding for voluntary placements.	
	3. Revised definition of allowable foster care costs under Title IV-E.	3. Same as October 1980.	3. Same as October 1980.	3. Same as October 1980.	
Child Welfare Services	1. Title IV-B funds provided on advance basis.	1. Same as October 1980.	1. Same as October 1980.	1. Same as October 1980.	1. Federal funding level may revert to FFY 1979 level for any state that fails to meet requirements.
	2. Optional compliance with new protections—potential increase in federal funds.	2. Same as October 1980.	2. Same as October 1980		
Adoption Assistance	1. Optional program—federal funding available if certain IV-B requirements met.	1. Same as October 1980.	1. Required program.	1. Requires payments for cases where parents reside outside state.	
Social Services	1. Indexed ceiling replaces cap.	1. Same as October 1980.	1. Same as October 1980.	1. Same as October 1980.	

DEPARTMENT OF SOCIAL SERVICES—Continued

of this federal law will remain uncertain until federal regulations clarifying congressional intent are finalized. Table 5 summarizes the major provisions of PL 96-272.

Increase to Federal Title XX Ceiling. Public Law 96-272 increases the nationwide cap on federal funds available under Title XX of the Social Security Act. In federal fiscal year 1981, the total federal Title XX authorization is $2.9 billion. This amount will increase to $3.0 billion for federal fiscal year 1982. California's share of these federal authorizations, as published in the Federal Register, is $296,483,159 in federal fiscal year 1981 and $309,325,846 in federal fiscal year 1982.

Table 6 shows the annual national Title XX authorization levels as specified in PL 96-272. The amounts for federal fiscal years 1981–1985 represent the *maximum* funding levels authorized for the Title XX program under exisiting law. There is no guarantee, however, that these maximum amounts will be *appropriated* by the Congress. *Thus, the amounts of Title XX funding available to California may be less than the amounts implied by Table 6.*

Table 6
National Title XX Authorization Levels Specified in PL 96-272
Federal Fiscal Years 1980–1985
(in billions)

	Funding Level
1980	$2.7
1981	2.9
1982	3.0
1983	3.1
1984	3.2
1985	3.3

Revised Definition of Allowable Foster Care Payments. Historically, California has received federal reimbursement through Aid to Families with Dependent Children, Boarding Homes and Institutions (AFDC-BHI) for a portion of the cost of educational programs, non-Medi-Cal medical services, and some transportation services provided to children in foster care. PL 96-272 redefines the foster care maintenance program and creates a new Title IV-E program which excludes these activities from the definition of foster care payments. If provision for these activities is not included in final federal regulations, the Legislature will need to consider whether to continue these activities using state funds. The cost of these activities in California is estimated at $4.7 million in 1981–82.

Cap on Federal Financial Participation in Foster Care Payments. Under previous federal law, federal financial participation in the state's foster care payment program (Title IV-A AFDC-BHI) was not limited to a specific amount. Under the provisions of PL 96-272, beginning in federal fiscal year 1981, an annual ceiling will be set for federal financial participation in the state's foster care payment program (Title IV-A/IV-E) if the federal appropriation level for Title IV-B child welfare services is at least as high as specified in PL 96-272. Table 7 shows the federal appropriation levels which are required by the act in order to impose a ceiling on federal participation in foster care payment costs.

Because the current continuing resolution on the federal budget (House Joint Resolution 644) contains up to $163.5 million for Title IV-B, federal financial participation in foster care payments will be capped for each state, in federal fiscal year 1981. Proposed federal regulations indicate each state will be allowed to select one of three formulas to determine the state's ceiling.

Table 7
Federal Title IV-B Appropriation Levels Required to Cap Federal Participation in Foster Care Payment Costs
Federal Fiscal Years 1981–1984
(in millions)

Federal Fiscal Year	*Appropriation Level*
1981	$163.5
1982	220.0
1983	266.0
1984	266.0

In a program instruction to state administrators, dated January 2, 1981, the federal Administration for Children, Youth and Families announced that the most favorable of these three methods for California would allow the state $42 million for foster care maintenance payments during federal fiscal year 1981. *This is less than the amount assumed in the budget.*

The budget asumes that the federal share of foster care grants and administrative costs during 1980–81 will be $48.0 million. These costs are estimated at $54.3 million in 1981–82.

Three quarters of federal fiscal year 1981 fall in state fiscal year 1980–81 and one quarter falls in state fiscal year 1981–82. Thus, if the state is unsuccessful in its attempts to increase the announced cap, there may be a shortfall in federal funds in one or both of these two state fiscal years.

To the extent the final cap on federal foster care funding is less than the federal share of costs under prior law, and total costs are not reduced, other funds would have to be utilized in this program in order to avoid a reduction in services provided. If the federal 1982 Title IV-B appropriation also imposes a cap on foster care payments, the state may experience further reductions in the amount of federal funds available in state fiscal year 1981–82.

New Foster Care Payment Program Requirements. PL 96-272 mandates that the state's foster care payment program (Title IV-E) include a case plan for each child in foster care and a six-month administrative or court review of each foster care placement. These two requirements must be met by October 1982 in order for the state to continue to receive federal financial participation in the foster care payment program.

Federal financial participation beyond October 1983 is contingent upon the state having implemented permanency planning services and preplacement services designed to maintain children in their own homes whenever possible. The specific federal definition of these preplacement and permanency planning requirements will remain uncertain until federal regulations are finalized.

New Child Welfare Services Program Requirements. In order for the state to exercise certain options regarding the child welfare services program, federal law requires (a) state implementation of all new foster care payment program requirements, (b) an inventory of all children in foster care, (c) a statewide foster care information system, and (d) an 18-month court-dispositional hearing for all children in foster care. If these requirements are met, the state could (a) transfer surplus foster care payment funds, within the federal ceiling, to child welfare services, (b) obtain federal reimbursement for the cost of foster care payments for children placed in out-of-home care on a voluntary basis, and (c) receive a share of federal child welfare services appropriations exceeding $141 million. In addition, states which comply with child welfare services requirements prior to October 1984 will be eligible to receive an additional share of the annual Title IV-B appropriation which remains unallocated because of the failure of other states to

DEPARTMENT OF SOCIAL SERVICES—Continued

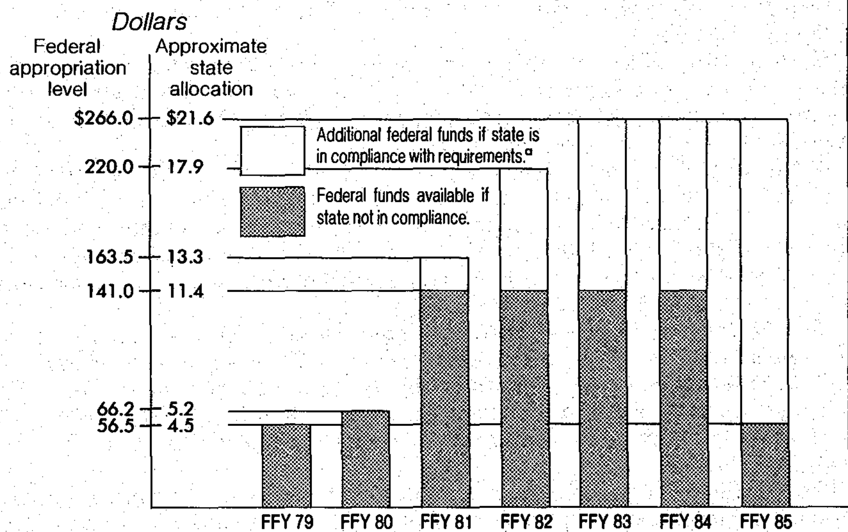
comply with these new requirements. If California is not in compliance with the new child welfare service requirements by October 1984, its allocation of federal child welfare services funds will be reduced to its 1979 allocation ($4.5 million).

Chart 1 shows California's share of federal Title IV-B appropriations with and without compliance with the child welfare services requirements. The total cost of compliance with these federal requirements is not known at this time.

The federal Title IV-B appropriation for federal fiscal year 1981, as contained in House Joint Resolution 644, enacted December 15, 1980, is $163.5 million. As shown by Chart 1, California will receive $11.4 million of this amount if the state has not fully implemented the provisions of federal regulations or $13.3 million if the state is in compliance with the federal regulations, a difference of $1.9 million.

Chart 1

California's Share of Federal Title IV-B Funds Trigger Appropriation Levels Federal Fiscal Years 1979 to 1985 (in millions)



[a] Based on past year allocation percentages.

Federal Adoption Assistance Program. After the state has submitted a plan to the federal government for the implementation of the new foster care payment program, PL 96-272 allows the state to obtain federal reimbursement for approximately 50 percent of the cost of cash payments to parents who adopt certain hard-to-place children. Eligibility for participation in the federal adoption assistance program would continue from the time of a child's adoption until he or she has reached the age of 18. California's current Aid for the Adoption of Children program, supported entirely by the state General Fund, allows cash payments, in lieu of foster care maintenance payments, to continue only five years after the child has been adopted. Consequently, as a result of the absence of a time limitation in the new federal program, the total caseload of subsidized adoptive children in California is likely to increase over time. Moreover, because of specific income-maintenance related eligibility requirements in the federal program, not all children currently eligible for the state program will be eligible for the federal program.

Increased Federal Title IV-B Funds Not Included in Budget

We recommend that $7,310,123 in unbudgeted federal Title IV-B funds replace overbudgeted General Fund support for special social services programs, for a General Fund savings of $7,310,123.

Under Title IV-B of the federal Social Security Act, grants are made to the states to provide and improve child welfare services, such as adoptions, day care, foster care and protective services for abused and neglected children. In California, Title IV-B child welfare services are administered by the Department of Social Services and delivered by county welfare departments. Federal Title IV-B funds require a 25 percent state or local match, which, in accordance with the annual state Budget Act, is provided by the counties.

Our analysis indicates that $7,310,123 in federal Title IV-B funds available to the state in 1980–81 and 1981–82 are not included in the Governor's Budget. Because these funds are not included in the budget, a greater amount of General Fund support is proposed for these programs than is required to provide proposed services.

Federal Appropriation. The Social Security Act authorizes $266 million annually for child welfare services. In the annual federal budget, however, Congress has traditionally appropriated $56 million, rather than the entire authorized amount. California's 1980–81 and 1981–82 budgets assume a federal appropriation level of $56 million.

Federal Fiscal Year 1980 Allocation. In federal fiscal year 1980, however, the final federal appropriation level was increased to $66.2 million. The U. S. Department of Health and Human Services notified California on August 21, 1980 that the state could receive up to $5,238,037 in 1980 rather than the $4,437,530 initially allocated. The federal agency further informed the state that the additional $800,507 was available for expenditure until September 30, 1981. On August 25, 1980 the Department of Social Services modified the state's annual federal budget for child welfare services to include this additional allocation.

Of the additional $800,507 allocated to the state, the budget proposes $500,000 to develop and implement a foster care management information system in 1981–82. We discuss this proposal in our analysis of the department's support budget. The administration has not submitted a proposal to the Legislature for expenditure of the remaining $300,507.

Federal Fiscal Year 1981 Allocation. As discussed earlier, House Joint Resolution 644, the concurrent resolution on the federal 1981 budget, contains $163.5 million for Title IV-B child welfare services. Based on the allocation methodology established in PL 96-272, the Adoption Assistance and Child Welfare Act of 1980, the state will receive up to $11,447,146 during federal fiscal year 1981 without having to satisfy any additional federal requirements. If the state implements certain federal program requirements prior to the close of federal fiscal year 1981, the state's allocation could be as high as $13.3 million.

On October 20, 1980, the Department of Social Services submitted to the federal government the state's budget request of $11,447,146 for federal fiscal year 1981. The Governor's Budget, however, includes only $4,437,530 in federal Title IV-B funds, $7,009,616 less than the amount anticipated from the federal government.

General Fund Savings Possible. Based on budget planning documents submitted to the federal government, we conclude that the administration intends to expend $7,310,123 in unbudgeted federal IV-B funds during 1981–82. Our analysis indicates these funds could be used to (1) replace proposed General Fund support for child welfare services or adoptions or (2) replace federal Title XX funds proposed for children's protective services. If federal Title XX funds are freed-up through the use of Title IV-B funds, the amount of General Fund commitment required for the In-Home Supportive Services program could be reduced. Because

DEPARTMENT OF SOCIAL SERVICES—Continued

the proposed expenditure of these federal funds is not included in the Governor's Budget, the Legislature (1) does not have an opportunity to evaluate the total exenditure plan for child welfare services in the budget year, (2) is not able to specify how these additional federal funds should be used, and (3) is compelled to draw on the General Fund for support of the special social services programs while federal funds are held in reserve.

If these additional federal funds are used to replace General Fund support proposed in this item, the $7,310,123 from the General Fund would be available for use by the Legislature in meeting its financial priorities in this program or for other parts of the state's expenditure plan. Therefore, we recommend that $7,310,-123 in unbudgeted federal Title IV-B funds replace General Fund support budgeted for special social services programs, for a General Fund savings of $7,310,123.

Foster Care Cost Shift

We recommend the Department of Finance advise the Legislature prior to budget hearings on the level of General Fund savings anticipated as a result of a shift in the cost of foster care services from Title XX to Title IV-A funding. We further recommend adoption of Budget Bill language requiring a reduction of General Fund support budgeted in this item by the amount of increased federal funds received as a result of this cost shift.

The federal Social Security Act contains a variety of public assistance programs and funding mechanisms. Title IV-A of that act establishes the Aid to Families with Dependent Children (AFDC) program discussed in our analysis of Item 518-101-001 (a). One component of the AFDC program is the provision of cash assistance payments on behalf of children in foster care. For federally eligible children, the federal government contributes 50 percent of the cost of these payments and program administration. The remaining 50 percent of the cost of this program is shared by the state and counties. Until the placement of a cap on foster care costs under the provisions of P.L. 96-272, discussed earlier, federal Title IV-A funds for foster care were open-ended.

Another part of the Social Security Act, Title XX, provides federal support to meet five broad goals, including the prevention of abuse, neglect, and exploitation of children who are unable to protect themselves. One of the programs offered by California to meet this objective is social services for children who are in foster care or are being considered for foster care. Federal Title XX funds are available for this program, up to an established allocation limit, on a matching basis of 75 percent federal, 25 percent nonfederal.

Shift in Cost of Foster Care Intake. In a July 31, 1980 letter to the U. S. Department of Health and Human Services, the Department of Social Services requested that certain foster care intake activities supported with federal Title XX funds be reimbursed instead through the AFDC foster care payment program. Our analysis indicates that the department instructed the counties to claim the cost of these activities as part of their Title IV-A programs beginning July 1, 1980 and enacted regulations on an emergency basis, effective January 24, 1981, implementing this procedure. The state Title IV-A claim submitted to the federal government for the quarter ending September 30, 1980, included a claim for $699,025 in federal funds for these activities.

Estimated Annual Savings. In a March 7, 1980 estimate, the Department of Social Services estimated that the total annual cost of these foster care intake activities was $17.7 million in 1979–80. In accordance with Title XX requirements, these costs were shared 75 percent federal ($13.3 million) and 25 percent county ($4.4 million). The department's March 1980 estimate indicates that the $13.3 million in federal Title XX funds currently supporting foster care activities could be used to reduce the General Fund commitment for Title XX programs. This savings would be offset, however, by the required General Fund share ($4.4 million) of the nonfederal match for the administration of Title IV-A. Thus, in the March 1980 estimate, the Department of Social Services anticipated a net General Fund savings of $8.9 million as a result of this funding shift from Title XX to Title IV-A.

Foster Care Funding Uncertain. A crucial aspect of this funding shift is the assumption that federal Title IV-A funds are unlimited. If this funding source is capped, additional federal funds may not be available. As our analysis of PL 96-272 indicates, the federal government has established a ceiling on total Title IV-A foster care costs effective during federal fiscal year 1981. It is our understanding that the Department of Social Services intends to appeal the federal fiscal year 1981 ceiling on the basis that not all applicable administrative costs were included in the federal calculation of base year expenditures. Congress must appropriate a specific funding level for child welfare services for federal fiscal year 1982 in order for the foster care cap to remain effective. Therefore, the level of federal financial participation in the state's foster care payment program during federal fiscal years 1981 and 1982 is uncertain.

Increased federal funds not budgeted. Our analysis indicates that the department has completed the necessary steps to transfer the funding of foster care intake activities from Title XX to Title IV-A. At the time this analysis was written, we were unable to determine what, if any, General Fund savings would accrue to the state during 1981–82 as a result of the potential increase in federal funds. To the extent that additional federal funds become available as a result of this shift, the General Fund proposed for these programs is overbudgeted. As a result, the Legislature is unable to assess the actual need for General Fund support for these programs and is restricted in its ability to allocate resources to meet its priorities. Therefore, we recommend the Department of Finance identify the level of anticipated 1981–82 General Fund savings resulting from this funding shift.

Because any additional federal funds derived as a result of this funding shift will reduce the need for General Fund support for social services programs, we further recommend the adoption of the following Budget Bill language:

> "Provided further that funds appropriated by this item shall be reduced by the Director of Finance by the amount of federal Title IV-A funds made available for the purposes of this item in excess of the federal funds scheduled in Item 518-101-866."

STATE ADMINISTRATION ISSUES

Legislative Control of Program Appropriations

We recommend the 1981 Budget Bill be amended to schedule social services programs in the same detail as in prior years in order to facilitate legislative review of each program element. We further recommend adoption of Budget Bill language requiring that the Legislature be notified in advance of any transfers of funds among program elements.

Item 518-101-001(e) of the 1981 Budget Bill proposes $143,782,101 from the General Fund for social services programs. The programs proposed to be funded through this item include in-home supportive services, adoptions, a 24-hour emergency response system, and other programs, as detailed on page HW 174 of the budget document.

In past years, the annual Budget Act separated these social services programs into several categories within the appropriation item. This practice restricted the transfer of funds between these programs under the provisions of Control Sections 27.5 and 28. For example, during 1978–79, the administration identified a deficit in funds appropriated for the In-Home Supportive Services program, and proposed to fund it using the anticipated savings in the Adoptions and Community

DEPARTMENT OF SOCIAL SERVICES—Continued

Care Licensing programs. Prior to making the transfer, however, the Department of Finance notified the Legislature of its intention. Our analysis indicates that such notification of a pending change in the approved budget program would not be required in 1981–82 if the Budget Bill (1) schedules all social services programs in one category and (2) does not contain language requiring such notification.

The Legislature has traditionally authorized a total appropriation for social services programs based on its review of the individual amounts required to support specific programs. Scheduling of the proposed funds in the 1981 Budget Bill, as introduced, would provide for legislative control over only the total appropriation and would thus limit the Legislature's ability to review and influence expenditures for individual programs. In order to ensure that appropriated funds are expended in the manner approved by the Legislature, we recommend that the Budget Bill schedule for Item 518-101-001 (e) be modified to identify the individual appropriations for social services programs shown on pages HW 174 and 175 of the 1981 Governor's Budget. In order to ensure continued legislative review of the expenditures for these programs, we further recommend adoption of the following Budget Bill language:

"Provided further that, notwithstanding the provisions of Sections 27.5 and 28 of the Budget Act, the Director of Finance may transfer funds appropriated for program 20, social services, among these elements not sooner than 30 days after notification in writing of the necessity therefor to the chairman of the committee in each house which considers appropriations and the chairperson of the Joint Legislative Budget Committee, or not sooner than such lesser time as the chairperson of the committee, or his designee, may in each instance determine."

The Social Services Planning Act

We recommend (1) the Department of Finance include in its 1980–81 progress report on the implementation of Chapter 1235, Statutes of 1978, a description of the process for incorporating county defined needs and priorities into the state social services plan required by that act, and (2) the adoption of supplemental report language requiring the Department of Social Services to submit a design for the prediction of program utilization which will be submitted with the proposed 1982–83 budget.

The Social Services Planning Act, Chapter 1235 , Statutes of 1978 (AB 1642), requires that the annual statewide social services planning process, required by federal law, be linked to the state's budget process. Currently, the state social services planning process is based on the federal fiscal year and does not provide usable data for resource allocation through the state's budget process. To accomplish this link, the act requires the Governor to submit to the Legislature with his proposed annual budget, a prediction of program utilization (PPU) based on a comprehensive state and county planning process. The Department of Social Services is required by the act to implement this comprehensive planning process during a three-year period beginning July 1, 1979. The first full planning cycle, including development of the PPU, is not required to be completed until submission of the 1982–83 Governor's Budget.

Prediction of Program Utilization. The PPU is intended to furnish the Legislature with (1) a description of proposed programs and services and (2) a basis for allocating funds among these programs. Specifically, the act requires the department to (1) predict the number of persons or families in need of each program, (2) recommend priorities among the various programs, (3) recommend an allocation of funds based on (a) base year allocations, and (b) specified needs and priorities, (4) identify proposed funding sources and the need for additional resources, and (5) summarize social services coordination and integration accomplishments and public involvement in the planning process.

The Social Services Planning Act requires the Legislative Analyst to analyze the PPU in conjunction with his analysis of the annual Budget Bill. Because the first PPU will be submitted as part of the 1982–83 budget process, we have reviewed the department's progress in implementing Chapter 1235, Statutes of 1978. In addition, the Department of Finance advises that it will submit to the Legislature a 1980–81 progress report, as required by Chapter 1235, after June 30, 1981.

Departmental Progress in Implementing the Act. The department of Social Services appears to be close to its implementation schedule, as set forth in the plan submitted to the Legislature by the department during hearings on the 1980 Budget Bill. During 1980–81, DSS continued to convene the Interim Planning Task Force as required by the act, and developed planning guidelines for the 1982–83 planning cycle. These guidelines are scheduled to be released to the counties in mid-February, approximately two weeks behind schedule. The February guidelines are intended to notify counties of the steps necessary for implementation of the act. An additional notification is anticipated in June, which will include detailed instructions, projected caseloads, and projected 1981 base allocations necessary for the counties to complete the required plan by October 1981.

Design of PPU Unspecified. We have identified two problems regarding the implementation of this act. First, the department has not developed a framework for incorporating county needs and priorities into the state plan. The 1982–83 draft planning guidelines allow the counties to identify high priority local service requirements. It is unclear, however, how these local priorities will be weighted in relation to each other and to the state's established priorities.

Second, the PPU is scheduled to be submitted to the Joint Legislative Budget Committee in late November 1981 along with the department's estimate of program expenditures for 1982–83. This time frame will allow legislative review of the prediction of program utilization only after it is completed rather than to its design. The required components of the PPU, however, may be addressed in a number of ways, and the Legislature may wish to review these alternatives before the design is completed.

In order to allow the Legislature an opportunity to assess the basis of the proposed 1982–83 budget for social services programs, we recommend the Department of Finance include in its 1980–81 progress report a description of the process for translating county needs and priorities into the state plan. We further recommend adoption of the following supplemental report language:

> "The Department of Social Services shall submit a detailed design for the prediction of program utilization which will be submitted with the proposed 1982–83 budget, to the fiscal committees and the Joint Legislative Budget Committee by September 1, 1981."

Cost-of-Living Increases for County Welfare Department Employees

We recommend adoption of Budget Bill language limiting state fiscal liability for county cost-of-living adjustments to the cost of the percentage increase authorized by the Legislature. We further recommend adoption of supplemental report language directing the department to prevent overbudgeting of such increases in 1982–83.

Item 518-101-001 (e) and (f) appropriate funds for county administration of the adoptions ($16,741,144) and community care licensing ($6,463,700) programs, as well as for a portion of the in-home supportive services program ($5,226,478). In addition, the budget contains $144.3 million in federal funds proposed for "other county social services." These amounts do not include funds to provide cost-of-living increases to county employees during 1981–82.

In addition, the budget contains language stating that "the Department of Social Services shall not allocate state funds to counties for county administration for the purpose of fiscal year 1981–82 cost-of-living adjustments." It is our understanding,

DEPARTMENT OF SOCIAL SERVICES—Continued

however, that unless additional action is taken, the state may be forced to share in the funding of cost-of-living increases for county employees that exceed whatever increases are specifically provided by the Legislature.

1980 Budget Act Limits Salary Increases. The 1980 Budget Act provides for discretionary cost-of-living adjustments of 9 percent for these social services programs. It also contains language specifically prohibiting funds appropriated for these programs to be used for county employee salary increases in excess of 9 percent. Counties, however, were not prohibited by this language from providing salary increases in excess of 9 percent. The language merely specified that state and federal funds appropriated by the 1980 Budget Act could not be used for this purpose.

As of November 1980, the average 1980–81 salary increase granted or expected to be granted by counties to their social services employees was 8.1 percent. Of the 58 counties, however, 24 have granted salary increases exceeding 9 percent. It is not known how many counties will grant further increases before the end of 1980–81. The Department of Social Services advises that counties will be notified in early February 1981 of the procedures which will be followed to disallow reimbursements for salary increases in excess of 9 percent.

In addition to salary increases, counties may incur cost increases for staff benefits, minimum wage requirements, administrative overhead, and operating expenses and equipment. Increases in these expenditure categories were not covered by the 1980 Budget Act language limiting county salary increases. *Total* county cost-of-living increases during 1980–81, however, will exceed county *salary* increases as a result of these increases in staff benefits and other expenses.

Effect on General Fund. The 1980 Budget Act language regarding county employee salaries is not continued in the 1981 Budget Bill, as introduced. Consequently, county governments could provide salary and benefit increases and claim price increases for nonpersonal services which exceed any cost-of-living adjustment provided these programs through the state's budget process. For example, if the Legislature appropriated funds for a 4 percent price increase for the three identified programs, and the counties granted price increases totaling 9 percent, the state could be liable for additional, unbudgeted costs of approximately $1.3 million.

The cost of individual county cost-of-living increases in excess of the percentage provided for by General Fund appropriation for these programs may potentially be shifted to the state as a result of (1) reallocations of funds among the counties at the close of the fiscal year, (2) transfers of funds among state social services programs, and (3) requests for deficit appropriations from the General Fund. All three of these funding mechanisms have been employed in past years to fund county deficits. Therefore, without specific language precluding the use of funds appropriated by the Budget Bill for county cost-of-living increases in excess of the increase provided for by the Legislature, additional General Fund dollars may be required to support these increased expenditures. Moreover, in subsequent fiscal years, the higher cost-of-living adjustment would be built into the base expenditures, thus requiring increased state funding. Reimbursing counties for higher cost-of-living increases than specifically authorized in the Budget Act (1) reduces the Legislature's ability to control General Fund expenditures, (2) allows reductions in service levels to support increased salary costs and (3) encourages inequitable compensation levels among workers performing similar duties in the 58 counties.

For these reasons, we recommend that control language be added to the Budget Bill which limits the state's fiscal liability for county cost-of-living increases in both personal and nonpersonal services to the cost of the percentage increase approved by the Legislature.

"Provided further that notwithstanding any provision of the Welfare and Institutions Code to the contrary, none of the funds appropriated by this item for programs 20 and 30 shall be used to provide cost-of-living increases to personal and nonpersonal services in excess of the amount specifically authorized for such purposes by the Legislature."

Even if the Legislature chooses not to fund cost-of-living increases in excess of the amount specifically appropriated in the budget year, cost-of-living increases granted and paid for by the counties in 1981–82 could be built into the following year's budget. To prevent overbudgeting, we further recommend adoption of the following supplemental report language:

"The department's 1982–83 request for funds for special social services programs shall not include the cost of any 1981–82 salary, benefit, or nonpersonal services increase which exceeds the percentage increase authorized by the Budget Act of 1981. The department shall notify the counties that the state will not pay for cost-of-living increases in excess of the amount authorized by the Legislature and that the non-federal share of increases granted in excess of the percentage approved by the Legislature shall be a permanent county fiscal obligation."

IN-HOME SUPPORTIVE SERVICES

Program Description

During 1981–82, the In-Home Supportive Services (IHSS) program will provide personal care, domestic and paramedical services to approximately 99,000 aged, blind and disabled individuals. This program is funded by the state and federal governments, and administered by county welfare departments. Each county may choose to deliver services in one of three ways: (1) directly by county employees, (2) by agencies under contract with the counties, or (3) by providers hired directly by the recipient. Individual providers hired directly by recipients deliver 96.5 percent of all IHSS case months. Los Angeles County accounts for 43 percent of estimated 1980–81 IHSS expenditures.

Current Year Savings

The Department of Social Services estimates that 1980–81 General Fund expenditures for IHSS will be $273,428 less than the amount appropriated for the program by the 1980 Budget Act. This amount, less than 0.1 percent of the $243.8 million appropriation, is due to savings of $2,046,327 in funds budgeted for minimum wage and cost-of-living increases which were partially offset by an increase of $1,772,899 in basic program costs.

Budget Year Proposal

The budget proposes a General Fund appropriation of $117,727,145 for IHSS, which is a decrease of $25,217,419, or 17.6 percent, below estimated 1980–81 expenditures.

This proposed decrease in General Fund support does not reflect a reduction in services provided under the program. Instead, it is largely the result of a proposed shift of $52,013,942 in federal Title XX funds from the Department of Education's child care programs to IHSS, and a corresponding shift of General Fund dollars from IHSS to the Department of Education. In addition, the allocation of $601,791 in additional federal Title XX funds is being used to reduce the amount of General Fund support provided to the program. When allowance is made for these funding shifts, the amount requested from the General Fund for support of the program actually increases by $27,398,314. This increase is due to an anticipated 6.49 percent growth in caseload ($16,233,408), statutory cost-of-

DEPARTMENT OF SOCIAL SERVICES—Continued

living adjustments for grants which are currently at the maximum level ($1,368,820), minimum wage increases effective January 1981 ($7,633,525), the cost of employee benefits for individual providers ($2,163,346) and a net decrease in the cost of restaurant meals ($−785).

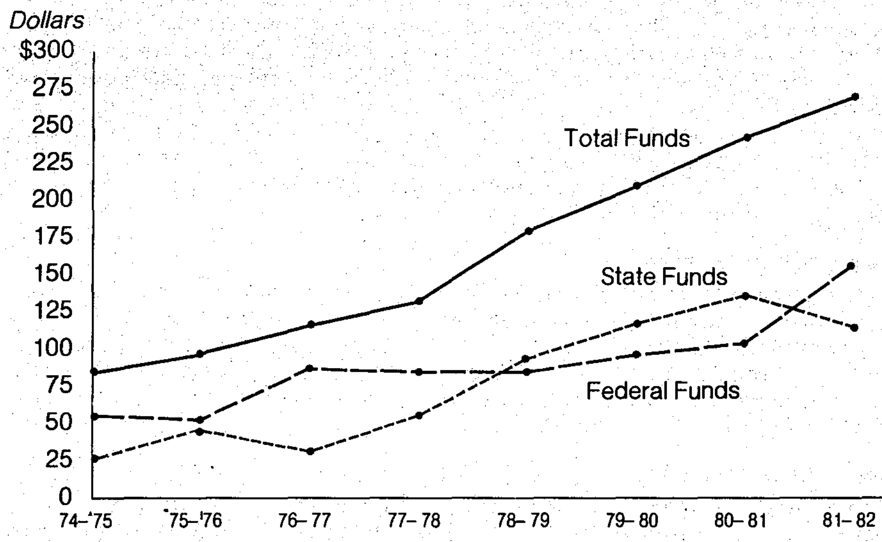
Total program expenditures are proposed at $270,884,325 for 1981–82. This is an increase of $27,398,314, or 11.3 percent, over estimated current year expenditures. The budget also includes $306,813 in federal funds to provide IHSS to refugees.

Program Funding Sources

The state is statutorily required to provide a 25 percent match for federal Title XX funds available for IHSS. Since fiscal year 1978–79, the state's General Fund share of the IHSS budget has been larger than the federal share. Of the funds proposed for the budget year, however, 43.5 percent are state and 56.5 percent are federal. Chart 2 shows the relationship between state and federal funds spent on IHSS during the period 1974–75 to 1981–82.

Chart 2

Expenditures for In-Home Supportive Services General Fund, Federal and Totals 1974–75 to 1981–82 (in millions)



Automatic Adjustment to Maximum Allowable Monthly Payment

The budget requests $1,368,820 to provide a 4.75 percent increase in (1) maximum allowable monthly payments and (2) restaurant meal allowance levels for in-home supportive services (IHSS). This percentage increase is proposed in lieu of the *statutory* cost-of-living adjustment based on the California Necessities Index.

Background. Existing law requires that maximum monthly allowable payment levels for IHSS recipients be adjusted annually to provide percentage cost-of-living increases identical to those statutorily authorized for SSI/SSP grant levels. Under current law, the cost-of-living adjustment is based on the annual percentage change in the California Necessities Index (CNI). This index measures the weighted average change in the prices of food, clothing, fuel, utilities, rent and transportation for low-income consumers. The index is based on California's largest metropolitan areas and is measured from December to December of the year preceding the effective date of the adjustment. The adjustment in 1981–82 payment levels called for by existing law is estimated at 11.2 percent. For the IHSS program each 1 percent adjustment to the statutory maximum payment levels and restaurant meal allowances would cost approximately $290,000.

Two categories of IHSS recipients are identified for purposes of determining the maximum monthly payment levels: (a) IHSS recipients who are authorized to receive at lest 20 hours per month of personal care, ambulation, paramedical, and other specified services, and (b) recipients who receive less than 20 hours of these specified services. Table 8 shows (1) the maximum allowable monthly payment levels for these two categories of recipients during 1979–80 and 1980–81 and (2) the 1981–82 maximum levels for these recipients based on the proposed budget and on the estimated increase in the CNI of 11.2 percent.

Table 8
Maximum Monthly IHSS Grants
1979–80 to 1981–82

			1981–82		
	1979–80	*1980–81*	*Statutory (CNI)*	*Budget Proposal*	*Difference*
Recipients receiving 20 or more hours of specified services per month	$664	$767	$853	$803	$50
Other recipients	460	532	592	557	35

Impact of Proposed Monthly Payment Levels. In-home supportive services are authorized for eligible recipients based on needs assessments conducted by county welfare department staff. Service is awarded on an hourly basis. A small number of severely disabled recipients receive a flat monthly award.

The dollar amount of an individual recipient's IHSS award is generally determined by multiplying the number of authorized service hours by the hourly wage paid to IHSS providers. Although counties have the authority to establish the wage level for IHSS providers, the hourly wage is generally equivalent to the federal and state minimum wage ($3.35 per hour effective January 1981). Thus, in 1980–81, IHSS recipients would receive the maximum monthly payment of $767 if they required 20 or more *hours of specified service* per month and were authorized 229 or more *total hours* of service per month. Other recipients could receive the maximum $532 monthly award if they were authorized 159 or more hours of paid service per month of which less than 20 hours were for specified services.

A large majority of cases are paid on an hourly basis. For these cases, an increase in the statutory maximum monthly grant may increase the number of hours of service they receive each month. State law stipulates that an increase in the maximum allowable payment level should not be construed as a guaranteed increase in the number of hours of service or total dollar award a recipient may receive each month. Therefore, only those recipients who are determined to have an unmet need for service which exceeds the current maximum payment level would receive increased service hour authorizations as a result of an increase in the statutory maximum. In practice, the majority of cases now at the statutory maximum would probably receive increased monthly service authorizations if the statutory maximum is increased.

If the maximum payment level for 1981–82 is increased by 4.75 percent, as proposed by the budget, IHSS recipients paid on an hourly basis and receiving 20 or more hours of specified services could receive up to 239 hours of paid service

DEPARTMENT OF SOCIAL SERVICES—Continued

per month (an increase of 10 hours per month), provided no change is made to the minimum wage of $3.35 per hour. These recipients could receive up to 255 hours of paid service per month if the maximum payment level called for by existing law (CNI increase estimated at 11.2 percent) was approved (26 hours per month). Recipients not authorized to receive 20 hours or more of specified services could receive up to 166 and 177 hours of paid services per month, if the service cost level is increased by 4.75 percent and 11.2 percent, respectively.

Recipients Paid on a Monthly Basis. Approximately 1 percent of all IHSS recipients (less than 1,000 persons) receive flat monthly payments rather than hourly payments. These recipients require a large amount of personal services. Therefore, most flat grant recipients receive 20 or more hours of the specified services which qualify them for the highest maximum monthly payment. The effect of an increase in the statutory dollar award on flat grant recipients would be an increase to their providers' monthly compensation.

Caseload Receiving Maximum Monthly Payments. The Department of Social Services estimates that 3.35 percent of all IHSS recipients receive the maximum allowable monthly payments. Of those recipients who qualify for the higher of the two service levels, however, 15.9 percent receive the maximum allowable monthly payment. Table 9 shows the number of recipients projected to receive the maximum monthly payment during 1981–82.

Table 9
In-Home Supportive Services
Estimated Caseload Receiving
Maximum Monthly Payment [a]
1981–82

	Average Monthly Cases		
	Total	*At Maximum Payment Level*	*Percent*
20 hours or more of specified services	12,541	2,003	15.9%
Other	86,493	1,312	1.5
Totals	99,034	3,315	3.35%

[a] Source: Department of Social Services.

Other Effects of Statutory Increase. Increases in maximum monthly service costs to IHSS recipients account for $1,258,943 of the total $1,368,820 proposed for the statutory cost-of-living adjustment. The remainder is allocated for (1) an increase in the maximum monthly allowance for restaurant meals from $43 to $44 ($10,855) and (2) an increase in the cost of employee benefits for providers due to an increase in the number of IHSS recipients whose quarterly payroll to providers would become subject to various withholding rules if the payment levels are increased ($99,022).

Continued Growth in Expenditures

We withhold recommendation on $27,398,314 from the General Fund proposed for increases in caseload, minimum wage, cost-of-living and provider benefits for the In-Home Supportive Services program, pending receipt from the Department of Social Services of (1) a report required by the 1979 Budget Act regarding the implementation of uniform IHSS program regulations and (2) a report on the April to October 1980 quality control review period and the department's plans for correcting errors identified in that report.

The budget proposes $270 million, all funds, for the In-Home Supportive Services program in 1981–82. This is an increase of $27.4 million, or 11.3 percent, above estimated current year expenditures. Because a larger share of available federal

Title XX funds are proposed for allocation to this program than has been allocated in past years, the net General Fund amount proposed for IHSS in 1981–82 is $25.2 million, or 17.6 percent, less than estimated General Fund expenditures in the current year.

Our analysis indicates that based on past trends and the reduced availability of additional federal funds in future years, General Fund support for IHSS can be expected to resume the growth rate indicated by Chart 2.

Since 1974–75, when this program was created, total expenditures for IHSS have grown by over 300 percent. The average annual increase in expenditures since 1974–75 has been 19.4 percent. While the increase in expenditures proposed for 1981–82 is only 11.3 percent, the budget does not provide for (1) discretionary cost-of-living increases to county welfare department staff or contract providers or (2) the full statutory cost-of-living adjustment for maximum allowable payment levels.

Table 10 displays the increases in total expenditures for IHSS since 1974–75 and the proportions of General Fund and federal funds for each year. The table shows that the rate of growth in expenditures decreased from 1979–80 to 1981–82. The department states this may be due to implementation of uniform regulations enacted in April 1979.

Table 10
Total Expenditures for the In-Home Supportive Services Program
1974–75 to 1981–82

	General Fund	*Percent of Total*	*Federal Funds*	*Percent of Total*	*Totals*	*Amount Increase*	*Percent Increase*
1974–75	$25,927,000	32.9%	$52,750,002	67.1%	$78,677,002	—	—
1975–76	44,953,000	46.6	51,415,152	53.4	96,368,152	$17,691,150	22.5%
1976–77	28,908,943	25.0	86,726,828	75.0	115,635,771	19,267,619	20.0
1977–78	53,647,157	39.3	82,743,379	61.7	136,390,536	20,754,765	18.0
1978–79	94,731,134	53.3	82,866,134	46.7	177,597,268	41,206,732	30.2
1979–80	119,396,738	55.5	95,579,634	44.5	214,976,372	37,379,104	21.0
1980–81 (est)	142,944,564	58.7	100,541,447	41.3	243,486,011	28,509,634	13.4
1981–82 (prop)	$117,727,145	43.5%	$153,157,180	56.5%	$270,884,325	$27,398,314	11.3

Cost Containment Report Submitted January 20, 1981. Pursuant to language contained in the 1980 Budget Act, the Department of Social Services submitted to the Legislature a report which suggests a variety of approaches to contain the continued growth in expenditures for this program. The report was submitted January 20, 1981, too late for a detailed analysis to be included here. Our preliminary review, however, indicates that the report should assist legislative decisions on the funding of this program. We will be prepared to comment on the report during budget hearings.

Factors Governing Expenditure Growth. In the January 20, 1981 report, the department identified four aspects of the IHSS program which affect program costs: (1) eligible population, (2) range of services provided, (3) the level of assessed need for those eligible, and (4) the cost of services.

- Eligible population. Under current law, all SSI/SSP recipients and others who would be eligible for SSI/SSP except for excess income are eligible for IHSS. Less than 100,000 of those eligible, however, receive services. Expansions or restrictions in the criteria for determining the eligible population would affect program cost.
- Range of Services. The IHSS program currently provides domestic services, personal care, teaching and demonstration, yard hazard abatement and paramedical services. The availability of these services through IHSS affects the total hours of service authorized.

DEPARTMENT OF SOCIAL SERVICES—Continued

- Assessed need. Needs assessments conducted by social workers determine (1) the amount of IHSS required by recipients and (2) the degree of impairment for purposes of determining the recipient's monthly payment level. Individuals who are assessed as having a need for 20 or more hours of personal care service per month are eligible for higher maximum monthly service payments than other IHSS recipients. Individual needs assessment decisions are a major factor in total program cost.
- Cost of service delivery. The costs of (1) provider salaries, (2) employee benefits for providers and (3) administrative overhead for county welfare departments and contract providers are another component of program growth.

Quality Control Program Not Described. The cost containment report submitted on January 20, 1981 does not contain (1) a schedule for future quality control reviews, or (2) the department's plans for correcting the errors identified by the current review. Both were required by the Legislature in the 1980 Budget Act. In a 1978 pilot study of quality control for IHSS, the department found that (1) 15.8 percent of payments sampled were made to recipients whose eligibility was not documented and (2) 10.6 percent of sampled cases received higher payments than authorized. The department advises that during the last year it has initiated a full-scale quality control process to (1) monitor county compliance with state IHSS regulations and (2) diagnose weaknesses in state regulatory policy for corrective action. In addition, the department indicates that a quality control report for the first six-month cycle is expected shortly.

Required Report Delayed. The Supplemental Report of the 1979 Budget Act required the Department of Social Services to submit to the Legislature by April 1, 1980, a report on caseload growth, hours of service, cost of service, and other information regarding the April 1979 implementation of IHSS program regulations. In order to include data from counties which did not implement these regulations until November 1979, the department has delayed the submittal of this report until February 1, 1981.

Our analysis indicates that, although the marginal growth rate appears to be leveling off, IHSS expenditures will continue to grow at a rate exceeding that of other social services programs. We have not had an opportunity to review information which will be contained in the forthcoming report on the April 1979 regulations. As a result, we are unable to (1) determine what effect, if any, these efforts have had on controlling costs or (2) recommend approval of increased program costs. Therefore, we withhold recommendation on $27,398,314 from the General Fund requested to fund estimated increases in caseload, minimum wage, cost-of-living and provider benefits pending receipt of (1) the report required by the 1979 Budget Act regarding caseload growth, hours of services, costs of service and other information regarding the implementation of IHSS program regulations, and (2) the IHSS quality control report for the period April to October 1980 and the department's plans for correcting any error rates identified by that report.

IHSS Payrolling System

We recommend (1) the Department of Social Services submit to the Legislature prior to budget hearings, a timetable for development and approval of a feasibility study report on the 1982–83 implementation of Chapter 463, Statutes of 1978, and (2) adoption of Budget Bill language requiring, in the absence of an approved feasibility study report, a competitive bidding process to select the most cost-effective vendor.

The budget proposes $20,339,765 to provide employee benefits to individual providers of in-home supportive services. This is an increase of $2,163,346, or 11.9 percent, over estimated expenditures for this purpose in 1980–81. Of the proposed

$20.3 million for provider benefits, $17.8 million would be expended for employee benefits, and $2,525,139 is proposed to pay a private vendor for the operation of an automated statewide payrolling system.

Background. Chapter 463, Statutes of 1978 (AB 3028), requires the Department of Social Services to ensure that payments for federal Old-Age Survivors and Disability Insurance benefits, unemployment insurance, disability insurance, and workers' compensation are made on behalf of IHSS recipients to individual providers. Counties and IHSS contract providers are responsible for ensuring that their employees receive these benefits.

Services provided by individual providers are estimated by the Department of Social Services to account for 96.5 percent of annual case months during 1980–81. All but four counties use this mode of service provision for a portion of their caseload.

Chapter 463 went into effect on January 1, 1978. To comply with the provisions of the act, the department elected to contract with a private vendor to establish and maintain a statewide computerized payrolling system. Because of a challenge to the initial contractor selection process, the department had to undertake a second proposal process. This delayed selection of a payrolling contractor until September 5, 1979. In January 1980 the first checks were mailed to individual providers by Electronic Data Systems Federal (EDSF), the successful bidder in the second proposal process.

Contract Costs Exceed Proposal. The EDSF firm was selected from among four qualified bidders to establish and maintain the automated IHSS payrolling system. Its selection was based largely on the firm's organization, experience and proposed methodology, as well as on the total proposed cost. The EDSF proposal scored second in the evaluation process, and offered the lowest bid of the four qualifying bidders ($4,338,136, for the period September 1979 to June 1982).

Since the execution of the contract, however, various system enhancements and additions not identified in the request for proposal have increased the anticipated cost of the 34-month contract to $6,669,139. Thus the estimated cost of the contract is $2.2 million, or 52.0 percent, *higher* than the initial proposal. Without further competition among bidders, we are unable to determine if this contract is the most cost-effective alternative available to the state for the provision of employee benefits on behalf of IHSS recipients.

Contract Expires June 30, 1982. The agreement between EDSF and DSS expires June 30, 1982. The State Administrative Manual suggests than an analysis of alternatives to an expiring data processing contract should be concluded no later than six months prior to the expiration date. (The department advises that a period of nine months is generally required to complete the request for proposal process.) Therefore it will be necessary for the department to decide whether to continue or terminate the current contract prior to legislative hearings on the 1982–83 Budget bill.

Alternatives to the Existing Contract. Among the alternatives available to the state are (1) operation of a payrolling system using state-owned resources, (2) continuation of the existing contract and (3) selection of a different vendor based on a competitive bid process. The current contract includes a provision allowing the state to purchase or lease the software of the payrolling system.

Our analysis indicates that, during the initial contract selection process, the department failed to include in the feasibility study report, submitted to the State Office of Information Technology, a detailed cost-benefit analysis of the alternatives, such as the use of state-owned resources, to implement Chapter 463, Statutes of 1978. The purchase of system components not identified in the initial request for proposal have resulted in unanticipated increases in total contract costs. To some extent these unanticipated increases would have been identified in a more detailed feasibility study report.

DEPARTMENT OF SOCIAL SERVICES—Continued

Time Schedule for Decision Not Established. Our analysis indicates that the department has not yet developed a framework or time schedule for determining the most effective alternative for assuring that IHSS recipients meet their legal obligations as employers. In addition, we have been unable to determine the relationship between the IHSS automated payrolling system and the Statewide Public Assistance Network (SPAN) currently being developed by the department in response to Chapter 282, Statutes of 1979. The department has been unable to identify the potential link between these two automated public assistance systems.

In sum, we conclude that (1) the initial analysis of alternatives for the implementation of Chapter 463, Statutes of 1978, did not adequately assess the potential use of state-owned resources, (2) the anticipated total contract costs are 50 percent higher than the bid submitted by the contractor in open competition, and (3) little attention has been focused by the department to date on what should be done when the current payrolling contract expires. To the extent that state resources could be used to provide the payrolling service at a lower cost or other potential vendors could compete more successfully given current system specifications, the current contract may be unnecessarily costly.

Therefore, we recommend (1) the Department of Social Services submit to the Legislature prior to hearings on the 1981 Budget Bill a timetable for development and approval of a feasibility study report on the implementation of Chapter 463, Statutes of 1978, beginning July 1, 1982, and (2) the following language be added to the 1981 Budget Bill:

> "Provided further that, the Department of Social Services shall submit to the Joint Legislative Budget Committee, a feasibility study report approved by the Department of Finance and prepared in accordance with Section 4920 et seq. of the State Administrative Manual, for the continued implementation of Chapter 463, Statutes of 1978, and that this report shall include an analysis of (1) the alternative of utilizing state-owned resources and (2) the relationship of this implementation with the development of the Statewide Public Assistance Network. Provided further that, in the event such a feasibility study report is not completed and approved by September 1, 1981, the department shall develop a request for proposal and enter into a competitive bidding process to select the most cost-effective vendor to implement the requirements of Chapter 463, Statutes of 1978."

OTHER COUNTY SOCIAL SERVICES

Program Description

The Other County Social Services (OCSS) program consists of nine mandated Title XX programs (IHSS is the tenth mandated program) and thirteen programs which are provided at each county's option. A fourteenth service, family protection, offered in Shasta and San Mateo Counties on a pilot basis, expires June 30, 1981.

Proposed Budget

The budget proposes a total amount of $211,806,709 for Other County Social Services in 1981–82. This total consists of $192,129,465 in federal and county funds for the overall OCSS program, $10,572,426 (including $5,000,000 from the General Fund) for a 24-hour emergency response system and $9,104,818 in federal funds for services to refugees. Because the OCSS program is supported primarily by capped federal Title XX funds, any cost-of-living increase granted by the Legislature would require an increased General Fund appropriation.

Twenty-Four-Hour Emergency Response System

We withhold recommendation on $7,929,319 proposed for continued support of a statewide 24-hour emergency response system pending review of (1) actual 1979–80 and 1980–81 costs for this system, and (2) a report submitted to the Legislature January 20, 1981.

The budget proposes $10,572,426 to continue a 24-hour emergency response system for child abuse and neglect. This amount includes $2,929,319 in federal Title XX funds, $5,000,000 from the General Fund, and $2,643,107 in county funds.

Required Report Received January 20, 1981. The Supplemental Report of the 1980 Budget Act required the Department of Social Services to submit a report to the Legislature by December 15, 1980, regarding the characteristics of services rendered by the 24-hour emergency response system. The department notified the Legislature by letter that this report would be delayed until January 31, 1981, to allow for the collection of necessary data. Because of the late receipt of that report, we are unable to include a thorough analysis of its findings in this Analysis.

General Fund Support Not Required. Our preliminary review of the report, however, indicates that only $1,905,900 or 38.1 percent of the $5,000,000 appropriated from the General Fund for this program was expended in 1979–80. The report states that in addition to possible start-up delays, one reason so few funds were expended in 1979–80, is that surplus federal Title IV-B funds were used prior to using state funds. In addition, the department reports that, as of January 1981, (1) seven counties were not claiming reimbursement from the 24-hour emergency response system appropriation and (2) Los Angeles County has implemented the system in only one of it six regions. This indicates that 1981–82 expenditures may be somewhat less than the amount requested.

Funds Used for Purposes Other Than That Intended by the Legislature. Further, our analysis indicates that, contrary to legislative intent, funds appropriated by the Legislature in the 1979 Budget Act for this system were reallocated to counties at the end of the fiscal year to defray county deficits in other social services programs.

For the reasons given above, we are unable to determine the appropriate level of support for the 24-hour emergency response system. Accordingly, we withhold recommendation on $5,000,000 General Fund and $2,929,319 federal Title XX funds proposed to continue support for the 24-hour emergency response system until we have had an opportunity to review (1) the actual 1979–80 and 1980–81 costs for this program and (2) the report submitted by the department January 20, 1981.

OTHER SOCIAL SERVICES ACTIVITIES

Community Care Licensing

Community care facilities provide nonmedical residential care, day care, or homefinding services for children and adults. The Community Care Facilities Act of 1973 (Health and Safety Code, Section 1500 et. seq.) established minimum standards of care and services in community care facilities, and provided for the licensing and evaluation of these facilities. Pursuant to this act, the Department of Social Services develops regulations, conducts facilities evaluations, and contracts with counties to license and evaluate community care facilities.

In 1980–81, 48 counties contracted with the state to license approximately 70 percent of all community care facilities in California. About 90 percent of the county-licensed facilities are family day care or foster homes for children. The Department of Social Services is responsible for monitoring the performance of county licensing agencies. It also directly licenses about 26 percent of the state's community care facilities. Expenditures for direct state facilities evaluation are included in Item 518-001-001, Departmental Support.

DEPARTMENT OF SOCIAL SERVICES—Continued

Budget Year Decrease. The budget proposes $6,463,700 from the General Fund to support facilities evaluation and licensing by counties under contract with the Department of Social Services. This is a decrease of $9,292,400, or 59 percent, from 1980–81 estimated expenditures.

This proposed decrease consists of (1) a net reduction of $1,413,100 in funds proposed for county licensing, based primarily on the application of proposed state workload standards to the anticipated number of county licensed facilities, and (2) an anticipated savings of $7,879,300 resulting from proposed legislation to eliminate the licensure of family day care homes. The proposed budget also anticipates the enactment of legislation to reinstate fees for licensure of community care facilities. To the extent that county facilities licensed by counties are not exempt from such fees, the collection of these fees may increase county administrative costs. Such costs are not included in the proposed budget.

Elimination of Family Day Care Licensing. Family day care homes, as defined by state law, provide care, protection and supervision for up to 12 children in the caregiver's own home, for less than 24 hours, while the children's parents or guardians are away. The Department of Social Services estimates that 22,030 family day care homes would be licensed by counties during 1981–82. The estimated savings of $7,879,300 as a result of the elimination of licensing was derived by (1) applying the proposed state workload standard of 129 family day care facilities per evaluator to the projected caseload, and (2) adding the estimated cost of nonevaluator support staff. To the extent that county costs per position are overestimated and counties exceed the workload standard of 129 facilities per evaluator, this estimate may overstate actual savings.

Workload Standards Contain Unjustified Tasks

We recommend the deletion of unjustified tasks from the proposed allocation standard, for a General Fund reduction of $371,134.

The budget proposes $6,463,700 from the General Fund to support facilities evaluation and licensing by counties under contract with the Department of Social Services. Of this total, $5,776,346 is proposed for the ongoing cost of licensing and evaluating community care facilities. The remaining $687,354 is proposed to support the costs of several regulatory and legislative initiatives. The $5,776,346 proposed for basic costs is based on (1) actual 1979–80 county costs of $23.10 per hour of licensing activity, (2) projection of a stable caseload of 14,974 facilities in 1981–82, and (3) application of a January 1980 workload study of the tasks performed by state-employed licensing staff.

Workload Study. The workload study completed by the Department of Social Services indicates that the *historically accepted* staffing standard—150 licensed day care and 75 licensed residential care facilities per state evaluator—does not accurately reflect the *actual* workload required to evaluate community care facilities. This standard also has been used to allocate funds to the counties for community care licensing. Based on a review of actual time spent and tasks performed, the workload study establishes alternative staffing standards for seven distinct categories of facilities, rather than the two broad categories currently used.

We have identified two components which we do not recommend be included in the workload standards: (1) evaluations of community care facilities within 90 days after initial approval of a license to operate (post-licensing evaluations) and (2) caseload management.

Post-Licensing Evaluation. The proposed staffing standard includes time for evaluators to visit each facility within 90 days after an operating license has been approved. The department advises that these visits may reduce (1) the amount of time required for annual visits and (2) the number of complaints received regarding violations of licensing regulations. The department, however, is unable to document the extent to which the proposed visits are likely to achieve these results. In addition, because these post-licensing visits have not been conducted on a uniform basis in the past, we are unable to verify the amount of time included for this activity. As a result, we have no analytical basis to recommend that this activity be provided for in the proposed workload standard.

Caseload Management. The proposed workload standard also includes a "caseload management" component, which increases by 20 percent the amount of time required for facilities evaluation. This component includes several tasks, such as case file review and drop-in visits, which are already performed as part of other tasks. We recommend that increases for the caseload management component of the staffing standard be reduced from 20 percent to 10 percent, in recognition of this duplication.

Projection of Licensed Facilities. The proposed county licensing budget assumes that the number of county-licensed facilities will remain constant during 1981–82. Our analysis of past trends in county-licensed facilities, other than family day care homes, indicates this is an appropriate assumption. The department estimates that during 1981–82, counties will license 100 adult day care homes, 13,200 foster family homes and 1,674 other family homes.

Existing statute contains specific policies and procedures for licensing community care facilities. Based on available information, we cannot recommend the addition of the two identified components to the workload standards for this program. Therefore we recommend that post-licensing evalutions and a portion of caseload management activities be deleted from the workload standard, for a General Fund reduction of $371,134. Table 11 identifies how this recommendation would affect the department's proposed workload standards.

Table 11
Department of Social Services
Alternative Staffing Standards
for Facilities Evaluators
(Facilities per Evaluator)

Facility Category	*Existing Standard*	*Proposed Standard*	*LAO Proposed Adjusted Standard*
Day Care	150		
Family day care		129	143
Other day care		104	114
Residential Care	75		
Foster family homes		115	126
Other family homes		113	124
Group homes for children		67	73
Other group homes		51	56
Homefinding agencies		84	84

Adoptions

The Department of Social Services administers a statewide program of services to parents who wish to place children for adoption and to persons who wish to adopt children. Adoptive services are provided through three state district offices, 28 county adoptions agencies and eight private agencies. There are three major adoptions programs: (1) relinquishment adoptions, in which a child is released from parental custody and placed in an adoptive home; (2) independent adoptions, in which the natural parents and adoptive parents agree on placement without extensive assistance from an adoptions agency; and (3) intercountry adoptions which involve children from countries other than the United States.

DEPARTMENT OF SOCIAL SERVICES—Continued

The adoptions program is primarily supported from the General Fund, although a fee of up to $500 is collected from adoptive parents. The General Fund supports casework provided by the state and county agencies, and reimburses private adoptions agencies for placement of hard-to-place children.

Current year savings. The Governor's Budget estimates current year savings of $309,889 in the adoptions program. The department advises that this estimated savings is based on (1) receipt of more recent information regarding the number of adoptive placements and the cost per adoptive placement ($240,476), (2) a revised methodology for estimating fee revenues collected from adoptive parents $46,838), and (3) reductions in anticipated costs for implementing the federal Indian Child Welfare Act (PL 95-608) and reimbursing private adoptions agencies for services provided to "hard-to-place" children ($22,575). This estimated current year savings will be revised during the May 1981 revision of expenditures.

Budget proposal. The budget proposes $16,946,994 to support the state adoptions programs in 1981–82, which is an increase of $405,048, or 2.4 percent, over *revised* estimated current year expenditures. This increase is based on (1) an anticipated increase in the number of adoptive placements from 2,647 to 2,712 in 1980–81 and 1981–82, respectively, and (2) a corresponding increase in the revenue anticipated as a result of the collection of fees for adoptions services.

Cost for Adoptive Placement Overestimated

We recommend deletion of overbudgeted funds for county-operated adoptions programs, for a General Fund reduction of $167,492.

The $16,946,994 proposed in this item for the state adoptions program includes $16,741,144 to reimburse county adoptions agencies, and $205,850 to reimburse private adoptions agencies and implement the provisions of the Federal Indian Child Welfare Act. County adoptions agencies submit quarterly claims for reimbursement for adoptions services delivered to birth parents, adoptive parents and children. The state is required by statute to reimburse these county claims after it deducts revenue generated through the collection of fees from total costs. The state, however, may specify allowable county costs and is not required by law to increase funding for the adoptions program to provide for anticipated caseload increases or cost-of-living and overhead increases for county employees.

Estimate of Unit Cost Based on Single Quarter. The budget proposal of $16,741,144 to reimburse county adoptions agencies is based on a projection of 2,712 placements of children in adoptive homes during 1981–82. Of these placements, 2,652 are anticipated to be relinquishment and independent adoptions and 60 are intercountry adoptions. These caseload projections were multiplied by the average costs per adoptive placement—$4,973 for intercountry adoptions and $6,340 for other adoptions programs—to determine the proposed 1981–82 request.

The Department of Social Services advises that these unit costs were derived using the reported caseload and county reimbursement claims for the fourth quarter of 1979–80. In past years, the unit cost used for estimating expenditures for the adoptions program has been based on actual cost per placement over an entire year. The department advises that only the last quarter of 1979–80 was used for this estimate because costs during the first three quarters were not representative of total program costs. According to the department, county adoptions agencies had experienced deficits in previous fiscal years and felt compelled to hold down costs arbitrarily during the first three quarters of 1979–80 in order to avoid a further deficiency.

We have three problems with the use of fourth quarter, rather than full year, data. First, our analysis of expenditures for the state adoptions program in the two years prior to 1979–80 indicates that there was a surplus of funds budgeted for adoptions in both 1977–78 and 1978–79. In fact, a portion of the General Fund amount budgeted for the adoptions program in 1978–79 was transferred, at the request of the Department of Social Services, to fund a portion of the 1978–79 deficit in the In-Home Supportive Services program. Second, our review of quarterly costs per adoptive placement since 1974–75 indicates that unit costs were higher than the fourth quarter of 1979–80 only once during that six-year period. Finally, our analysis indicates that fourth quarter claims have been higher than the previous three quarters in four of the last six years.

Projected unit cost based on full-year data. Using actual 1979–80 costs claimed as of January 20, 1980, ($14,529,960) and placements as reported in the department's publication, *Adoptions in California,* we estimate 1981–82 expenditures of $16,573,652 for reimbursement of county adoptions agencies, rather than the $16,741,144 proposed in the budget, a difference of $167,492. Because full year costs more accurately reflect the actual experience of the adoptions program, we recommend using these costs for budgeting purposes, for a General Fund savings of $167,492.

Social Services for Refugees

We recommend the Department of Finance advise the Legislature during budget hearings regarding the administration's plans in the event the state does not receive $49.9 million in anticipated federal funds for social services to refugees.

The Comprehensive Refugee Assistance Act authorizes 100 percent federal support of social services provided to refugees, without a time limit on individual eligibility. The concurrent resolution on the federal fiscal year 1981 budget (HJR 644), however, limits to $93.7 million the amount of federal funds available for social services to refugees. California's allocation of these funds in 1980–81 is $25,014,400. This is $6 million less than estimated expenditures for the current year. This allocation may be increased if additional federal funds are made available (special funding for Cuban/Haitian entrants, as an example) or if other states fail to spend their share of these funds.

Budget Proposal—Federal Funds Uncertain. The budget proposes $49,893,965 in federal funds for social services to refugees. This is an increase of $18,818,324, or 37.7 percent, over estimated current year expenditures. The funds would be used to deliver social services to refugees, pursuant to the Federal Comprehensive Refugee Act of 1980 (PL 96-212). Of the proposed total, $40,482,334 would be used to continue and expand a network of contracts with private agencies which provide social services, job placement and training in English as a second language. The remaining $9,411,631 would be allocated to county welfare departments for the provision of services to refugees.

The budget proposes to use federal fiscal year 1982 refugee funds during state fiscal year 1981–82. The proposed 1982 federal budget, however, contains only $70.0 million in federal funds for nationwide services to refugees. If this proposed federal appropriation level is not increased through executive or congressional action, it is unlikely that California would receive the proposed $49.9 million in federal funds for social services to refugees. Because a shortfall in federal funds in the budget year may curtail the anticipated level of service and create a demand for General Fund support of these services, we recommend that the Department of Finance advise the Legislature during budget hearings of the administration's plans in the event the amount of federal funds anticipated in the budget does not materialize.

DEPARTMENT OF SOCIAL SERVICES—Continued

Title XX Training

The Title XX training program consists of (1) county administered staff development, (2) services training conducted by universities for county welfare department staff, and (3) training for direct service providers, such as foster parents, child care workers and providers of in-home supportive services.

The 1980 Budget Act authorized two positions in the Department of Social Services to administer and monitor the state's Title XX training program. These positions are limited to June 30, 1982. During the current year, the department has redirected two additional positions for this purpose. In a status report required by the 1980 Budget Act, the department advises that in the current year, (1) proposals have been accepted and contractors selected to provide training to child day care workers and foster parents, and (2) a uniform budget format for private vendors, a standard written agreement between students and their county welfare department employers and a quarterly reporting system were developed for Title XX training contractors.

Federal Funds Reduced

We recommend the Department of Finance advise the Legislature during budget hearings of the administration's plans in the event that federal Title XX training funds available in 1981–82 are less than budgeted.

The budget proposes $15,666,667 for Title XX training programs in 1981–82, consisting of $11,600,000 in federal funds, $3,231,000 in matching funds from contractors and $835,667 in matching funds from counties. Prior to the passage of PL 96-86, which became effective in federal fiscal year 1980, federal grants for Title XX training were unlimited. This act established a nationwide spending cap of $75 million for Title XX training programs. Under this spending limit, California's final allocation for federal fiscal year 1980 was $6,147,747.

Additional federal legislation enacted in 1980, the Adoption Assistance and Child Welfare Act of 1980 (PL 96-272), authorized the allocation of federal Title XX training funds in an amount up to 4 percent of the state's total federal Title XX social services allocation. This equals approximately $11.6 million for California in 1980–81. Beginning in federal fiscal year 1982, however, PL 96-272 allows federal Title XX training funds to be allocated only on the basis of an approved state training plan. Despite the higher authorization level contained in PL 96-272, Congress again appropriated $75 million for this program in federal fiscal year 1980. The concurrent resolution on the 1981 federal budget (HJR 644) also contains $75 million.

A report submitted December 18, 1980 to the Joint Legislative Budget Committee by the Department of Social Services advised the Legislature that (1) 1980–81 allocations to the state's Title XX training programs were being reduced in proportion to the reduction in federal funds from $11.6 million to $6,147,747, and (2) the appropriate Title XX training budget level for 1981–82 is $6,147,747. The 1981–82 budget, however, proposes $11.6 million in federal Title XX training funds.

Our analysis indicates that the budget contains more federal funds for Title XX training than the state can expect to receive, given past and current federal funding levels. As a result, the administration probably will be unable to accomplish the proposed program objectives for Title XX training. Therefore, we recommend the Department of Finance advise the Legislature during budget hearings of the administration's plans for reducing the proposed level of service if federal funds are not received at the anticipated level.

Demonstration Programs

The budget proposes to terminate funding for three projects: (1) the Family Protection Act (Chapter 21, Statutes of 1977) projects in San Mateo and Shasta Counties, (2) respite care projects for abused or neglected children and their families in four counties funded by Chapter 1353, Statutes of 1979, and (3) an in-home supportive services project to develop a model for conducting equitable needs assessments.

The budget also proposes to carry forward $432,837 in funds initially appropriated in the 1979 Budget Act for the multipurpose senior services project. This project is discussed in our analysis of the Health and Welfare Agency Secretary, Item 053. In addition, the budget anticipates continued federal support of $269,037 for child abuse demonstration projects. The budget also proposes $1,597,346 in General Fund support for a program of access services for the deaf and hearing-impaired as established by Chapter 1193, Statutes of 1980.

Department of Social Services
LOCAL MANDATES

Item 518-101(g) from the General Fund — Budget p. HW 181

Requested 1981–82	$8,458,000
Estimated 1980–81	8,350,320
Actual 1979–80	7,074,577
Requested increase $107,680 (+1.3 percent)	
Total recommended reduction	$8,440,400

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. ***IHSS Executive Mandate. Reduce by $2,696,000.*** Recommend deletion of funding for the IHSS executive mandate. 1053
2. ***AFDC Legislative Mandate. Reduce by $5,744,400.*** Recommend reduction of the amount budgeted to reimburse counties for the mandate resulting from enactment of Chapter 348, Statutes of 1976 (AB 2601). 1054

GENERAL PROGRAM STATEMENT

This item contains the General Fund appropriation to reimburse local governments for executive and legislative mandates. The budget proposes to reimburse counties for implementing four executive regulations and three legislative mandates involving programs administered by the Department of Social Services.

Executive Mandates

1. **Regulations for the In-Home Supportive Services Program.** The budget proposes to reimburse counties for social worker time spent implementing regulations for the In-Home Supportive Services (IHSS) program dated April 1, 1979. The department anticipated that these regulations would impose a higher level of service on counties as a result of the requirements that counties (1) assess the need for in-home supportive services for clients in shared living situations, (2) report on teaching and demonstration of homemaking skills, and (3) review the need for protective supervision for IHSS recipients.

LOCAL MANDATES—Continued

2. **Treatment of Loans—AFDC and APSB Programs.** The department has implemented regulations which change the method of treating loans when calculating a recipient's grant level under the AFDC and APSB programs. Under the previous regulations, loans made to recipients were counted as income when determining a recipient's grant. The new regulations exclude loans as countable income.

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

4. **Employment Services Registration—AFDC Program.** AFDC recipients in 31 counties are required to register for the Work Incentive (WIN) program. Recipients in non-WIN registration counties are required to register with the Employment Services (ES) program in the Employment Development Department. As a result of executive regulations, a standard exemption criterion was adopted for both programs.

Legislative Mandates

In addition to these executive mandates, this item includes funding for three legislative mandates.

1. **Six Percent Increase in AFDC Grants.** Chapter 348, Statutes of 1976, increased the AFDC welfare payment standard by 6 percent effective January 1, 1977, in order to provide a higher standard of living for AFDC recipients. Normally, counties pay a portion of AFDC grant costs. However, because the state mandated the 6 percent increase, it is obligated to reimburse counties for their share of the cost.

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.

2. **Peace Officer Status for Welfare Fraud or Child Support Investigators.** Chapter 1340, Statutes of 1980, designates welfare fraud or child support investigators as peace officers if they are regularly employed and paid as such by the county. The department estimates that this will result in additional salary and training requirements for current investigators.

3. **Inventory of Foster Care Caseload.** Chapter 1229, Statutes of 1980, appropriated $250,000 for reimbursement of counties for costs incurred for conducting an inventory of children in foster care beginning in January 1981. The Department of Social Services advises that the implementation of this legislation will be completed by October 1981.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a General Fund appropriation of $8,458,000 to reimburse executive and legislative mandates in 1981–82. Of this amount, $2,713,600 is to reimburse counties for the cost of implementing various executive regulations. The remaining $5,744,400 is to reimburse counties for local mandates contained in specific legislation.

The budget states that legislative mandates are underfunded by $172,400 in the current year. Most of this is due to an unanticipated increase in caseload during 1980–81.

The proposed 1981–82 appropriation represents an increase of $107,680, or 1.3 percent, over estimated 1980–81 expenditures. Table 1 details the costs of each of the local mandates funded in this item.

Table 1
Department of Social Services
General Fund Expenditures for Local Mandates
1980–81 and 1981–82

	Estimated 1980–81	*Proposed 1981–82*	*Change Amount*	*Change Percent Change*
Executive Mandates				
IHSS uniform program regulations	$2,502,820	$2,696,000	$193,180	7.7%
AFDC treatment of loans	4,500	4,500	–	–
AFDC employment-related equipment	9,500	9,500	–	–
AFDC employment services registration	3,600	3,600	–	–
Legislative Mandates				
AFDC grant increase (Ch. 348/1976)	5,573,700	5,744,400	170,700	3.1
Investigator status (Ch. 1340/1980)	6,200	–	–6,200	–100
Foster care inventory (Ch. 1229/1980)	250,000	–	–250,000	–100
Totals	$8,350,320	$8,458,000	$107,680	1.3%

IHSS Executive Mandate

We recommend that funding for the IHSS executive mandate be deleted, for a General Fund savings of $2,696,000.

Our analysis indicates that the appropriation of funds for this mandate is not warranted because (1) the counties have not been able to document any actual costs incurred as a result of the IHSS regulations, (2) the formula used by the Department of Social Services (DSS) to allocate the local mandate funds is not tied to the actual costs resulting from the three new IHSS requirements, and (3) separate reimbursement for any costs incurred as a result of these regulations may not be necessary if the Superior Court's decision in the Sacramento County vs. State of California case is upheld.

Actual Costs Not Documented. The $2.7 million requested in the budget is based on (1) a DSS estimate of anticipated 1979–80 costs resulting from the April 1979 regulations, and (2) caseload and cost-of-living adjustments for 1980–81 and 1981–82. Because counties have not been required to submit claims for reimbursement of costs resulting from this mandate, the Department of Social Services is unable to identify the actual costs of the regulations.

In a survey conducted by our office in October 1980, we contacted 10 counties which, together, accounted for 79 percent of the state's 1979–80 IHSS expenditures. None of these counties could document increased local costs associated with the new regulations. Three of the 10 counties surveyed indicated that they had incurred undeterminable increased costs due to the provisions requiring specific actions for shared living assessments. Because there is no information available on the actual costs of this mandate, it is impossible to verify (1) the need to fund this mandate, or (2) the initial DSS estimate of anticipated local costs.

Allocation Formula Not Tied to Mandated Costs. Our analysis has identified two major problems with the allocation formula used by the Department of Social Services to distribute these funds in 1979–80 and 1980–81: (1) actual costs are not included in the formula, and (2) the formula rewards counties which overspend their allocations for Other-County Social Services. As a result, the allocation formula in effect provides counties with state funds for a broad range of social services programs, rather than solely for the reimbursement of local mandated costs, as intended by the Legislature.

Pending Litigation Includes Costs of Executive Mandate. In a case that is now before the Court of Appeal (Sacramento County vs. State of California), several counties contend that the state is responsible for funding the entire nonfederal

LOCAL MANDATES—Continued

share of all costs related to the operation of the IHSS program, including administration and assessment. The counties' contention is based on (a) Welfare and Institutions Code Section 12306 which states "as regards IHSS, the state shall pay the matching funds required for federal social services from the state's General Fund," and (b) the requirement that the state shall reimburse each local agency for all costs mandated by the state by statute or executive order enacted after January 1, 1973 (Revenue and Taxation Code Section 2207).

The Sacramento County Superior Court has decided in favor of the counties. The state has appealed the court's decision on the basis that counties were supporting these activities prior to 1973.

If the Superior Court decision is upheld, it would increase costs to the General Fund by approximately $35 million. Under the decision, the costs associated with the April 1979 regulations would be treated as part of the IHSS administrative costs and would not require separate reimbursement.

In sum, Section 2207 of the Revenue and Taxation Code requires that, to receive reimbursement of state mandated local costs, units of local governments must show that the mandate resulted in increased costs based on increased levels of service. The inability of the counties to document increased costs as a result of this mandate suggests that any costs associated with this mandate probably have been minor and were absorbed within existing program budgets. If, in the future, counties are able to document costs associated with the April 1979 regulations, these costs should be funded (a) in the same manner as the other IHSS administrative costs, if the Superior Court's decision in the Sacramento County suit is upheld or (b) through the normal claims review process in the State Controller's office, if the decision is overturned. We therefore recommend that funding for this mandate be deleted from the 1981 Budget Bill. To the extent that counties are able to document increased costs resulting from the regulations and submit valid claims to the State Controller, a portion of these funds may still be required.

AFDC Legislative Mandate

We recommend that funds budgeted to reimburse counties for the legislative mandate resulting from enactment of Chapter 348, Statutes of 1976 (AB 2601) be deleted, for a savings of $5,744,400 to the General Fund.

Background. Chapter 348, Statutes of 1976, increased by 6 percent the grant amounts provided under the Aid to Families with Dependent Children (AFDC) program, effective January 1, 1977. Table 2 shows the increased payment standards, as a result of the act, for families with one through four persons. The 6 percent increase was in addition to the annual cost-of-living increase required by the Welfare and Institutions Code.

Table 2
AFDC Maximum Aid Payment Standards
Resulting from Chapter 348, Statutes of 1976

	Payments As Of		
Family Size	*December 1976*	*January 1977*	*Increase*
1	$157	$166	$9
2	258	273	15
3	319	338	19
4	379	402	23

Normally, increased grant costs in the AFDC program are shared by the federal, state and county governments. At the time that Chapter 348 became effective, the federal government paid 50 percent of grant costs, the state paid 33.7 percent, and the county paid 16.3 percent.

Chapter 348 identified the county share of the cost for the 6 percent increase as a reimbursable state-mandated cost, and appropriated $8.5 million from the General Fund to reimburse counties for costs incurred during the last six months of 1976–77. In subsequent years, the Budget Act has provided funds to reimburse counties for their costs. The statute disclaimed state reimbursement for the county share of subsequent annual cost-of-living increases.

Table 3 shows the amounts budgeted and expended for this mandate since 1976–77.

Table 3
Local Mandate Expenditures for AFDC
Six Percent Grant Increase
1976–77 to 1980–81

	1976–77	*1977–78*	*1978–79*	*1979–80*	*1980–81*
Budgeted	$8,500,000 [a]	$23,592,447	$19,442,437	$14,891,400	$5,407,500
Expended	2,821,953	20,781,043	15,521,623	5,109,700 [b]	5,573,700 [c]

[a] Half-year costs for January–June 1977.
[b] Because AB 8 increased the state share of AFDC grants from 33.7 percent to 44.6 percent, actual expenditures for the local mandate were less than the amounts appropriated in the 1979 Budget Act.
[c] Based on Department of Social Services' November 1980 estimate of anticipated expenditures.

Analysis. Chapter 348 clearly imposed an increased level of service and additional costs on the counties by increasing AFDC grants 6 percent. It was therefore appropriate, when the statute was enacted, for the state to fund the mandated costs. The enactment of AB 8, however, has called into question the need to continue funding this mandate.

As a result of the passage of AB 8, the counties were required to assume 5.4 percent of the AFDC grant costs and 25 percent of the administrative costs, starting in 1979–80. In order to provide counties with a revenue source to fund their share of the AFDC grant and administrative costs, AB 8 shifted $115.6 million in property tax revenue from school districts to the counties. Of the $115.6 million transfer, $96.2 million was for AFDC assistance payments and $19.4 million was for AFDC administration.

Funding No Longer Justified. AB 8 is silent on the intent of the property tax revenue transfer of $115.6 million. Thus, it is unclear whether the transfer was intended to provide a dollar-for-dollar offset for county AFDC costs or whether it was intended simply to give the counties another revenue source for financing some of their welfare costs. Nevertheless, we have determined that the method for calculating the $96.2 million transfer for assistance payments resulted in the shift of funds to the counties *for their share of the 6 percent AFDC mandate.* Because the property tax revenue shift included funds to cover the county's share of the 6 percent grant increase, our analysis indicates that continued funding for these costs in the local mandate item results in double-funding. We therefore recommend a reduction of $5,744,400.

DEPARTMENT OF SOCIAL SERVICES—REAPPROPRIATION

Item 518-490 from the General
Fund

We recommend approval.

This item reappropriates funds from Item 274(i), Budget Act of 1978, for use in the multipurpose senior services project (MSSP). The act appropriated $1,500,000 in 1978. The budget anticipates that an unencumbered balance of $432,837 will remain at the end of the current year. This item would make the balance available to MSSP in 1981–82.

Two reasons account for the delay in the expenditure of these funds. First, the Health and Welfare Agency, whose responsibility it is to implement MSSP, was not able to secure all the necessary waivers to obtain federal funding, until March 1980. Secondly, the acquisition of full caseload for the project has ben delayed. Consequently, the sites will not reach full caseload capacity until April 1981. MSSP should be in full operation by the time the reappropriated funds are made available in the budget year.

The Department of Social Services has advised our office that the unencumbered balance may fluctuate during the current year, depending on the availability of other funds which can be used for MSSP. If additional funds are made available to the project during 1980–81, our analysis indicates that the balance from Item 274(i), Budget Act of 1978, will exceed $432,837.

DEPARTMENT OF SOCIAL SERVICES—REVERSIONS

Item 518-495 from the General
Fund

We recommend approval.

This item reverts the unencumbered balances from Chapter 363, Statutes of 1975, and Chapter 1241, Statutes of 1978, to the General Fund.

1. ***Section 2, Chapter 363, Statutes of 1975, Reimbursement of Private Adoptions Agencies.***

Chapter 363, Statutes of 1976 (SB 252), appropriated $64,000, from the General Fund, to the Department of Social Services for the reimbursement of private adoptions agencies which assist in the placement of a child who is under the custody and control of a public adoptions agency. The funds were appropriated without regard to fiscal year.

As part of the statute, private agencies were allowed to claim up to $1,000 per placement, less fees received from adoptive parents. Chapter 489, Statutes of 1979, raised the maximum placement reimbursement to $1,500. The 1980 Budget Act appropriated $64,000 to the Department of Social Services to cover the costs of these reimbursements in 1980–81.

Because the Department of Social Services has budgeted funds in 1980–81 and in 1981–82 to reimburse private agencies for their costs, we recommend approval of this reversion.

2. ***Section 4, Chapter 1241, Statutes of 1978.***

Chapter 1241, Statutes of 1978 (SB 768), required the Department of Social Services to study and prepare a preliminary and final report on state administration of welfare and social services programs currently administered by county governments. The statute appropriated $200,000 from the General Fund to the department for this study.

The preliminary report was submitted to the Legislature on October 13, 1978. The department's final report was received by our office on April 9, 1979. It recommended the implementation of a Centralized Delivery System which would store and index case records, verify eligibility, compute grant amounts and issue warrants. Many of the final report's recommendations were incorporated into AB 8 (Chapter 242, Statutes of 1979).

The Department of Social Services was able to complete the required study with existing staff and resources. The $200,000 provided for additional staff was not encumbered, and therefore, we recommend approval of this reversion.

Health and Welfare Agency

CALIFORNIA HEALTH FACILITIES COMMISSION

Item 519 from the California Health Facilities Commission Fund — Budget p. HW 194

Requested 1981–82	$2,700,530
Estimated 1980–81	2,421,896
Actual 1979–80	2,051,787
Requested increase (excluding amount for salary increases) $278,635 (+11.5 percent)	
Total recommended reduction	None
Recommendation pending	$272,405

SUMMARY OF RECOMMENDATIONS

	Analysis page
1. Data Processing Improvements. Withhold recommendation on $272,405 requested for data processing positions and equipment, pending analysis of cost data.	1059

GENERAL PROGRAM STATEMENT

The California Health Facilities Commission collects patient and financial data from hospitals and nursing homes and discloses those data to government agencies and the public.

The commission was created by Chapter 1242, Statutes of 1971, which also required that a uniform financial accounting and reporting system be developed for hospitals. Chapter 1171, Statutes of 1974, extended these accounting and reporting requirements to long-term care (LTC) facilities. The purposes of the financial disclosure requirements 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 services, (3) disseminate financial data on health facilities to private third-party payors and the public, (4) assist local health planning agencies, and (5) create a body of reliable data for research.

Chapter 1337, Statutes of 1978, expanded the commission's responsibilities to include: (1) establishing standards of effectiveness for health facilities, and (2) forecasting hospital operating and capital expenditures for each of the state's health service areas for use by Health Systems Agencies in developing area health plans.

CALIFORNIA HEALTH FACILITIES COMMISSION—Continued

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of $2,700,530 from the California Health Facilities Commission Fund to support commission activities in 1981–82. This is an increase of $278,634, or 11.5 percent, above estimated current year expenditures. This amount will increase by the amount of any salary and staff benefit increases approved by the Legislature for the budget year. The primary components of the proposed increase are:

(1) establishment of five new positions in the Accounting Branch, at a cost of $103,451;
(2) installation of computer equipment and establishment of six new positions for key data entry, at a cost of $272,405. These changes would allow the commission to terminate an existing contract for key data entry and data processing, for a net cost savings of $112,832; and
(3) establishment of five new positions to implement Chapter 594, Statutes of 1980 (SB 1370), which requires the collection of quarterly financial and patient discharge data.

The budget identifies a total of 78.1 positions, which is an increase of 17.0 above the number authorized in the current year. Table 1 identifies the proposed new positions and the resulting cost or cost savings to the California Health Facilities Commission Fund.

Table 1
California Health Facilities Commission
Proposed New Positions, 1981–82

Description	*Number*	*Cost*
1. Accounting Branch	5.0	$103,451
2. Data Processing	6.0	−112,832
3. SB 1370 Implementation	5.0	233,761
4. Clerical Workload	1.0	-
Totals	17.0	$224,380

Accounting Branch Workload

We recommend approval.

The budget proposes the establishment of five new positions in the accounting branch to increase the productivity of health facility reports processing and to improve data quality.

Currently, three of the nine staff in this branch are student assistants. Because of a high rated turnover in these positions, productivity in processing health facility reports has declined markedly since early 1979, resulting in a large backlog of unprocessed long-term care reports. The commission has administratively established three part-time positions in the current year to eliminate this backlog. To eliminate the ongoing problem of declining productivity, the commission is proposing to eliminate the student assistant positions and replace them with three accounting technicians on a permanent basis. The net cost of establishing these positions is $8,469.

The commission further proposes establishment of two accounting officer positions to operate an editing system designed to reduce error rates in the health facility financial disclosure statements. The cost of these positions and associated key entry and data processing support is $94,982.

Our analysis of these proposals indicates that they are justified. We recommend approval.

Data Processing Improvements

We withhold recommendation pending analysis of cost data.

Currently, the commission contracts with the Franchise Tax Board (FTB) for a major portion of its key data entry and data processing workload. Because of increased charges, processing times, and high error rates, the commission proposes to discontinue its contract with FTB and to assume all key data entry and data processing duties in-house. Accordingly, it proposes to establish six new positions and to purchase data processing equipment and software packages. The cost of these new positions and data processing support in 1981–82 is $272,405. The estimated cost of the equivalent FTB services in 1981–82 is $385,237. Thus, the establishment of these new positions and the associated adaptations to the commission's data processing capabilities is estimated to result in 1981–82 cost savings of $112,832.At the time this analysis was prepared, we had not analyzed all the data supplied by the commission to verify the estimate. We withhold our recommendation at this time, pending completion of that analysis.

Our analysis and recommendation concerning this proposal will be presented in a supplemental analysis submitted by March 1, 1981.

Implementation of Chapter 594, Statutes of 1980

We recommend approval.

Chapter 594, Statutes of 1980 (SB 1370), expanded health facility financial disclosure requirements to include disclosure of:

(1) summary financial data on a quarterly basis, and
(2) patient discharge data, including data on patient characteristics, admission, diagnosis, primary procedure, and disposition upon discharge.

Collection of patient discharge data will improve the commission's data analysis capabilities significantly, because discharge data will allow the commission to compare costs of hospitals with similar caseload and procedural mixes. The commission's current data base does not allow such comparisons. Without controlling for variation in caseload and procedural mixes among hospitals, it is difficult to determine whether various hospital cost containment policies, such as the California Voluntary Effort, are effective.

The budget proposes to establish (1) one new accounting officer position to implement the quarterly reporting requirements and (2) two new professional and two new clerical positions to implement the discharge data program and to begin processing and analysis of discharge data in the final quarter of 1981–82. The cost of these six positions and their associated data processing support is $233,761.

Our analysis of the commission's proposal indicates that these positions are required to implement the requirements of Chapter 594. We recommend that they be approved. The Legislature should be aware, however, that hospitals will only begin to disclose discharge data at the end of 1981–82. The commission, therefore, is likely to request additional staff in its budget for 1982–83, when substantial workload increases are anticipated in the discharge data program.