

**DEPARTMENT OF SOCIAL SERVICES  
SUMMARY**

The Department of Social Services (DSS) 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) programs. 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 DSS, for 1982-83 through 1984-85. Total expenditures of \$7,149,142,000 are proposed for 1984-85, which is an increase of \$214,297,000, or 3.1 percent, above estimated current-year expenditures.

**Table 1  
Department of Social Services  
Expenditures and Revenues by Program  
All Funds  
1982-83 through 1984-85  
(in thousands)**

<i>Program</i>	<i>1982-83</i>	<i>1983-84</i>	<i>1984-85<sup>a</sup></i>	<i>Percent Change 1983-84 to 1984-85</i>
Department Support .....	\$145,947	\$161,508	\$160,736	-0.5%
Payments for Children .....	3,013,155	3,282,665	3,405,916	3.8
SSI/SSP .....	2,084,680	2,138,776	2,179,402	1.9
Special Adult programs .....	1,591	1,524	190	-87.5
Refugee program .....	117,901	77,459	63,721	-17.7
County Welfare Department Administration .....	591,640	649,463	685,633	5.6
Social Services programs .....	532,420	613,228	643,118	4.9
Community Care Licensing .....	8,316	10,222	10,426	2.0
Local Mandates <sup>b</sup> .....	—	(282)	(407)	(44.3)
<b>Totals .....</b>	<b>\$6,495,650</b>	<b>\$6,934,845</b>	<b>\$7,149,142</b>	<b>3.1%</b>
<i>Funds</i>				
<i>General Fund .....</i>	<i>\$2,813,682</i>	<i>\$2,931,738</i>	<i>\$3,051,494</i>	<i>4.1%</i>
<i>Federal funds .....</i>	<i>3,339,174</i>	<i>3,625,918</i>	<i>3,704,701</i>	<i>2.2</i>
<i>Interstate Collection Incentive Fund ..</i>	<i>—</i>	<i>600</i>	<i>525</i>	<i>-12.5</i>
<i>County funds .....</i>	<i>335,250</i>	<i>369,185</i>	<i>382,904</i>	<i>3.7</i>
<i>Reimbursements .....</i>	<i>7,544</i>	<i>7,404</i>	<i>9,518</i>	<i>28.6</i>

<sup>a</sup> Includes proposed cost-of-living adjustments.

<sup>b</sup> Funding for local mandates for 1983-84 and 1984-85 is provided in the item for state mandated local programs (Item 9680).

Table 2 shows the *General Fund* expenditures for cash grant and social services programs administered by DSS. The department requests a total of \$3,051,494,000 from the General Fund for these programs in 1984-85.

This is an increase of \$119,756,000, or 4.1 percent, above estimated current-year expenditures.

**Table 2**  
**Department of Social Services**  
**General Fund Expenditures**  
**1982-83 through 1984-85**  
**(in thousands)**

<i>Program</i>	<i>Actual 1982-83</i>	<i>Estimated 1983-84</i>	<i>Proposed 1984-85<sup>a</sup></i>	<i>Percent Change 1983-84 to 1984-85</i>
Department Support .....	\$41,456	\$47,809	\$45,758	-4.3%
Payments for Children .....	1,367,301	1,491,641	1,562,645	4.8
SSI/SSP .....	1,140,480	1,097,386	1,101,124	0.3
Special Adult programs .....	1,539	1,472	138	-90.6
County Welfare Department Ad- ministration .....	102,475	116,686	129,114	10.7
Social Services programs .....	154,122	169,229	205,050	21.2
Community Care Licensing .....	6,309	7,515	7,665	2.0
Local Mandate .....		(282)	(407)	44.3
Totals.....	\$2,813,682	\$2,931,738	\$3,051,494	4.1

<sup>a</sup> Includes proposed cost of living adjustments

**OVERVIEW OF ANALYST'S RECOMMENDATIONS**

The analysis of the proposed 1984-85 budget for DSS is divided into 9 sections, as follows: (1) state operations, (2) AFDC, (3) SSP program for the aged, blind, and disabled, (4) Special Adult programs, (5) Refugee Cash Assistance programs, (6) County Administration of Welfare programs, (7) Social Services, (8) Community Care Licensing, and (9) cost-of-living increases.

We are recommending reductions totaling \$6,669,000 from proposed General Fund expenditures. Of this amount, \$250,000 reflects recommendations for programmatic change and \$6,419,000 reflects technical budgeting recommendations.

**Table 3**  
**Department of Social Services**  
**Summary of Legislative Analyst's Recommendations**  
**General Fund**  
**(in thousands)**

	<i>Recommended Changes</i>			<i>Recommendations Pending</i>
	<i>Programmatic Issues</i>	<i>Technical Issues</i>	<i>Total</i>	
AFDC cash grants .....	-\$350	-\$5,678	-\$6,028	\$63,199
County administration of welfare programs .....	100	-166	-66	—
Social services .....	—	—	—	4,583
Community care licensing .....	—	-501	-501	—
Cost-of-living adjustments .....	—	-74	-74	5,143
Totals.....	-\$250	-\$6,419	-\$6,669	\$72,925

In addition, we are recommending that \$10.9 million requested from the

**DEPARTMENT OF SOCIAL SERVICES**

**SUMMARY—Continued**

General Fund to remove existing limits on state participation in county welfare department salaries be used, all or in part, to provide cost-of-living increases for county administration in 1984-85.

We withhold recommendation on \$72,925,000 proposed in the budget pending receipt of the May revision of expenditures.

**DEPARTMENT OF SOCIAL SERVICES**

**Departmental Support**

Item 5180 from the General Fund and Social Welfare Federal Fund

Budget p. HW 169

Requested 1984-85 .....	\$45,758,000
Estimated 1983-84 .....	47,809,000
Actual 1982-83 .....	41,456,000
Requested decrease (excluding amount for salary increases) \$2,051,000 (-4.3 percent)	
Total recommended reduction .....	None

**1984-85 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
5180-001-001	Department of Social Services, support	General	\$45,758,000
5180-001-866	Department of Social Services, support	Federal	(105,460,000)

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis page*

1. Statewide Public Assistance Network. Recommend the Legislature direct the Department of Social Services (DSS) to prepare a long-range plan for development of computer systems that can achieve the Legislature's goals for welfare administration. 1182
2. Disability Evaluation—Reimbursement Mechanism. Recommend that the DSS report to the fiscal committees, prior to the budget hearings, regarding the proposed reimbursement mechanism for disability evaluations of Medically Indigent Adults (MIA). 1184
3. Fair Hearings Backlog. Recommend that, prior to the budget hearings, DSS submit a plan to the fiscal committees for processing the remaining backlog of MIA fair hearing appeals. 1185
4. Community Care Licensing—Fees. Recommend enactment of legislation requiring that community care facilities be charged a license fee based on (a) the cost of licensing each facility type and (b) the proportion of each facility's clients whose care is paid for from nongovernmental sources. (Potential General Fund savings: \$9,248,000) 1190

5. Community Care Licensing—Family Day Care Caseload Increase. Recommend that, prior to the budget hearings, the DSS advise the fiscal committees on how it proposes to satisfy statutory licensing requirements for family day care, given the number of evaluator positions proposed in the budget. 1195
6. Adoptions. Recommend that, prior to the budget hearings, DSS provide the fiscal committees with (a) an estimate of the effect of SB 14 on state district adoption office caseloads and (b) a plan for providing adoption services to children served by state district offices. 1196

### GENERAL PROGRAM STATEMENT

The Department of Social Services (DSS) administers income maintenance, food stamps, and social services programs. In addition, the department is responsible for licensing and evaluating nonmedical community care facilities and determining eligibility for the federal supplemental security income and Medicaid/medically needy programs through disability evaluations. These responsibilities are divided among nine operating divisions within the department.

The department was authorized 3,448.4 positions in the current year. The department proposes to delete three positions and administratively establish 73 positions during the current year. As a result, the department will have 3,518.4 positions during 1983-84.

**Table 1**  
**Summary of the DSS Support Budget**  
**1982-83 through 1984-85**  
**(in thousands)**

<i>Program</i>	<i>Actual 1982-83</i>	<i>Estimated 1983-84</i>	<i>Proposed 1984-85</i>
AFDC-FG/U .....	\$12,601	\$14,413	\$14,311
AFDC-FC .....	3,217	3,965	4,105
SSI/SSP .....	951	1,098	1,121
Special Adult Programs .....	206	195	80
Food Stamps .....	14,233	14,822	15,183
In-Home Supportive Services .....	2,625	3,266	3,302
Other County Social Services .....	3,427	3,799	3,792
Adoptions .....	4,851	5,693	5,807
Child Abuse Prevention .....	653	922	1,156
Community Care Licensing .....	14,051	15,804	17,028
Refugee Programs .....	1,864	2,685	2,645
Disability Evaluation .....	71,800	78,543	78,124
Services to Other Agencies .....	6,372	5,647	3,851
County Data Systems .....	1,167	1,116	895
Child Support .....	4,579	5,444	5,651
Maternity Care .....	72	229	233
Access Assistance for the Deaf .....	117	136	138
WIN .....	931	1,036	1,084
Refugee Services .....	2,116	2,695	2,230
Demonstration Programs .....	114	—	—
Totals .....	<u>\$145,947</u>	<u>\$161,508</u>	<u>\$160,736</u>
<i>Funding</i>			
General Fund .....	\$41,456	\$47,809	\$45,758
Federal funds .....	96,947	106,295	105,460
Reimbursements .....	7,544	7,404	9,518
Totals .....	<u>\$145,947</u>	<u>\$161,508</u>	<u>\$160,736</u>

**DEPARTMENT OF SOCIAL SERVICES—Continued****OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$45,758,000 from the General Fund for support of the DSS in 1984-85. This is a decrease of \$2,051,000, or 4.3 percent, below estimated current-year expenditures. The decrease, however, makes no allowance for the cost of any salary or staff benefit increases that may be approved for the budget year.

The budget proposes total expenditures of \$160,736,000, including expenditures from reimbursements, for support of the department in 1984-85. This is a decrease of \$772,000, or 0.5 percent, below estimated 1983-84 expenditures. Table 1 shows total proposed expenditures for the department, by major program category.

**Table 2**  
**Department of Social Services—Support Budget**  
**Proposed General Fund Adjustments**  
**(in thousands)**

	<i>Cost</i>	<i>Total</i>
1983-84 Expenditures (Revised) .....		\$47,809
<b>A. Baseline Adjustments</b>		
1. Increase in existing personnel costs		
a. Full-year cost of 1983-84 salary increase .....	\$809	
b. OASDI benefits .....	103	
c. Foster care licensing .....	133	
d. Day care licensing caseload .....	426	
e. Yolo County case data positions .....	6	
Subtotal .....		\$1,477
2. Decrease in existing personnel costs		
a. Limited-term positions		
(1) Placer-Nevada case data .....	-\$289	
(2) Medically Indigent Adult fair hearings (AB 799) .....	-1,147	
b. Retirement benefits .....	-195	
Subtotal .....		-\$1,631
3. One-time expenditures		
a. Equipment .....	-\$2	
b. Disaster relief .....	-1,080	
Subtotal .....		-\$1,082
4. Operating expenses and equipment		
a. Inflation adjustment .....		\$726
5. Adjustment of prior year Board of Control Claim, Ch 1183/83 ..		\$11
6. Total baseline adjustments .....		(-\$499)
<b>B. Program Change Proposals</b>		
1. Disability Evaluation Division (DED) funding change .....	-\$1,839	
2. Elimination of internal audit function .....	-113	
3. CCL investigator workload increase .....	113	
4. CCL caseload growth .....	322	
5. Child abuse and neglect prevention and intervention (AB 1733)	238	
6. Multi-county case data system .....	-9	
7. Reduction in operating expenses and equipment .....	-207	
8. DED position reduction .....	-57	
9. Total program change proposals .....		-\$1,552
<b>C. Total Changes for 1984-85 .....</b>		<b>(-\$2,051)</b>
<b>D. Proposed Budget for 1984-85 .....</b>		<b>\$45,758</b>

### Proposed General Fund Budget Changes

Table 2 shows the proposed changes in the department's General Fund support expenditures for 1984-85. As the table shows, General Fund expenditures are proposed to decrease by \$2,051,000, or 4.3 percent. The decrease reflects proposed expenditure increases totaling \$2,887,000 and reductions totaling \$4,938,000. The major proposed increases consist of: (1) \$1,477,000 for increased costs of existing personnel, (2) \$726,000 for a 6 percent inflation adjustment to the department's budget for operating expenses and equipment, (3) \$435,000 for increased caseloads in the community care licensing program, and (4) \$238,000 for the continuation of six limited-term positions for child abuse prevention that expire at the end of the current year. The major decreases consist of: (1) \$1,147,000 for the one-time-only costs of processing fair hearing appeals resulting from the transfer of Medically Indigent Adults (MIA) to county health programs, (2) \$1,080,000 for the one-time costs of providing assistance for specified disasters during 1983-84, and (3) \$1,839,000 due to the administration's proposal to require counties to pay for disability evaluations of MIAs.

**Table 3**  
**Department of Social Services**  
**Position Changes Proposed for 1984-85**

	Existing Positions	Administrative Adjustments	New Positions	Total Positions	Net Change	
					Number	Percent
AFDC-Foster Care.....	146.7	-1.0	—	145.7	-1.0	-7%
Child Support Enforcement	75.6	-.3	—	75.3	-.3	-.4
Other AFDC .....	242.0	-3.2	—	238.8	-3.2	-1.3
Food Stamps .....	289.0	-2.9	—	286.1	-2.9	-1.0
Other County Social Services .....	97.9	-.2	—	97.7	-.2	-.2
In-Home Supportive Services .....	79.6	-1.8	—	77.8	-1.8	-2.3
Adoptions .....	138.8	—	—	138.8	—	.0
Child Abuse Prevention .....	9.1	—	6.0	15.1	6.0	65.9
Refugee Services.....	48.8	-2.0	—	46.8	-2.0	-4.1
Community Care Licensing	374.8	2.5	59.5	436.8	62.0	16.5
Disability Evaluation .....	1,690.3	-94.0	39.0	1,635.3	-55.0	-3.3
Services to Other Agencies	90.0	-5.1	—	84.9	-5.1	-5.7
County Data Systems .....	—	—	9.0	9.0	9.0	N/A
Other .....	97.4	—	—	97.4	—	.0
Totals .....	3,380.0 <sup>a</sup>	-108.0	113.5	3,385.5	5.5	.2%

<sup>a</sup> The department is authorized 3,448.4 positions during 1983-84. Of these, 68.4 are limited-term and will expire at the end of the current year.

	Requested New Positions	Fiscal Effect of Proposed New Positions (in thousands)			Totals
		General Fund	Federal Funds	Reim- bursements	
Child Abuse Prevention .....	6.0	\$238	—	—	\$238
Community Care Licensing .....	59.5	1,735	10	—	1,745
Disability Evaluation .....	39.0	—	1,614	—	1,614
County Data Systems .....	9.0	-9	-8	912	895
Totals .....	113.5	\$1,964	\$1,616	\$912	\$4,492

**DEPARTMENT OF SOCIAL SERVICES—Continued****Proposed New Positions**

The department is proposing a net increase of 5.5 positions for 1984-85, as shown in Table 3. This reflects 113.5 new positions and a reduction of 108 positions. As a result of these changes, the budget proposes funding for 3,385.5 authorized positions in 1984-85. The largest single request is for 59.5 positions for the Community Care Licensing program. These positions are requested to (1) conduct on-site evaluations of facilities and provide administrative support to licensing evaluators (56.5 positions) and (2) investigate allegations of unsafe conditions in community care facilities (3 positions).

The largest single reduction in staffing is the proposed elimination of 94 positions from the disability evaluation division. This reduction primarily reflects an anticipated reduction in the number of disability cases that will be referred by the federal government to the state for review (55 positions).

**ANALYSIS AND RECOMMENDATIONS****Legal Services Positions**

The *Supplemental Report to the 1983 Budget Act* requires our office to report on the effect of reductions in legal positions (1) resulting from vetoes by the Governor in acting on the 1983 Budget Bill and (2) proposed in the 1984 Budget Bill.

The 1983 Budget Bill, as submitted by the Legislature to the Governor, authorized 43.5 legal positions for the DSS. The Governor vetoed 7.5 of these positions.

The department advises that, at the time the Governor vetoed the 7.5 positions, the department believed it could accommodate the reduction through changes in workload priority within the legal affairs division. Subsequently, the department administratively established 4.5 positions in the current year to handle the increased legal services workload associated with the Community Care Licensing program. The budget proposes to continue these positions in 1984-85.

The department advises that the three legal positions which were not restored will reduce the number of positions assigned to various welfare and social services programs. It is unclear what impact these reductions will have on the department's ability to handle its legal services workloads. This is because the workloads associated with these programs will depend primarily on the number of court cases and regulation changes that occur in 1984-85.

**Statewide Public Assistance Network**

*We recommend that the Legislature direct the DSS to prepare a long-range plan for the development of computer systems that can achieve the Legislature's goals for welfare administration.*

The *Supplemental Report to the 1983 Budget Act* required the Legislative Analyst to review the Revised Feasibility Report on the Statewide Public Assistance Network (SPAN) prepared by Arthur Andersen and Company. In addition, the report directed the Analyst to present the Legislature with *options* for the continued development of statewide com-

puter systems that can support the administration of public assistance programs in California. The DSS also was required to submit a report that reviews the revised FSR and analyzes legislative options for the development of welfare computer systems.

We issued our report in December 1983. The findings of our report are summarized below.

**Problems with the Existing Welfare System.** We have identified the following problems with the current system of welfare administration in California—problems that the SPAN project was intended to solve:

- Lack of uniform welfare policy application throughout the state;
- High error rates; and
- Missed opportunities for improved efficiency through automation.

To some extent, these problems can be solved by the application of computer technology.

**Options Considered.** We have identified five options that the Legislature has available to it in attempting to develop state computer systems that can help solve the problems associated with the current welfare system:

- Require state administration of welfare programs with a state-developed, state-run, and state-maintained computer system;
- Require development of the central delivery system concept using one of the SPAN designs;
- Develop and maintain two systems, one based on the Case Data design and the other based on Los Angeles County's welfare computer system, and expand MEDS to function as a statewide welfare index (this approach was recommended in the Arthur Andersen report);
- Require the DSS to prepare and implement a long-range plan for computer systems development capable of achieving the Legislature's goals for welfare administration; and
- Repeal the provision of existing law requiring the development of a central delivery system and continue computer system development under existing departmental policies.

**Recommended Action.** Based on our review of these options, we recommend that the Legislature direct the DSS to prepare a long-range plan for the development of computer systems that can achieve the Legislature's goals for welfare administration. The plan should identify the specific steps that must be taken in order to:

- Meet those information needs of the state that are currently unmet;
- Develop cost-effective computer systems that can improve program efficiency and reduce error rates; and
- Increase the uniformity with which welfare policies are applied throughout the state.

In addition, the plan should include specific milestones by which the Legislature can gauge the DSS' success in completing the steps specified in the plan.

**Justification for the Recommendation.** Clearly, the objectives of this option are modest compared to the objectives of SPAN. Given the state's experience in attempting to develop large systems of this type, however, modest objectives would seem to be appropriate. Too many times in the past, the Legislature has allowed the DSS to take on large projects with ambitious goals only to find that after significant funds had been committed to the projects, the department had little to show for the effort. The virtue of a planned effort involving a series of steps toward welfare auto-

**DEPARTMENT OF SOCIAL SERVICES—Continued**

mation is that it would minimize the chances and consequences of failure, while still working toward the same goals that the central delivery system was supposed to achieve. Such an approach would not preclude the development of a single statewide system, operated either by the state or by counties. Rather, it sets a deliberate pace for computer systems development that could ultimately result in a statewide computer system.

We recommend this approach to computer systems development for the following additional reasons:

- It requires that computer development efforts be directed toward identified problems.
- It requires that resources for computer systems development be targeted at those activities that offer the greatest amount of program savings and tests the viability of these activities through pilot testing before statewide implementation.
- It minimizes the risk of failure.

**Disability Evaluation Program**

The Disability Evaluation program determines medical eligibility of California residents for Disability Insurance, Supplemental Security Income (SSI), and Medi-Cal. With the exception of disability evaluations of Medically Indigent Adults (MIA), the division's activities are supported through federal funds and reimbursements. In the current year, the costs of disability evaluations of MIAs are borne by the General Fund and federal funds.

The budget proposes no General Fund support for the division in 1984-85. Instead, the budget proposes to require counties to pay for disability evaluations of MIAs, which are conducted in order to determine if they qualify for medical services as medically needy (MN) recipients.

Persons may qualify for Medi-Cal assistance if they receive cash grants or they are classified as medically indigent or medically needy. Individuals may be eligible for Medi-Cal as medically needy if they do not receive cash assistance grants but are aged, blind, or disabled or members of families with dependent children. Medically indigent adults may receive medical care if they are pregnant women or are in long-term care.

The budget proposes total expenditures of \$78,124,000 for this program 1984-85. Of this amount, \$71,778,000 are federal funds and \$6,346,000 are reimbursements, including \$1,194,400 in county funds.

**Counties to Reimburse the State for Disability Evaluations**

*We recommend that, prior to the budget hearings, the department report to the fiscal committees concerning the proposed county reimbursement mechanism for disability evaluations of MIAs.*

Chapter 328, Statutes of 1982 (AB 799), transferred responsibility to the counties for providing medical care to most MIAs. (Previously, these individuals received state-only-funded Medi-Cal benefits.) Counties may refer MIAs to the State, however, for a disability evaluation in order to determine if they qualify for medical services as MNs. If they qualify for the MN program, the county no longer pays the cost of their medical care. This is because MNs receive medical services through Medi-Cal, which is funded by the state (50 percent) and federal (50 percent) governments.

Currently, counties have an incentive to refer most—or all—MIAs for disability evaluations. This is because they not only do *not* pay for the cost

of MIA disability evaluations, but they *save* county funds if the individual qualifies for the MN program. Given this funding mechanism, there are no incentives for counties to screen MIAs in order to determine the *likelihood* that the individuals will be found eligible for the MN program.

The Budget proposes to require counties to pay for the disability evaluations of MIAs. Requiring counties to pay for these services may create incentives for the counties to evaluate the *likelihood* of a referral being found eligible for the MN program, instead of automatically referring most applicants for evaluation.

The extent to which better incentives are established will depend on the specific reimbursement mechanism established by the department. For example, if the department charges counties on the basis of the proportion of state funds allocated to each county for support of medical care for MIAs, counties will *not* have an incentive to evaluate the likelihood that the individual will qualify for the MN program. This is because counties will pay the same level of reimbursements, regardless of the number of MIAs referred for disability evaluation. On the other hand, if the department charges counties on a per capita referral basis, counties may be more likely to limit the number of individuals referred for evaluations. Because the incentives faced by counties differ markedly, depending on the way the reimbursement mechanism is structured, we recommend that, prior to the budget hearings, the department report to the fiscal committees on the proposed county reimbursement mechanism to be used for disability evaluations of MIAs.

#### **Fair Hearings for Medically Indigent Adults**

*We recommend that, prior to the budget hearings, the department present to the fiscal committees a plan for processing the remaining backlog of Medically Indigent Adult (MIA) fair hearings appeals in the current and budget years.*

Chapter 328, Statutes of 1982 (AB 799), transferred responsibility for the medical needs of MIAs to the counties. Previously, medical care for MIAs was provided through the state-funded Medi-Cal program. Of the MIAs transferred to the counties, 22,000 appealed their status. The 1983 Budget Act provided the DSS with \$1,356,000 for staffing and support costs to conduct fair hearings and associated disability evaluations for the individuals who appealed their transfer. The department anticipated that all work associated with the transfer of the MIAs would be completed by February 1984. The department now advises that (1) the fair hearings process has not been completed for 5,700 individuals and (2) the department will not complete the process by the February 1984 deadline.

**Revised Schedule for Processing Appeals.** The department now estimates that processing of the fair hearings and remaining disability evaluations will not be completed until September 1984. The budget, however, does not contain funds for the costs of processing these appeals during the first three months of 1984-85. In addition, the department has not been able to advise us how it will fund the costs of processing the remaining 5,700 cases between March 1984 and June 1984. In the original proposal, the 1983 Budget Act provided funding only through February 1984 for the processing of MIA fair hearings.

Until the hearing process is completed, MIAs continue to receive medical services at state and federal expense through the Medi-Cal program. Each month that the 5,700 individuals receive medical services results in additional General Fund Medi-Cal costs of \$1.2 million.

**DEPARTMENT OF SOCIAL SERVICES—Continued**

We conclude that the budget does not propose funds to process the backlog of fair hearing cases. In addition, the department has not been able to advise us of its plan for processing these cases using existing resources. Therefore, we recommend that, prior to the budget hearings, the department present the fiscal committees with a plan for processing the remaining MIA fair hearing appeals during the current and budget years.

**Report on Transfer of Day Care Licensing**

*The Supplemental Report to the 1983 Budget Act* requires the Legislative Analyst to report on the feasibility of transferring the responsibility for licensing child day care facilities from the Department of Social Services (DSS) to the Department of Consumer Affairs (DCA). Specifically, the report required us to discuss (1) the organizational structure of the two departments, (2) the costs of day care licensing, (3) fees for day care licensing, and (4) the ability of each department to perform specified functions. We discuss each of these issues below.

**Organizational Structure of the Two Departments.** The DSS currently administers the Child Day Care Licensing Program through 11 district offices. The program licenses child day care centers and family day care homes. In addition, the DSS contracts with several counties to license family day care homes. The licensing of child day care facilities is totally supported by the General Fund; the department charges no fees to support the cost of licensing these facilities.

The DCA was established by the Consumer Affairs Act of 1970 (Ch 1394/70). It has four major components: (1) the 42 licensing agencies, which include boards, bureaus, programs, and committees; (2) the Division of Administration; (3) the Division of Investigation; and (4) the Division of Consumer Services. All of the boards and bureaus within the department, except the State Board of Guide Dogs for the Blind, are statutorily required to support their programs from revenues generated by various license fees.

Each of the DCA's constituent licensing agencies is statutorily independent of the department's control. Only the five bureaus (Automotive Repair, Collection and Investigation Services, Electronic and Appliance Repair, Employment Agencies, and Home Furnishings) are under the direct statutory control of the Director of DCA. However, the department does provide centralized administrative services to each of its constituent agencies. (For further information regarding the DCA, please refer to Item 1120.)

**Costs of Licensing Child Day Care Programs.** Table 4 compares the DSS' estimate of the costs it incurs to license child day care facilities with the DCA's estimate of the costs it would incur in the event that this licensing responsibility is transferred to that department. It is important to note that the estimate provided by the DSS does *not* include the portion of the department's overhead costs that is attributable to this program. These costs may be substantial. Moreover, the estimate provided by the DCA is subject to error since the DCA has no direct experience with licensing day care facilities. Nevertheless, the estimates displayed in Table 4 are the best estimates currently available. According to these estimates, transferring the responsibility for child day care licensing from the DSS to the DCA would result in a slight reduction in annual ongoing licensing costs. In the first year of such a transfer, however, these savings would be more than offset by one-time start-up costs to the DCA.

**Table 4**  
**Comparison of Estimated Costs of**  
**Child Day Care Licensing**  
**DCA and DSS**  
**(in thousands)**

	<i>DSS</i>	<i>DCA</i>	<i>Difference</i>
One-time start-up costs .....	N/A	\$406.5	\$406.5
On-going annual licensing costs .....	\$9,200.0	8,909.0	-291.0
Totals .....	\$9,200.0 <sup>a</sup>	\$9,315.5 <sup>b</sup>	\$115.5

<sup>a</sup> Does not include departmental overhead costs. Source: Department of Social Services.

<sup>b</sup> Source: Department of Consumer Affairs.

**Fees for Licensing Child Day Care Programs.** The 1983 Budget Act required the DSS to submit a report to the Legislature on community care licensing fees. (We discuss this report below.) Based on our review of the department's report, we recommend that the Legislature authorize licensing fees for all community care facilities, including child day care facilities. We recommend that the fee be based on (1) the cost of licensing each facility type and (2) the proportion of each facility's clients whose care is paid for from nongovernmental sources. Such a fee system would result in an annual day care license fee ranging from zero to \$300, depending on the number of clients in the facility whose care is paid for from private sources. The DSS estimates that the fee would generate annual General Fund revenues of \$8,350,000 from child day care facilities. We estimate that these revenues would be partially offset by annual collection costs of \$576,000.

If child day care licensing is transferred, the DCA recommends that a licensing fee system be established in order to support the operations of the program and to remain consistent with the current funding philosophy of the department. The DCA recommends the following fee structure in order to support the program and provide a prudent reserve for economic uncertainties.

**Table 5**  
**Department of Consumer Affairs**  
**Proposed Fees and Revenues for**  
**Child Day Care Licensing**

	<i>Fee</i>	<i>Number of Licensees</i>	<i>Revenue</i>
<i>Application</i> .....	\$75	11,357	\$851,775
<i>License</i>			
Family Day Care .....	300	8,518	2,555,400
Day Care Center .....	375	2,839	1,064,625
<i>Renewal</i>			
Family Day Care .....	300	12,501	3,750,300
Day Care Center .....	375	4,167	1,562,625
<i>Registered Assistant Providers</i> .....	50	12,500	625,000
Renewal .....	40	12,500	500,000
			<u>\$10,909,725</u>

In addition, the DCA believes that the current triennial renewal period should be changed to an annual renewal period in order to reduce the

**DEPARTMENT OF SOCIAL SERVICES—Continued**

activity of unlicensed providers and improve enforcement efforts. However, by changing the renewal period, higher fees would be required in the first two years with a downward adjustment in the final year of the transition period. The revenue projections in Table 5 are based on the proposed higher first-year fees.

*Comparison of the Abilities of DSS and DCA to Perform Specified Functions.* The *Supplemental Report* requires the Analyst to assess the ability of DSS and DCA to perform a variety of functions. In general, we conclude that neither department is significantly better able than the other to perform these functions. In most cases, the DCA currently performs functions that are similar, but not identical, to the functions performed by the DSS in licensing child day care facilities. The following is a description of the way the two departments perform the various functions identified in the *Supplemental Report*:

**1. Enforcement.** Currently, both DCA and DSS are required to conduct various enforcement activities in order to ensure that (a) specified individuals and facilities are licensed and (b) these individuals and facilities are operating in compliance with licensing laws. We reviewed the enforcement programs administered by each department, but could find no basis for concluding that either one of the departments is better able than the other to achieve the goals of licensing child day care facilities.

Specifically:

- The DCA reports that the extent of unlicensed activity in the business and professions which it licenses varies widely. It maintains that the percentage of individuals and businesses practicing without a license is affected by a variety of factors including (1) the consumer's willingness to accept services without first verifying that the provider is licensed, (2) the benefit of licensure of the licensee, and (3) the costs and affordability of licensure.

The DSS is unable to estimate the percentage of unlicensed day care centers or family day care homes that are operating in the state. We have discussed the issue of unlicensed facilities with state and county licensing staff and with members of the Governor's Advisory Committee on Child Development programs. These individuals agree that unlicensed activity *is* a major problem with respect to family day care homes, but that it is not a significant problem with respect to day care centers. We believe that the factors cited above by the DCA explain, at least partially, the extent of unlicensed activity in the family day care industry.

- Under current law, the authority of the two departments to levy administrative fines is similar but not identical. Effective January 1, 1984, the DSS was granted the authority to administratively fine child care centers for code violations. Family day care homes, however, are not subject to such fines. At this time, the DSS is unable to determine if the authority to levy fines will improve compliance with the law and reduce health and safety violations. The department reports, however, that the utilization of administrative fines on other categories of community care facilities does improve compliance with the law.

On the other hand, only two regulatory agencies within the DCA have the statutory authority to levy administrative fines. If the Legis-

lature decides to transfer the Child Day Care Licensing program to the DCA, it should provide the department with the same (or a greater) degree of flexibility and authority to levy fines than currently is available to the DSS.

**2. Complaint Handling.** Under current law, both the DSS and DCA are required to review a complaint made against a licensee within 10 days. The DSS review consists, at a minimum, of a face-to-face visit by a licensing evaluator with the licensee. The DCA is not required to conduct site visits in response to complaints against licensees. Instead, its constituent agencies are required to *administratively review* complaints and notify the complainant that a review is in progress. In addition, according to the DCA, its constituent agencies are not legally required to resolve a complaint within a specified time period.

The DSS reports that in 1982-83, 98 percent of all required complaint visits were investigated within 10 days. The DCA reports that a recent sample of the department's licensing programs confirmed that 100 percent of the administrative reviews are completed within the required 10-day period. We have no basis for determining whether the DCA could improve upon DSS' 98 percent review rate in the event that child care licensing was transferred to the DCA.

**3. Orientation of New Providers.** The DCA and its constituent regulatory agencies do not provide orientation programs for new licensees. However, some boards and bureaus provide new licensees with information concerning the law and its application.

The DSS has provided orientation seminars on an ad-hoc basis for new community care providers for some time. Members of the Governor's Advisory Committee on Child Development Programs advise us that these seminars have been very useful to new providers. The DSS is in the process of implementing a more extensive program of orientation for new family day care providers. The department reports that the program will begin operation during 1983-84.

**4. Consumer Awareness.** The Consumer Affairs Act requires the DCA to provide educational materials to the public relating to the various licensed businesses and professions. The various boards and bureaus develop and distribute a wide variety of publications for this purpose. In addition, the DCA sometimes provides consumer information through radio and television announcements.

Chapter 323, Statutes of 1983, requires the DSS to provide a program of consumer awareness services as part of the Family Day Care Licensing program. At the time this analysis was prepared, the DSS had not yet implemented the required consumer awareness program. The department advises that the program will be implemented during 1983-84 and will consist primarily of the development and distribution of educational materials.

**5. Regulations.** The DCA and the DSS must adhere to the same statutory guidelines for issuing regulations. Specifically, each board and bureau within the DCA (1) develops regulations, (2) submits them to the Director of the department and the Office of Administrative Law for review, and (3) holds public hearings. The DSS follows a similar process. Our analysis indicates that there is no substantive difference in the rule-making procedures utilized by the two departments.

**6. Regionalization.** The DSS currently administers the Child Day Care Center and Family Day Care Licensing programs through 11 district offices. In addition, the DSS contracts with several counties to license

**DEPARTMENT OF SOCIAL SERVICES—Continued**

family day care homes. The DCA does not have a system of district offices throughout the state that it uses to administer its programs.

The DCA advises, however, that most of its boards and bureaus have informal relationships with local governments, and that a few boards have more formal relationships with local governments. The Structural Pest Control Board, for example, contracts with the Los Angeles County Agricultural Commissioner to investigate pesticide-related complaints. The DCA advises that it would have to establish eight district offices in order to administer a day care licensing program.

**7. Development of Civil Service Classifications for Staff.** Both departments must adhere to state personnel guidelines in the development of staff classifications. Our analysis indicates that the civil service procedures utilized by the DCA and the DSS are essentially identical.

**Conclusion.** We have not found any substantial difference in the abilities of the two departments to perform the functions specified in the *Supplemental Report*. Moreover, based on the cost estimates submitted by the departments, it does not appear that a transfer of responsibility for day care licensing to the DCA would result in major cost savings. We have no analytical basis for concluding that transferring day care licensing from the DSS to the DCA would result in a substantial improvement in the licensing program. Consequently, we recommend that the responsibility for day care licensing remain with the DSS.

**DSS Report on Fees for Community Care Licensure**

*We recommend enactment of legislation requiring that community care facilities be charged a license fee based on (1) the cost of licensing each facility type and (2) the proportion of each facility's clients whose care is paid for from nongovernmental sources. (Potential General Fund savings: \$9,248,000)*

The 1983 Budget Act required the DSS to submit a report to the Legislature on (1) "the community care licensing fee system recommended by the Legislative Analyst in the *Analysis of the 1983 Budget Bill*," and (2) a flat fee system.

The department's report, submitted in December 1983, reviewed three possible fee systems for the program. In addition to the two fee systems specified in the Budget Act, the report identified a third system based on a sliding scale, with the amount of the fee for each facility determined by the type and capacity of the facility. The department recommends that this fee system be adopted. Each of the fee systems is described briefly below.

**Fee System Recommended by Legislative Analyst.** In our *Analysis of the 1983 Budget Bill*, we recommend that community care facilities be charged a license fee based on (1) the *total* costs of licensing each facility type and (2) the proportion of each facilities' clients whose care is paid for from nongovernmental sources. This recommendation was based on our finding that (1) licensing is a service that should be paid for by the beneficiaries of the service and (2) licensees can either absorb the fee or pass it through to their clients. However, because community care facilities are often unable to adjust the rates they charge publicly supported clients, we recommended that facilities pay a fee based on the percentage of their clients whose care is paid from nongovernmental sources.

**Sliding Scale Fee System.** Under this proposal, the amount of the licensing fee would depend on the capacity of the facility, and would cover

only specified costs of licensing each facility type. Specifically, the fee would be based on initial application and renewal processing costs, but would not reflect the costs of complaint handling, follow-up visits to facilities by licensing evaluators, staff training, and departmental overhead costs. The department maintains that application processing costs are readily identifiable, whereas other program costs are more difficult to apportion equitably to the various licensing categories. The department also states that the sliding scale system would avoid the costly process of determining the proportion of clients whose care is paid for from private sources.

**Flat Fee System.** Under this system, all community care licensees would pay a fee of \$100 regardless of their size or type.

Table 6 displays the department's estimate of the revenues, collection costs, and fee levels for each of the three systems.

**Table 6**  
**Fiscal Effect of Three Alternative Community Care Licensing Fee Systems**

	<i>Legislative Analyst's Proposal</i>	<i>Sliding Scale Fee— Department's Proposal</i>	<i>Flat Fee</i>
Revenue			
Child Day Care Facilities			
Family homes .....	\$6,609,000	\$2,179,000	\$2,179,000
Centers .....	1,741,000	826,000	342,000
Residential facilities .....	1,583,000	1,383,000	1,181,000
Totals .....	\$9,933,000	\$4,383,000	\$3,702,000
Cost of collection .....	\$685,000 <sup>a</sup>	\$685,000	\$685,000
Amount of Fee .....	\$0 to \$860 <sup>b</sup>	\$100 to \$275 <sup>c</sup>	\$100

<sup>a</sup> The DSS estimates that the collection costs associated with the Analyst's proposed fee system would be \$1,740,000. We believe the costs of collecting the fees under our proposal would be no more than the costs the DSS estimates for its proposal, \$685,000. We discuss this issue below.

<sup>b</sup> Fee depends on facility type and percent of facility's clientele that is privately supported.

<sup>c</sup> Fee depends on facility type and capacity.

Source: DSS. Assumes effective date of July 1, 1984

In its report, the department identified several reasons why it recommended a sliding scale fee system, rather than the system we proposed. The report also asserts that the flat fee system would be preferable to our proposal, for the same reasons. We discuss each of the department's reasons below:

1. **Costly Recordkeeping.** The report states that the Analyst's "fee system based on the proportion of private pay clients would necessitate the establishment of a costly, complex system for operators in recordkeeping and reporting." Our analysis indicates that this is not so because operators of community care facilities currently maintain records identifying which of their clients are supported by government programs. Without such records, the operators would be unable to charge the government for the costs of care provided to the clients. It is difficult to imagine how a facility operator could stay in business without also knowing which of his or her clients pay for their own care.

2. **Private Pay Clients Would Subsidize Public Clients.** The report states that under the Analyst's proposal, "private pay clients will in effect subsidize the cost of licensing for public pay clients." In fact, this would not occur under our fee proposal, but would occur under the system the

**DEPARTMENT OF SOCIAL SERVICES—Continued**

department proposes. This is because our proposal would result in a fee based *only on licensing costs attributable to private pay clients, not publicly supported clients*. The department's proposal, however, would charge a fee to facilities regardless of the actual mix of private and public clients.

3. **Costs to the Operator.** The report states that the fee proposed by the Analyst "puts an unacceptable financial burden on the (facility) operator." This assertion appears to be based on the department's estimate that (a) under our proposal the annual fee for child day care facilities would range from \$200 to \$300 (assuming 100 percent private pay clients), and (b) the annual fee for residential care facilities would range from \$400 to \$800 (assuming 100 percent private pay clients). The report provides no evidence that these fees represent an unacceptable financial burden on the operator. For example, assuming a capacity of 25 children and a monthly day care charge of \$200 per month per child, the \$300 licensing fee for a child day care center would represent one-half of 1 percent of the facility's total revenue.

4. **Incentives to Increase Capacity.** The report states that the fee proposed by the Analyst would create an incentive for facilities to increase their capacity, thereby reducing the availability of small facilities that are more suited to the special needs of some community care clients. We recognize that the fee we propose may create a slight incentive to increase capacity since facilities in each licensing category would pay the same fee regardless of their capacity. We do not believe this incentive would be significant, however, since (a) facility capacity is limited by the physical size of each facility and (b) operators face other more significant incentives to increase capacity such as the economies of scale, and the resulting potential for higher profits, which are inherent in larger facilities.

5. **Children's Day Care Facilities Would Pay Most of the Fees.** The report states that under the Analyst's proposal, "the bulk of the fees assessed would be to children's day care facilities" and that "this is counter to the movement of the last several years to provide low cost day care to the working parent." We believe these statements are misleading for three reasons:

- a. While it is true that under our proposal, children's day care facilities would pay more in fees than any other facility type, the same is true under the department's proposed sliding scale system. In fact, almost any imaginable community care licensing fee system would generate more revenue from children's day care facilities than from any other type of facility. This is because children's day care facilities represent more than one-half of all licensed community care facilities.
- b. Any increase in the cost of day care to working parents resulting from the imposition of a license fee would be small, even assuming facility operators pass the entire cost of the fee on to the parent. For example, the fee we propose would raise the average cost of family day care by less than \$4 per month per child, assuming the owner of the home passed through 100 percent of the fee.
- c. The fee system we propose would not increase the costs of day care to subsidized parents. Instead it would only affect the costs incurred by nonsubsidized parents who, by definition, do not qualify for a subsidy based on income or need.

6. **Costs of Collection.** The report states that the fee proposed by the Analyst would require a costly and complex collection system. The

department estimates that annual collection costs would be \$1,740,000 under our proposal, as compared with \$685,000 for the sliding scale system it proposes. The department's estimate of the collection costs associated with our fee system assumed that the department, and the counties under contract to the department, would be required to maintain records reflecting the payment status (private versus public) of each client in each facility. Such a system would, indeed, be very costly. Fortunately, no such system would be needed. The department could simply allow facilities to report the percentage of their clients whose care was paid for from non-governmental sources, in the same way that many of these facilities now report their income and expenses for tax purposes. These reports could be audited, on a random basis, to assure a relatively high level of accurate self-reporting. We believe the cost of collection of the fees from our proposal would be no more than the cost the department estimates for its proposal, \$685,000.

***Department's Proposal Imposes a Fee for Publicly Subsidized Community Care.*** The sliding scale fee system proposed by the department would impose a fee on all community care facilities without regard to the percent of a facility's clients whose care is paid for by the government. (This is also true of the flat-fee system identified by the department in its report.) It would, therefore, put facility operators in the position of choosing between one or more of the following three options: (1) absorb the cost of the fee, (2) reduce services to clients, or (3) seek an increase in the rate at which the government reimburses them for the care they provide to subsidized clients.

We do not believe that any of these options is desirable for the following reasons:

- It would be unfair to expect operators to absorb the costs of a fee without a determination that they could afford to do so.
- The level of service provided to these clients is often specified in law. Therefore, the provider may not be able legally to reduce the level of service in order to offset the cost of the fee. Moreover, the policy of the Legislature has been to encourage a high quality of community care.
- Increasing the rates of reimbursement paid to community care operators by the government in order to offset the cost of the licensing fee could result in increased General Fund costs. This is because the General Fund pays a substantial share of the costs of care for many community care clients.

For these reasons, we recommend the enactment of legislation requiring that community care facilities be charged a fee based on (1) the cost of licensing each facility type and (2) the proportion of each facility's clients whose care is paid for from nongovernmental sources. Assuming such a fee becomes effective on July 1, 1984, the department estimates that it would generate increased annual General Fund revenues of \$9,933,000. We estimate that these revenues would be partially offset by increased General Fund costs to collect the fees of \$685,000. Thus, the net effect of the fee we propose would be to reduce the General Fund costs of the Community Care Licensing program by \$9,248,000. This would *not* put this licensing program on a fully self-supporting basis. Under our proposal, fee revenues would pay for approximately 34 percent of the costs of the program, which is roughly the same percentage as the percentage of community care clients whose care is paid for from nongovernmental sources. The General Fund (and, to a lesser extent, federal funds) would

**DEPARTMENT OF SOCIAL SERVICES—Continued**

continue to pay for the 66 percent share of the costs of the Community Care Licensing program which is attributable to publicly supported clients.

**Changes in the Family Day Care Licensing Program**

Chapter 323, Statutes of 1983, the companion measure to the 1983 Budget Act, made major changes in the Family Day Care Licensing program. Specifically, the measure required that starting in 1983-84:

- The department, or counties under contract with the department, visit all family day care homes prior to approving a request for license renewal. Prior law required such visits only to those homes that had been cited for a major violation of licensing standards during the term of their license. The DSS estimates that this change will result in a 25 percent increase in the workload of the Family Day Care Licensing program.
- The department provide (1) ongoing training to licensing staff and law enforcement agencies, (2) consumer education for parents of children in family day care, and (3) an orientation program for prospective family day care providers. The department allocated \$300,000 for these programs in 1983-84 and proposes spending the same amount in 1984-85.

***Funds for Family Day Care Licensing Were Reduced By the Governor.***

The Legislature appropriated \$10,210,000 for family day care licensing for 1983-84. This amount included \$7,210,000 for the county costs and \$3,000,000 for the department's costs of family day care licensing. The Governor reduced these amounts to \$4.8 million and \$2.2 million, respectively. The reductions were based on the department's estimate in July 1983 of the costs of the Family Day Care Licensing program. The July estimate assumed:

- A workload standard of 228 family day care homes per county licensing evaluator. Based on our review, we conclude that this workload standard is appropriate, given the increased number of unannounced visits to family day care homes required by Chapter 323.
- An estimated caseload of 21,440 county-licensed and 9,770 state-licensed family day care homes.

***Changes in Caseload Estimates for 1983-84.*** Based on more recent data, the department has revised its estimate of the number of family day care homes that will be licensed in 1983-84. Specifically, the department estimates that the counties will license 19,200 homes and state staff will license 12,380 homes in 1983-84. This represents a reduction of 2,240 homes, or approximately 10 percent, in county caseloads and an increase of 2,610, or 27 percent, in state caseloads. These changes are attributable to (1) transfer of licensing caseloads from the counties to the state (counties can return the responsibility for family day care licensing to the state at any time), (2) an increase in the rate of growth in state caseloads, and (3) a leveling-off in the growth of county caseloads. The department estimates that county caseloads will be the same in 1984-85 as in 1983-84 (19,200 homes). The state caseloads, however, are expected to increase from 12,380 to 14,568 homes. This is an increase of 50 percent over the number of homes that the department assumed would be licensed by the state in its July 1983 estimate.

**Budget Proposal Does Not Reflect Change in the Licensing Caseload Estimate**

*We recommend that, prior to the budget hearings, the department report to the fiscal committees on how it proposes to satisfy the requirements of Ch 323/83, given the number of family day care licensing positions proposed in the budget.*

The budget includes \$2,200,000 for family day care licensing conducted by the state district offices. This is the same funding level as in the current year. Although the department estimates that the State caseloads will increase by 50 percent, as compared with the estimated caseloads upon which the current-year funding level is based, the budget does *not* propose an increase in state licensing staff to handle the increased caseload. The department advises that it did not adjust the budget proposal to reflect the changes in its caseload estimate because this program has not been budgeted on the basis of caseload since the enactment of Ch 102/81. (Chapter 102, the companion measure to the 1981 Budget Act, made substantial reductions in the number of family day care home inspection visits required by state law.)

We have several concerns with the department's conclusion that the Family Day Care Home Licensing program is not a caseload-driven program:

- The provisions of Chapter 102 that affected this program have been repealed. Specifically, Ch 323/83 restored the Family Day Care Licensing program to pre-Chapter 102 levels. Prior to the enactment of Chapter 102, this program had been budgeted on a caseload basis for several years.
- The department's conclusion is inconsistent with the Governor's rationale for vetoing funds appropriated for Family Day Care Licensing in the 1983 Budget Act. Specifically, the amount of funds vetoed was based on the department's estimate of the 1983-84 licensing caseloads.
- By continuing to fund the state and county components of this program at 1983-84 levels, without regard to caseload changes, the budget provides (1) more money than is necessary to support county licensing activities and (2) less money than necessary to support state licensing activities.

In our analysis of Item 5180-161-001, Community Care Licensing—local assistance, we note that the budget proposes to fund counties at approximately the same level in 1984-85 as they are funded in 1983-84, despite a 10 percent *reduction* in the department's estimate of the number of homes that the counties will license. The department has been unable to explain this apparent inconsistency in the way the budget proposes to fund the county licensing program, as compared with the way it proposes to fund the state's licensing program.

Our review indicates that the department's workload standard of 228 family day care homes per licensing evaluator is appropriate, given the changes enacted by Chapter 323. Thus, it does not appear that the funding levels proposed in the budget are adequate to provide the number of licensing staff that are implied by the department's own workload standards and caseload estimates. Therefore, we recommend that, prior to budget hearings, the department advise the fiscal committees how it proposes to satisfy the requirements of Chapter 323, given the number of family day care licensing positions proposed in the budget.

**DEPARTMENT OF SOCIAL SERVICES—Continued****Adoptions Program**

*We recommend that, prior to the budget hearings, the department provide the fiscal committees with (1) an estimate of the effect of Chapter 978, Statutes of 1982 (SB 14) on the adoption caseloads of the state district adoptions offices and (2) its plan for providing services to children served by the district offices.*

The DSS administers a statewide program of adoption services. The department provides services to parents who wish to place children for adoption and to persons who wish to adopt children. Adoption services are provided through three state district offices, 28 county adoption agencies, and a variety of private agencies.

There are three components to the Adoptions program: (1) the Relinquishment Adoption program, which provides adoption services to children in foster care, (2) the Independent Adoptions program, which provides adoption services to birth parents and adoptive parents when both agree on placement and do not need the extensive assistance of an adoption agency, and (3) the Intercounty Adoptions program, which places children from foreign countries for adoption in the United States.

The Adoptions program is supported primarily from the General Fund. The General Fund pays for the cost of case work activities provided by the state and county agencies, and reimburses private adoption agencies for placing children who are hard to place due to their physical, mental, or emotional handicaps or other factors.

*Budget Proposal Does Not Account for Potential Caseload Increases in State District Adoption Offices.* Chapter 978, Statutes of 1982 (SB 14), made various changes in child welfare services that will affect the Relinquishment Adoption program. These changes were designed to ensure that as many children in long-term foster care placement as possible are placed in adoptive homes. We discuss these changes in detail in our analysis of Item 5180-151-001.

The budget proposes total spending of \$5,807,000 (\$5,759,000 General Fund and \$48,000 federal funds) for the department's costs of (1) administering the statewide Adoptions program and (2) providing direct adoption services through the three state district offices. This is an increase of \$113,000, or 2.0 percent, over estimated expenditures in 1983-84. The budget proposes to maintain staffing levels in 1984-85 at the 1983-84 levels—108 authorized positions.

Although the budget proposes a relatively small increase in the department's costs of providing adoption services in 1984-85, the budget proposes a General Fund increase of \$5.6 million, or 30 percent, for reimbursements to county adoption agencies. Most of the proposed increase for the county adoption agencies is due to anticipated caseload growth in the Relinquishment Adoptions program, which is expected to result from the changes in child welfare services made by SB 14.

The department estimates that as a result of SB 14, the relinquishment adoptions caseloads in the 30 counties served by 28 county adoption agencies will increase by 30 percent, from an estimated 4,510 children receiving services in 1983-84 to 5,850 children receiving services in 1984-85. The department has not provided an estimate of the effect of SB 14 on adoption caseloads in the 28 counties in which adoption services are provided by the department's three district adoptions offices.

We believe that the caseloads of the district offices are likely to increase by a percentage similar to the percentage increase projected for county adoption agency caseloads. This is because the changes enacted by SB 14 apply to *all* counties, not just the counties served by county adoption agencies. Therefore we recommend that, prior to the budget hearings, the department provide the fiscal committees with (1) its estimate of the effects of SB 14 on adoption caseloads in the three state district offices and (2) its plan for providing adoption services to children served by the district offices.

**Department of Social Services**  
**AID TO FAMILIES WITH DEPENDENT CHILDREN**

Item 5180-101 from the General Fund and Social Welfare Federal Fund

Budget p. HW 170

Requested 1984-85 .....	\$1,562,645,000 <sup>a</sup>
Estimated 1983-84 .....	1,491,641,000
Actual 1982-83 .....	1,367,301,000
Requested increase \$71,004,000 (4.8 percent)	
Total recommended reduction in Item 5180-101-001 .....	6,028,000
Total recommended reduction in Item 5180-181-001 (d) .....	64,000
Recommendation pending .....	63,199,000

<sup>a</sup> Includes \$32,723,000 in Item 5180-181-001 (d) to provide a 2 percent cost-of-living increase to the maximum AFDC grants.

**1984-85 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
5180-101-001—Payments for Children		General	\$1,529,922,000
5180-101-866—Payments for Children		Federal	(1,662,496,000)
5180-101-919—Incentives from other states		Interstate Incentive Collections	(525,000)
5180-181-001 (d)—Cost-of-Living Adjustments		General	32,723,000
5180-181-866(d)—Cost-of-Living Adjustments		Federal	(36,806,000)
Total			\$1,562,645,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis page*

1. Foster Care Group Home Rate Control Plan. Recommend that the Department of Social Services (DSS) report to the fiscal committees on (a) the details of its proposed group home rate control plan for 1984-85 and (b) its timetable and specific plans for developing a permanent plan. 1221
2. Child Support Collections. Withhold recommendation on estimated net savings of \$63,199,000 to the General Fund from child support collections, pending receipt of revised estimates in May. 1222
3. Child Support Incentive Payments. Recommend that DSS report to the Legislature on its progress in reducing the 1223

**AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued**

- backlog of county claims for child support incentive payments.
4. *Extension of Federal Compensation Benefits. Reduce Item 5180-101-001 by \$5,678,000 and Item 5180-181-001 (d) by \$64,000.* Recommend a reduction of \$12,832,000 (\$5,742,000 from the General Fund and \$7,090,000 in federal funds) to reflect the extension of Federal Supplemental Compensation benefits. 1224
  5. *Asset Clearance Match Demonstration. Reduce Item 5180-101-001 by \$350,000.* Recommend reduction of \$741,000 (\$350,000 from the General Fund and \$391,000 in federal funds) to reflect grant savings expected to result from a recommended increase in fraud investigator staff. 1225

**GENERAL PROGRAM STATEMENT**

The Aid to Families with Dependent Children (AFDC) program provides cash grants to those children and their parents or guardians whose income is not sufficient to provide for basic needs. Eligibility is limited to families with children who are needy due to the death, incapacity, continued absence, or unemployment of a parent or guardian. In addition, the Aid to Adoptions program provides assistance to children who would otherwise have difficulty finding adoptive homes.

During the current year, 583,760 families (1,659,610 persons) are expected to receive AFDC grants. Another 2,352 families will receive adoptions assistance grants.

**OVERVIEW OF THE BUDGET REQUEST****Current-Year Deficiency**

The budget estimates that the AFDC program will incur a General Fund deficiency of \$88,434,000 in the current year. This deficiency is the net result of several separate increases and decreases in funding requirements, relative to what was anticipated in the 1983 Budget Act for this program.

**Cost Increases.** The major unanticipated AFDC program costs are due to (1) increased caseload in the AFDC-Family Group and Foster Care programs (\$52,444,000), (2) retroactive benefits that must be paid as a result of court rulings (\$5,078,000), (3) a delay in implementing new regulations governing the beginning date of aid, per the court's order in *Miller v. Deukmejian* (\$4,250,000), (4) a reduced estimate of savings from the Welfare Fraud Early Detection and Prevention program and social security benefit verification system (\$22,755,000), (5) a delay until 1984-85 of the savings expected to result from efforts to collect child support arrearages by reducing unemployment compensation benefits to absent parents (\$2,679,000) and decreased child support collections due to tax intercept programs (\$10,938,000).

**Additional Savings.** These increased costs are partially offset by savings during 1983-84 in two areas: (1) a delay in the payment of specified retroactive benefits ordered by various courts (\$4,033,000) and (2) increased child support basic collections (\$4,339,000).

In reviewing the 1983-84 revised expenditures, we have identified two factors that may result in revised estimates. First, Federal Supplemental Compensation benefits for the unemployed have been extended beyond

the date assumed in the budget estimates. As we discuss below, DSS estimates that this will result in grant savings and a corresponding reduction in the estimated deficiency of \$2.9 million. Second, our analysis indicates that the department's estimate of child support collections in 1983-84 is overstated, resulting in an underestimate of the 1983-84 deficiency by as much as \$3 million.

The estimated deficiency is subject to change in the May revision of the expenditure estimate.

### **Budget Year Proposal**

The budget proposes expenditures of \$1,562,645,000 from the General Fund for AFDC cash grants in 1984-85. The total includes \$1,529,922,000 in Item 5180-101-001 and \$32,723,000 in Item 5180-181-001 (d) to provide a 2 percent cost-of-living increase in maximum AFDC grants. This represents an increase of \$71,004,000, or 4.8 percent, from estimated 1983-84 expenditures.

As shown in Table 1, total expenditures from all funds for AFDC cash grants are budgeted at \$3,406 million in 1984-85, representing a \$123 million, or 3.8 percent, increase from estimated expenditures in the current year.

Table 1 shows the costs of AFDC programs for 1982-83 through 1984-85. The state and county contribute 44.6 percent and 5.4 percent, respectively, toward the cost of grants provided to those recipients who are eligible under federal Family Group (FG) and Unemployed Parent programs. The federal government contributes 50 percent toward the costs of these grants. The federal share of total costs incurred under the FG and U programs, however, exceeds 50 percent because the grant costs for refugee families are 100 percent federally funded during the first 36 months in which refugee families are in the United States.

For those AFDC recipients who are not eligible for grants under federal law, the state pays 89.2 percent of the grant costs and the county pays 10.8 percent. These sharing ratios apply to the State-Only AFDC-U program and to grants for women in their first 6 months of pregnancy.

The AFDC-FG program accounts for \$2,533 million, or 76 percent, of all estimated grant costs (excluding cost of living adjustment) under the three major AFDC programs. The Unemployed Parent program accounts for another 17 percent, and the Foster Care program accounts for 7 percent.

### **Proposed General Fund Budget Changes**

Table 2 shows the factors resulting in the net increase of \$71,004,000 in General Fund support for the AFDC program in 1984-85. This net increase reflects \$98,490,000 in increased costs, offset by \$27,486,000 in proposed reductions.

As Table 2 shows, the largest cost increases expected in 1984-85 are due to (1) increased caseload (\$23,787,000), (2) payment of court-ordered retroactive benefits (\$30,407,000), and (3) a cost-of-living adjustment of 2 percent (\$32,723,000).

**Table 1**  
**Expenditures for AFDC Grants, by Category of Recipient**  
**1982-83 through 1984-85**  
**(in millions)**

Program	Actual 1982-83				Estimated 1983-84				Proposed 1984-85					
	State	Federal	County	Total	State	Federal	County	ICIF <sup>a</sup>	Total	State	Federal	County	ICIF <sup>a</sup>	Total
AFDC family group .....	\$1,068.4	\$1,192.9	\$126.8	\$2,388.1	\$1,143.0	\$1,309.9	\$139.6	—	\$2,592.6	\$1,189.6	\$1,355.9	\$145.8	—	\$2,691.2
AFDC unemployed parent .....	197.0	331.0	23.9	551.9	233.3	342.5	28.2	—	604.0	228.3	314.2	27.6	—	570.1
AFDC foster care.....	153.3	51.3	8.1	212.7	168.9	55.4	8.1	—	232.4	169.1	53.8	8.1	—	231.0
Adoptions programs .....	5.2	0.0 <sup>b</sup>	—	5.2	5.3	0.2	—	—	5.4	6.2	0.7	—	—	6.8
Child support incentive payments to counties	10.7	22.3	-31.3	1.7	11.2	19.1	-29.9	0.6	1.0	13.5	19.7	-32.8	0.5	0.9
Child support collections	-67.4	-71.3	-7.7	-146.4	-70.0	-74.6	-8.2	—	-152.8	-76.7	-81.7	-9.0	—	-167.4
Subtotal.....	\$1,367.3	\$1,526.1	\$119.7	\$3,013.2	\$1,491.6	\$1,652.5	\$137.9	\$0.6	\$3,282.7	\$1,529.9	\$1,662.5	\$139.7	\$0.5	\$3,332.7
Proposed 2 percent COLA .....	—	—	—	—	—	—	—	—	—	32.7	36.8	3.7	—	73.3
Court-ordered retroactive payments .....	(.1)	(.2)	—	(.3)	(10.3)	(12.1)	(1.2)	—	(23.6)	(32.8)	(38.0)	(3.9)	—	(74.7)
AFDC cash grants to refugees .....	—	(170.7)	—	(170.7)	—	(120.8)	—	—	(120.8)	—	(89.4)	—	—	(89.4)
Totals.....	\$1,367.3	\$1,526.1	\$119.7	\$3,013.2	\$1,491.6	\$1,652.5	\$137.9	\$0.6	\$3,282.7	\$1,562.6	\$1,699.3	\$143.4	\$0.5	\$3,405.9

NOTE: Detail may not add to total due to rounding.

<sup>a</sup> Interstate Collection Incentive Fund—represents child support payments paid to California counties by other states.

<sup>b</sup> Less than \$50,000.

**Table 2**  
**Proposed General Fund Budget Changes for AFDC Grants**  
**1984-85**  
**(in thousands)**

	<i>Cost</i>	<i>Total</i>
1983-84 Revised Expenditures .....		\$1,491,641
<b>A. Adjustments to Ongoing Costs or Savings</b>		
1. Basic Caseload .....		\$23,787
2. Prospective costs of court cases		
a. Miller v. Deukmejian .....	-\$4,933	
b. Others .....	-531	
Subtotal .....		-\$5,464
3. Retroactive costs of court cases		
a. Green v. Obledo .....	-\$1,660	
b. Zapata v. Woods .....	-5,078	
Subtotal .....		-\$6,738
4. State and federal legislation		
a. Ch 323/83 (AB 223)		
(i) State Only AFDC-U two month limit .....	-\$196	
(ii) 1983-84 Cost-of-living adjustments .....	738	
b. Ch 325/82 (AB 2315)—Foster Care .....	-471	
c. Ch 977/82 (AB 2695)—Foster Care .....	-471	
d. Reduced grant costs due to 83/84 OASDI increase .....	-345	
e. End to Extended Unemployment Benefits .....	7,197	
Subtotal .....		\$6,452
5. Fraud detection and prevention		
a. Asset clearance match (SB 620) .....	-\$888	
b. Early detection and prevention program .....	-3,378	
c. Social Security benefit verification .....	1,567	
d. UI/DI verification .....	104	
Subtotal .....		-\$2,595
6. Adjustments in child support collections and incentives .....		-\$1,444
7. Beginning date of aid regulations .....		-\$2,482
8. Other adjustments .....		-46
Total Adjustments .....		(\$11,470)
<b>B. New Costs or Savings</b>		
1. 1984-85 Cost of living adjustment (2 percent) .....		\$32,723
2. Retroactive costs of court decisions		
a. Wright v. Woods .....	\$19,979	
b. Wood v. Woods .....	7,746	
c. Lowry v. Woods .....	2,335	
d. Angus v. Woods .....	347	
Subtotal .....		\$30,407
3. Reduced grant costs due to 84-85 OASDI increases .....		-241
4. Ch 1151/83 (AB 1529) .....		1,235
5. Foster Care audit recoveries .....		-1,111
6. FICA for non-profit group homes .....		732
7. Child support UI/DI intercept .....		-4,211
Total New Costs .....		(\$59,534)
<b>C. Total Changes for 1984-85</b> .....		<b>(\$71,004)</b>
<b>D. Proposed Budget for 1984-85</b> .....		<b>\$1,562,645</b>

### LEGISLATIVE ACTIONS AND COURT DECISIONS

#### New Beginning Date of Aid

In signing the 1983 Budget Bill, the Governor vetoed \$6.6 million from the General Fund appropriation for the AFDC program. The Governor's veto anticipated that emergency regulations would be implemented to

**AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued**

change the date on which AFDC applicants begin to receive aid.

In the past, aid was provided from the *date of application* if the individual's application was approved within the month he/she applied for aid. For all others, aid was provided on the first day of the month following the date of application. The governor proposed to provide aid from the date that the application is *approved*, rather than from the date of application.

The San Francisco Superior Court has issued a temporary restraining order in the case of *Miller v. Deukmejian*, preventing the implementation of the proposed emergency regulations. The plaintiffs in the case contend that no emergency exists, as defined in the Administrative Procedures Act (Ch 567/79). The court has barred the implementation of the new regulations, pending a finding on the merits of the case.

The DSS has begun the process of approving new beginning date of aid regulations on a nonemergency basis and expects that the new rules will take effect April 1984. The DSS also estimates that the new regulations will result in General Fund savings of \$2,125,000 in 1983-84, instead of the \$6.6 million originally estimated at the time the Governor vetoed the funds.

**Added Child Support Incentives**

Chapter 1151, Statutes of 1983 (AB 1529), establishes an additional mechanism for rewarding counties that increase their child support collections. The act provides that beginning in 1984-85, 50 percent of the increases in the state's share of child support collections will be distributed among those counties that have contributed to the statewide increase. The DSS estimates that the total incentive to be distributed in 1984-85 will reach \$1,235,000.

**Child Care Payments Required of AFDC Parents**

Chapter 1282, Statutes of 1983 (AB 1162), requires the Superintendent of Public Instruction to establish regulations to increase the fees collected from AFDC recipients whose children attend state-subsidized child care services. Under current regulations, AFDC parents as well as other parents, are charged varying fees for these services based on their income. AFDC parents, however, can be reimbursed for up to 100 percent of the costs of work-related child care through increases in the AFDC grant.

The budget assumes that during 1984-85, an average of 4,000 AFDC families per month will be charged an average of \$160 for state-subsidized child care. It is estimated that in 1984-85, this will result in increased General Fund costs of \$3,334,000 to the AFDC program. These costs are due to the fact that AFDC families can be reimbursed for up to 100 percent of their costs of child care through increases in the AFDC grant. According to the provisions of the bill, these costs will be offset by reduced General Fund expenditures in the Department of Education. The effects of this law are discussed in more detail in connection with the budget for child care in the Department of Education (Item 6100-196-001, Non-K-12 Education Programs).

**ELIGIBILITY, CASELOADS, AND GRANTS****Eligibility Criteria**

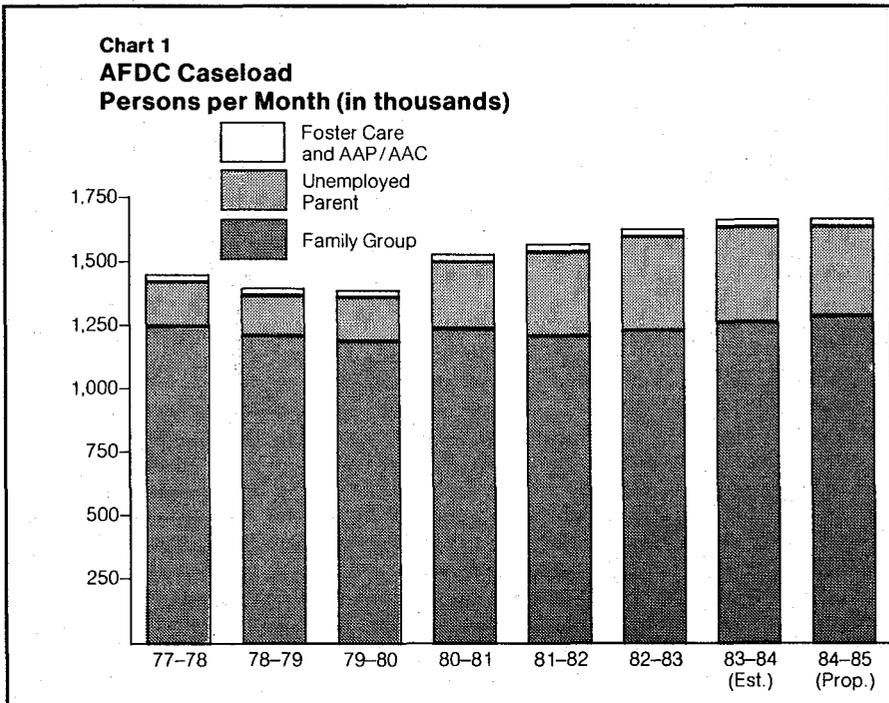
Table 3 lists the eligibility criteria for the AFDC and Food Stamp programs (most AFDC recipients receive food stamps).

**Rise in Caseload**

Chart 1 shows the number of persons receiving AFDC or adoptions assistance between 1977-78 and 1984-85. During this period, the number of individuals receiving assistance increased by 220,000, or 15 percent. This increase would have been substantially greater if it had not been for enactment of eligibility changes pursuant to the federal Omnibus Budget Reconciliation Act of 1981. These changes became effective during 1981-82.

The DSS has revised upward its estimate of the AFDC caseload for 1983-84. The 1983 Budget Act, as passed by the Legislature and signed by the Governor, assumed an AFDC caseload of 1,610,363 persons in 1983-84. The department now estimates that the average monthly caseload in 1983-84 will be 1,661,962 persons per month, an increase of 3.2 percent above the budget, as enacted.

Caseloads in 1984-85 are expected to increase by 0.1 percent above revised 1983-84 levels, as shown in Table 4. The AFDC-U caseload is expected to decline by 6.3 percent, but this is more than offset by a 2 percent increase in the AFDC-FG caseload.



**Maximum Payment Levels**

Table 5 shows the maximum AFDC grant levels in 1983-84 for selected family sizes. It also shows the maximum grant levels for 1984-85 based on (1) a 2 percent cost-of-living adjustment (COLA), as proposed by the budget, and (2) a 5.5 percent adjustment, as required under current law. Table 6 shows comparable payment levels in California and the nine next largest states.

**Table 3**  
**Basic Eligibility Requirements**  
**For the AFDC and Food Stamp Programs**

I. Categorical Requirements		
A. AFDC—Family Group.....	Child with one parent absent, deceased, or physically or mentally incapacitated.	
B. AFDC—Unemployed Parent.....	“Principal Wage Earner” unemployed. Federal eligibility available if principal wage earner is unemployed for 30 days and has recent work experience. Otherwise, family is eligible for 3 months of Emergency Assistance and State-Only AFDC.	
C. AFDC—Foster Care.....	Child placed in foster care. Federal eligibility is for a child removed by the court from an AFDC-eligible home; the state supports court-placed children not linked to AFDC, and, for 6 months, voluntarily placed children.	
D. Food Stamps .....	Any family or individual qualifies who meets federally determined income and resource requirements.	
II. Income and Resource Requirements		
	<i>AFDC</i>	<i>Food Stamps</i>
A. Real and Personal Property	\$1,000 limit; home exempt	\$1,500 limit (\$3,000 for household with one member over 60)
B. Household Goods/Personal Effects .....	Exempt	Exempt
C. Motor Vehicle .....	First \$1,500 of net market value exempt	Limit of \$4,500 on fair market value
D. Gross Income Limit.....	150 percent of AFDC maximum aid payment (see Table 5)	Limit \$527 for an individual; each additional household member increases limit by \$182 (family of 3 limit of \$891)
E. Allowable Income Deductions .....	<ol style="list-style-type: none"> <li>1. Standard work expenses (\$75 full time; \$50 part time)</li> <li>2. Child care expenses (up to \$160 per child)</li> <li>3. If the family has received AFDC within past 4 months, \$30 and 1/3 of remaining income; not applied to families not previously on AFDC<sup>a</sup></li> </ol>	<ol style="list-style-type: none"> <li>1. 18% of earned income</li> <li>2. Standard deduction (\$89)</li> <li>3. \$125 limit on the sum of excess shelter costs and dependent care expenses</li> <li>4. Excess medical expenses (actual amount less \$35) for households with member over 60 or receiving Title II disability payments.</li> </ol>
F. Net Income Limit.....	AFDC maximum aid payment (see Table 5)	Limit of \$405 for individual; each additional household member adds about \$140 (family of 3 limit is \$685)

<sup>a</sup> Once a family qualifies for aid, during the first four months, it is entitled to the \$30 and one-third earned income exemption in calculating the AFDC grant.

**Table 4**  
**AFDC Average Monthly Persons Receiving Assistance**  
**1983-84 and 1984-85**

Program	Estimated 1983-84	Proposed 1984-85	Change	
			Number	Percent
AFDC-Family Group .....	1,259,870	1,284,570	24,700	2.0%
AFDC-Unemployed .....	371,180	347,720	-23,460	-6.3%
AFDC-Foster Care .....	28,560	28,780	220	.8%
Aid for Adoption of Children.....	2,352	2,716	364	15.5%
Refugees <sup>a</sup>				
Time-eligible .....	(71,850)	(52,092)	(-19,758)	-27.5%
Time-expired.....	(99,480)	(136,888)	(37,408)	37.6%
Totals.....	1,661,962	1,663,786	1,824	0.1%

<sup>a</sup>Grants to refugees who have been in the United States less than 36 months (time-eligible) are supported entirely by federal funds. Time-expired refugees, those in the United States longer than 36 months, may qualify for and receive AFDC grants supported by the usual share of federal (50 percent), state (44.6 percent), and county (5.4 percent) funds.

**Table 5**  
**Maximum AFDC Grant Levels**  
**1983-84 and 1984-85**

Family Size	1983-84	1984-85			
		Budget Proposal		Current Law <sup>a</sup>	
		Amount	Change	Amount	Change
1 .....	\$258	\$263	\$5	\$272	\$14
2 .....	424	432	8	447	23
3 .....	526	537	11	555	29
4 .....	625	638	13	659	34
5 .....	713	727	14	752	39

<sup>a</sup> Based on an estimated 5.5 percent increase in the California necessities index (CNI) during 1983.

**Table 6**  
**State Comparison—Maximum AFDC Grant Levels**  
**January 1984**

	Family Size		
	Two	Three	Four
California .....	\$424	\$526	\$625
New York <sup>a</sup> .....	399	474	566
Michigan <sup>b</sup> .....	335	404	473
New Jersey.....	273	360	414
Pennsylvania <sup>c</sup> .....	273	350	415
Illinois <sup>d</sup> .....	250	302	368
Ohio .....	227	276	343
Florida.....	178	231	273
North Carolina .....	176	202	221
Texas .....	128	148	178

<sup>a</sup> New York City rate. Grants vary depending on shelter costs in each county.

<sup>b</sup> Detroit rate; uses annualized value of utility allowances, and assumes family rents home.

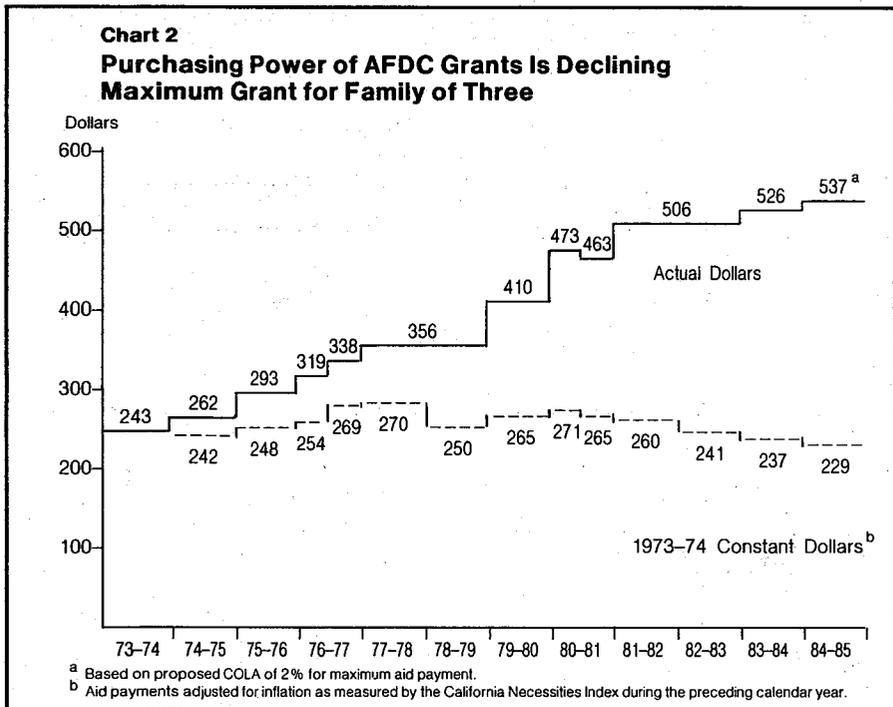
<sup>c</sup> Philadelphia and Pittsburg rate.

<sup>d</sup> Rate in Chicago and 13 other counties.

**AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued**

*Previous Increases to AFDC Grants.* The Welfare Reform Act of 1971 (Ch 578/71) requires that AFDC grant levels be increased annually. These increases are based on changes in the California Necessities Index (CNI).

Chart 2 shows the increases since 1973 in the maximum grant for a family of three. The chart also shows the purchasing power of the grant measured in 1973-74 constant dollars—that is, the actual amount of the grant adjusted for inflation as measured by the CNI. The chart shows that since 1981-82, the “real” value of the grant has declined from \$260 (1973-74 dollars) to \$237 during the current year. If the administration’s proposal for a 2 percent COLA for AFDC grants is approved, the grant’s real value would decline to \$229 (1973-74 dollars).



**BENEFITS AND RESOURCES AVAILABLE TO AFDC RECIPIENTS**

In addition to the monthly cash grant, AFDC recipients may qualify for and receive a variety of other benefits. Some of these additional benefits, such as Medi-Cal, are available to individuals *because* they are AFDC

recipients. Other benefits, such as public housing and social security, are available to AFDC recipients to the extent that they meet specific eligibility criteria and, in the case of public housing, are accepted into the program. This section discusses the major benefits available to AFDC recipients, in addition to their monthly cash grants.

It should be noted that, in addition to the benefits discussed below, AFDC recipients may:

1. Utilize a variety of social services, including family planning, provided by local agencies;
2. Participate in the Work Incentive (WIN) program, which provided employment services and social services to 189,130 recipients in 1982-83; and
3. Participate in the Women, Infants, and Children Nutrition program if the parent is pregnant or if the family has children under five years of age.

In addition, approximately 34,034 AFDC families shared their household with an SSI/SSP grant recipient during 1982-83.

**Medi-Cal.** The Medi-Cal program, administered under Title XIX of the federal Social Security Act, provides funds to health care providers for the cost of care delivered to public assistance recipients, and other medically-needy individuals whose medical costs exceed their ability to pay. All AFDC recipients are eligible for Medi-Cal health care. During 1982-83, 568,400 persons, or 36 percent of all AFDC recipients, utilized Medi-Cal reimbursed fee-for-services care. An undetermined number of additional AFDC recipients utilized other Medi-Cal services provided through pre-paid health plans, dental plans, and other categories of service paid for on a per-capita basis. The average monthly cost of fee-for-service Medi-Cal services utilized by AFDC recipients during 1982-83 was \$140.02.

**Unemployment Insurance.** Unemployment Insurance (UI), supported by employer contributions, provides weekly cash payments to unemployed persons who are actively seeking work. Approximately 57,834 AFDC recipients also received UI benefits in 1982-83.

The amount of weekly UI benefits paid to an unemployed person depends upon the amount of earnings received by the claimant during a base period of employment. The average UI benefit received by AFDC cases in 1982-83 was \$258 per month. Based on the average family size, the average value per family member was \$91.17.

**Food Stamps.** The purpose of the food stamp program is to ensure that low-income households are able to obtain an adequate level of nutrition by providing food stamps at no cost to eligible households. For most households, eligibility for food stamps is based on gross income and resources available. For households with a member age 60 or over or receiving Title II disability payments, eligibility is based on net income and resources available to the household after allowable deductions. The amount of food stamps awarded is based on net monthly income and household size. Because their income is low, most AFDC households qualify for food stamps. In 1982-83, 1,164,923 persons receiving AFDC grants also participated in the food stamp program. According to DSS, the average cash value of food stamps used was \$33.04 per individual AFDC recipient.

**AFDC Special Needs.** The Special Needs program provided average allowances of \$55.00 to 23,822 AFDC families during 1982-83 for special needs such as prenatal nutrition. The average value of benefits provided was \$19.43 per individual.

**AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued**

**Social Security.** The retirement, survivors, disability, and health insurance (RSDHI) program provides benefits to retired and disabled workers and their dependents and to survivors of insured workers. It also provides health insurance benefits for persons age 65 and over and for the disabled under age 65. According to statistics compiled by the Department of Social Services, 10,773 AFDC families received RSDHI payments averaging \$216 per month during 1982-83, or an average of \$76.33 per individual. RSDHI payments are counted as income for AFDC grant purposes. As a result, individual AFDC grants are reduced by the amount of the RSDHI payment.

**Child Care During Working Hours.** Several different child care programs may be available to AFDC recipients, depending on where they live. The Office of Child Development (OCD) in the State Department of Education provides subsidies on behalf of children from AFDC families to a network of child care centers throughout the state. In 1982-83, an estimated 31,391 AFDC children received subsidized child care in OCD-supported centers, at an average cost of \$128.67 per child per month.

Another child care resource available to AFDC families in 1982-83 was the "income disregard" mechanism. Under this arrangement, individual AFDC families select and pay for child care, and are then allowed to deduct the cost of the care from net countable income for purposes of the AFDC grant calculation.

In 1982-83, approximately 7,639 families received child care through this indirect subsidy mechanism. These families reduced their countable income an average of \$98 per month as a result. These child care deductions are limited to a maximum of \$160 per child.

**Child Nutrition Programs.** Low-income children, including those from AFDC families, are eligible for free meals provided through schools and child care agencies. Public schools must provide at least one such meal per day for each needy pupil, at an estimated cost of \$1.35 per meal. Approximately 35 percent of AFDC recipients are school age children.

**Housing Programs.** Several housing assistance programs are available to low- and moderate-income households. These households may receive (1) subsidized shelter as tenants in public housing or (2) rental assistance to help them afford to live in new or rehabilitated units owned by public or private agencies. The availability of housing assistance, and the income thresholds for eligibility, vary among the counties. It is estimated that in 1982-83, approximately 46,847 AFDC recipients resided in public housing, and an additional 123,363 received rental assistance.

**Low-Income Energy Assistance Program.** During 1982-83, California provided cash assistance to low-income households to help them pay the cost of the energy they used. Categorical public assistance recipients, such as AFDC households, are automatically eligible for this assistance, which is not considered in calculating the amount of a household's cash grant. During 1982-83, approximately 388,613 AFDC recipients received a cash grant under this program. The average annual benefit provided under the Home Energy Assistance Program in 1982-83 was \$162 per household, or \$57.24 per individual. These federal funds also provided an undetermined number of AFDC recipients with (1) up to \$300 in emergency help in paying energy bills and (2) grants of up to \$1,000 to weatherproof the recipients' homes.

**Other Income.** In addition to the benefits described above, 13 percent of AFDC recipients report other income in the form of child support

payments, contributions from members of their household who do not receive AFDC, their own earnings, and in-kind income. This other income is available to the recipient in addition to the actual AFDC grant awarded each month. The maximum AFDC grant may be reduced by some portion of the other income received.

**Calculation of Average Benefits.** Table 7 shows the average value of benefits and other income received in 1982-83 by an individual residing in a 3-person AFDC household. The averages are calculated in two ways. The "Average Cash Value of Benefits Received" shows the average benefit value per individual in those AFDC households that received the particular benefit. For example, among those AFDC households that received food stamps, the average value of the coupons per individual was \$33.04. The "Value of Benefits Averaged Over All AFDC Recipients" gives the average benefit value for *all* individuals in the AFDC program, including both those who received the particular benefit and those who did not. As a result, this measure of benefits per AFDC individual is less than the average benefit received per participating individual. The average value of benefits provided to a family of three was calculated by multiplying the individual average benefit value by three.

**Difficulties in Calculating Benefits Received by AFDC Families.** The average benefit value provides the best available picture of the total benefits received by AFDC families. Like all averages, of course, it masks what can be large differences among recipient families. Some families may receive more benefits than the average; others may receive less than the average. The average, however, provides a measure of the benefits provided to the hypothetical "average" AFDC household.

Several points must be kept in mind when reviewing the information on average benefit values provided in Table 7.

- **Not all recipients receive each of these benefits.** Some programs are geographically limited; others have long waiting lists; still others have distinct eligibility criteria that some AFDC recipients are unable to meet.
- **More than one-half of all AFDC families get less than the average benefit value.** This is because relatively few individuals receive unemployment compensation, child care, or rental subsidies—each of which provides relatively large benefits to those qualifying for them. This skews the distribution of benefits, causing the median family benefit to be less than the average benefit.
- **The average number of persons receiving a benefit understates the number of persons who use the program over the year.** Because some recipients enroll for only a few months at a time, the program provides aid to more individuals in the state than the monthly average figure would imply.
- **Not all AFDC cases contain three members.** Under some benefits programs, (Unemployment Insurance, Social Security, LIHEAP), larger families get the same benefit as smaller families.

**Most AFDC Families Are Below the Poverty Line.** Table 7 shows that the majority of AFDC recipients rely on the AFDC grant and food stamp allotment to meet their essential needs. A small group of recipients receives earned income or other income. It is possible that the combination of the AFDC grant, food stamps, and other income could provide a minimum standard of living for an AFDC family. Data from a recent survey conducted by the DSS, however, shows that most AFDC families have reported resources that put them below the poverty line.

## AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Table 7  
 Monthly Benefits and Resources Available to AFDC Recipients<sup>a</sup>  
 1982-83

Resource	Recipients Using Resource	Percent of AFDC Recipients <sup>b</sup>	Average Cash Value of Resource Received	Value of Resource Averaged Over All Recipients	Overall Average Times Three (Family of Three)
AFDC Cash Grant .....	1,561,559	100.0%	\$149.18	\$149.18	\$447.54
Medi-Cal <sup>c</sup> .....	568,400	36.4	140.02	50.97	152.91
Unemployment Insurance .....	57,834	3.7	91.17	3.38	10.14
Food Stamps.....	1,164,923	74.6	33.04	24.65	73.95
AFDC Special Needs .....	67,416	4.3	19.43	0.84	2.52
Social Security .....	30,488	2.0	76.33	1.49	4.47
Child Care <sup>d</sup> .....	31,391	2.0	128.67	2.59	7.77
Child Nutrition <sup>e</sup> .....	549,669	35.2	19.69	6.93	20.79
Public Housing <sup>f</sup> .....	46,847	3.0	40.00	1.20	3.60
Rental Subsidies <sup>f, g</sup> .....	123,363	7.9	80.00	6.32	18.96
Earned Income .....	87,399	5.6	104.59	5.85	17.55
Other Income <sup>h</sup> .....	79,551	5.1	47.15	2.40	7.20
Average Total Monthly Resources .....	—	—	—	\$255.80	\$767.40
Average Total Annual Resources .....	—	—	—	\$3,069.60	\$9,208.80
LIHEAP <sup>i</sup> .....	388,613	24.9	\$57.24	\$14.25	\$42.75
Average Total Annual Resources with LIHEAP .....	—	—	—	\$3,083.85	\$9,251.55

<sup>a</sup> SOURCES: Department of Social Services, Office of Economic Opportunity, Department of Health Services, federal Departments of Housing and Urban Development and Health and Human Services, State Department of Housing and Community Development.

<sup>b</sup> Percentages do not add to 100 percent because some recipients utilized more than one benefit.

<sup>c</sup> Fee-for-service users only. Other Medi-Cal service categories, such as prepaid health plan, are paid for on a per capita basis. Data on the utilization of these fee-for-service categories by public assistance recipients is not available.

<sup>d</sup> Includes only subsidized child care provided through the Office of Child Development in the State Department of Education.

<sup>e</sup> Based on \$1.35 average meal value, one meal per 175 school days per year.

<sup>f</sup> Based on 1981 federal study of percent of subsidized housing occupied by AFDC recipients.

<sup>g</sup> Includes assistance under Sections 8 and 23 of the federal Housing and Urban Development Act and Farmer's Home Administration's Rental Assistance program.

<sup>h</sup> Includes contributions from absent parents and other persons in the households, and in-kind income.

<sup>i</sup> This amount is received in a lump sum rather than on a monthly basis.

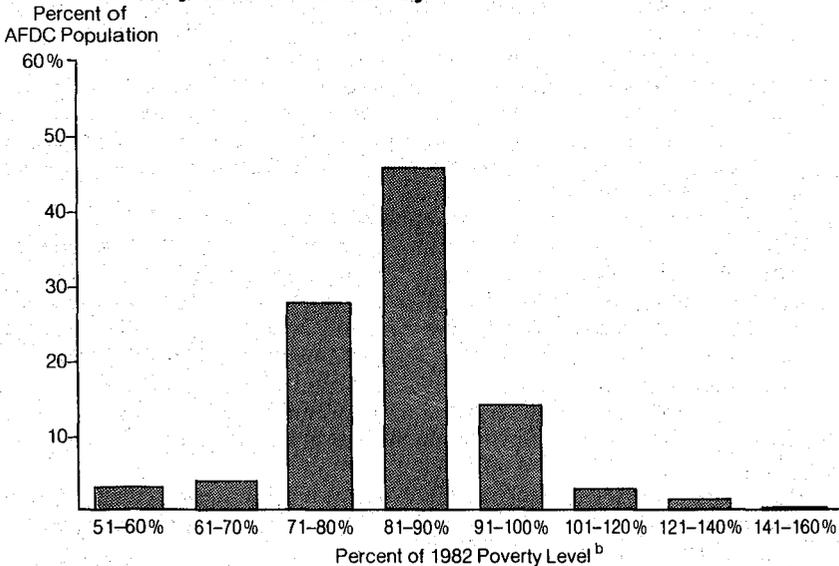
Chart 3 shows the distribution of resources for a sample of AFDC families in February 1982. The income for each family includes the AFDC grant, the food stamp allotment (prorated in food stamp households that include individuals besides the AFDC family members), gross earnings, cash contributions, and any other reported income (earned or unearned income, Social Security, unemployment benefits, in-kind income, etc.). The family's income is calculated as a percent of the 1982 Census Bureau poverty level for the appropriate-size family.

The chart shows that most families have incomes *below* the poverty level, and 35 percent had incomes at less than 80 percent of the poverty level. A small group (4.8 percent) had incomes *above* the poverty level, with one family in the sample having an income at 152 percent of the poverty level.

It is not surprising that most AFDC families fall between 80 to 90 percent of the poverty level. The AFDC grant alone provides resources which equal 70 to 80 percent of the poverty level and when added to the food stamps allotment, the combined value reaches 80 to 90 percent of the poverty level. What *is* surprising is the large group (35 percent) with income less than 90 percent of the poverty threshold. Most of these families (about 60 percent) have only the AFDC grant as monthly income. They received no food stamps and they had no earnings or other income.

Almost all families with incomes *above* the poverty level had earned income. When expenses associated with working are deducted from the family's income, only 2.1 percent of AFDC families remain above the poverty level. Most of these families are above the poverty line because they qualify for the \$30 and one-third earned income disregard, which expires after four months. When this disregard expires for the families in this sample, only 0.3 percent will be left above the poverty level.

**Chart 3**  
**Most AFDC Families Are Below Poverty Level<sup>a</sup>**  
**February 1982 AFDC Survey**



<sup>a</sup> Source: Department of Social Services. Income includes AFDC grant and, if applicable, food stamps, earned income, social security, unemployment benefits, cash contributions, other cash income, and in-kind income.

<sup>b</sup> Poverty Level based on 1982 Census Bureau figures.

This sample provides the best picture available of the resources available to AFDC families. However, the distribution of income for the AFDC population in 1983-84 may differ from the distribution indicated by this sample for the following reasons:

- Major federal program changes, originally enacted in August 1981, were in the process of being implemented during the sample month (as discussed below). Most families with earned income were still

**AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued**

entitled to the \$30 and one-third disregard, but would, in subsequent months, become ineligible for the disregard. Thus, the current AFDC caseload would be likely to have fewer families with incomes above the poverty line.

- The income in this table includes only cash and in-kind resources. Some of the benefits listed in Table 7 are Medi-Cal, Low-Income Home Energy Assistance payments, public housing and rental subsidies, child care services, and child nutrition programs. Receipt of benefits under any of these programs would decrease the demands on the family's cash resources for providing basic living needs.

**EFFECTS OF THE 1981 CHANGE IN AFDC RULES**

In August 1981, Congress enacted the Omnibus Reconciliation Act of 1981 (PL 97-35) which made three important changes in the rules governing eligibility for and the calculation of AFDC benefits.

- First, the federal law provides that families with a gross income in excess of 150 percent of the state's AFDC need level (the Minimum Basic Standard of Adequate Care) are ineligible for AFDC benefits. In 1983-84, this limit in California is \$789 per month for a family of three and \$937 per month for a family of four.
- Second, the federal law limits the use of the \$30 and one-third earned income disregard to four months. Under prior law, when calculating the AFDC grant, an individual could receive a standard deduction of \$30 from gross income plus one-third of the remainder for an *indefinite* period of time.
- Finally, the law specifies that the \$30 and one-third disregard be calculated *after* subtracting other income deductions (for example, work-related expenses and child care expenses). Previously, the disregard was applied *before* other deductions were made. Calculating the one-third disregard last has the effect of reducing its value, thereby reducing the grant for a family that qualifies for the disregard.

Some observers have maintained that these changes will have an adverse impact on the likelihood that AFDC recipients will find and hold jobs. To assess the validity of this view, answers are needed to the following questions:

- First, will parents who are discontinued from receiving AFDC benefits because their income exceeds the gross limit, reduce their earnings in order to return to AFDC?
- Second, will AFDC recipients with jobs reduce their earnings when the \$30 and one-third disregard expires at the end of four months?
- Finally, will AFDC recipients without earnings be less likely to get jobs under the new rules?

In order to obtain data that would help answer these questions, the Department of Social Services (DSS) conducted a study of AFDC recipients before and after the federal rule changes were made in California. The department identified a sample of cases with earned income in July and October 1981 and then reviewed the status of these cases a year later, after the AFDC rule changes were implemented. The DSS followed up on cases in the same county as the 1981 case appeared, and reviewed cases transferred to another county. However, no attempt was made to ensure that a family whose case was closed in one county did not reappear later

in some other county. This may cause the estimate of cases closed in 1982 to be too high.

**Do Families Who Are Discontinued from AFDC Due to Excess Income Return to Aid?** The department found that families who were discontinued because their income exceeded the gross income limit were no more likely to return to AFDC than those discontinued for other reasons. Table 8 shows that 25 percent of families with earned income were discontinued from AFDC due to the new gross income limit. Only 14 percent of these cases were back on AFDC a year later. A similar return rate (15 percent) was experienced in sample cases discontinued for reasons other than the income limit changes.

**Table 8**  
**AFDC Cases Discontinued Because of Excess Income Remained Off Aid<sup>a</sup>**

Status in 1982 of Cases Closed in 1981	Discontinued Cases	
	Due to Gross Income Limit	Not Due to Income Limit Change
Cases remained closed <sup>b</sup> .....	86%	85%
Cases reopened .....	14	15
Totals .....	100%	100%
Number of sample cases .....	97	87
Percent of total sample .....	25%	22%

<sup>a</sup> Source: Department of Social Services.

<sup>b</sup> Closed both July and October 1982.

**Do AFDC Families Reduce Their Earnings When the Income Disregard Expires?** The DSS data suggest that some AFDC families may be less likely to continue working after the income disregard expires. Table 9 compares the aid status in 1982 of two groups of cases that had earnings before the new rules took effect. While both groups retained AFDC eligibility under the new rules, the grants for the first group were reduced due to expiration of the four-month eligibility for the income disregard. The AFDC grants for the second group remained unchanged under the new rules because they had little or no earnings when the rules actually took effect. Compared to the second group, the families that had used up their four-month earned income disregard were *more* likely to be on aid a year later (89 percent compared to 82 percent) and were *less* likely to have earnings if they were on aid (16 percent compared to 50 percent).

**Table 9**  
**Status of AFDC Cases Not Discontinued Due to 1981 Rule Changes**

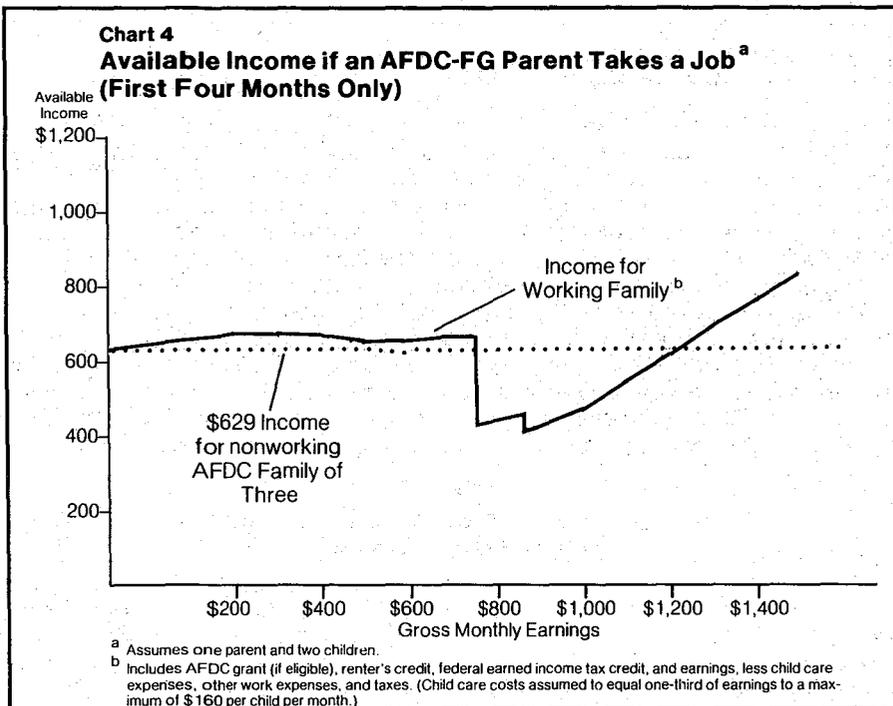
Status of Cases in 1982 <sup>a</sup>	Grants Reduced at end of Four Months	Grants Not Reduced at End of Four Months
Closed.....	11%	19%
Open with earnings .....	16	50
Open without earnings .....	73	32
Totals .....	100%	100%
Number of sample cases .....	81	117
Percent of total sample .....	21%	30%

<sup>a</sup> Status in either July or October 1982.

**AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued**

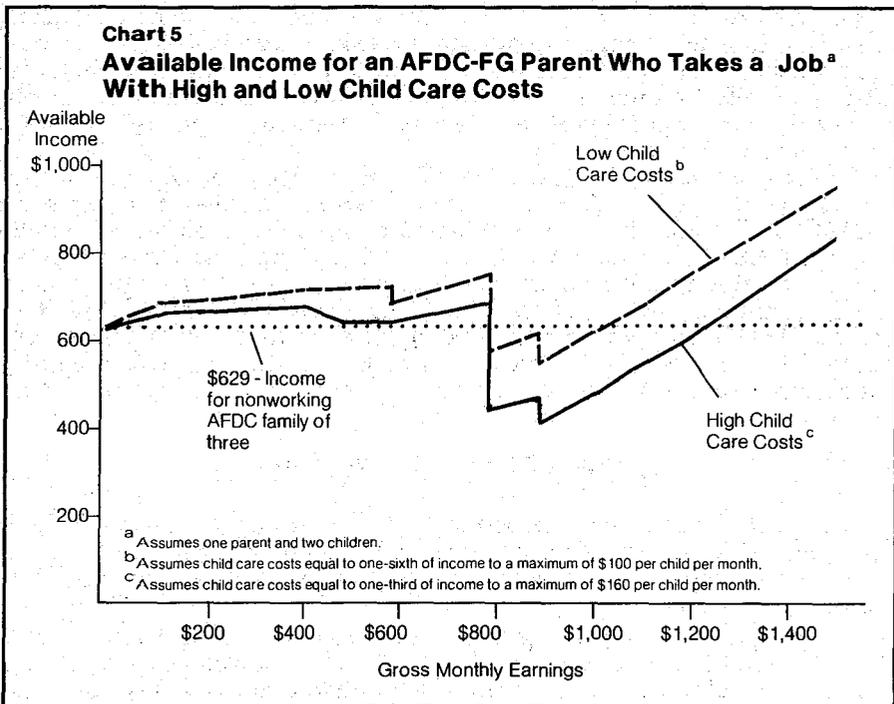
*Will AFDC Families Choose to Work?* The DSS survey provided no data that could help answer the third question: are nonworking AFDC families more or less likely to seek and find employment under the current AFDC income rules? Since these rules took effect, the share of AFDC families with earned income has declined from nearly 19 percent in July 1981 to 5.6 percent in April 1983. Part of this decline is due to cases discontinued as a result of the gross income limit, and part is due to increases in unemployment. If the percentage of recipients with earned income continues to decline, however, it would suggest that fewer AFDC families choose to work.

One reason to anticipate that fewer families will choose to work is that under some circumstances, a working AFDC family will have less income available to meet its needs than a nonworking AFDC family. For example, Chart 4 shows that as of December 1983, the nonworking AFDC family of three could receive \$629 per month from AFDC grants, food stamps, and the state renter's tax credit. If the parent took a job paying a gross income between \$783 and \$1,225 per month, *the working family would actually have less money left, after job expenses are paid, than the family that did not work.* This is because a family with gross earnings of more than \$783 per month exceeds the AFDC income limits and becomes ineligible for



aid. (The actual AFDC limit for a family of three is \$789; this can be met with gross earnings of \$783 plus federal earned income credit which is about \$6 per month at this income level.) The chart does not show available income after four months, when the family no longer qualifies for the earned income disregard. After the income disregard expires, the working family's available income is less than that for a nonworking AFDC family for a much wider range of gross income levels (from \$261 to \$1,225).

Some working families have more available income than shown in Chart 4 because they have been able to find child care at a cost less than that assumed in the chart. Chart 5 compares the available income of two AFDC families, both eligible for the \$30 and one-third disregard. One family has "high" child care expenses (one-third of income up to a maximum of \$160 per child per month). The other family has lower child care expenses (one-sixth of income up to a maximum of \$100 per child per month). The chart shows that paying less for child care means more income available to pay for the family's other needs. In addition, if child care expenses are low, a working parent's available income falls below the income of the nonworking AFDC parent over a much narrower range of monthly earnings than if child care expenses are high.



**AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued****Reducing the Loss of Income for Working Families**

The potential loss of income faced by AFDC parents who cannot find low-cost child care may deter some AFDC families from taking jobs paying more than the gross income limits for AFDC or food stamps. There are three ways to reduce these potential disincentives to work. All seek to narrow the range of monthly earning levels where available income for a working family is less than what a nonworking AFDC family receives.

1. **Increase Availability of Low-Cost Child Care.** One way of reducing the loss of income for working AFDC families is to increase the availability of low-cost child care. As Chart 5 shows, lowering the cost of child care increases the amount of earnings available to working families over all ranges of income and almost eliminates those points at which available income is less than a nonworking family's income. To the extent that child care spaces are available when needed, child care provided through the Department of Education provides low cost child care for non-AFDC families.

2. **Increase Tax Credits to Low-Income Families.** Another way to reduce the loss of income for working AFDC families is to increase tax credits to low-income families. State and federal taxes determine, in part, the amount of income available to a family that works. The less a family has to pay in taxes, the less it has to earn to achieve the same income as a nonworking AFDC family. To increase the amount of income available to a family with earnings, in the ranges considered here, however, would require increases in *refundable* credits for low-income families similar to the federal Earned Income Tax Credit. This is because existing tax credits available to low income families more than offset state tax liability for most of the incomes assumed here.

3. **Increase the AFDC Need Level** (that is, the Minimum Basic Standard of Adequate Care). Another way to reduce the loss of income for AFDC families that take jobs is to increase the AFDC need level. Increasing the MBSAC does not affect the size of AFDC grants and thus does not affect grant payments to most recipients. It increases the amount that an AFDC family can earn and still qualify for AFDC. This would, however, add to AFDC caseloads families that receive relatively small grants and, in turn, increase Medi-Cal caseloads. But it would also narrow the range of incomes where the nonworking family loses money if the parent accepts a job.

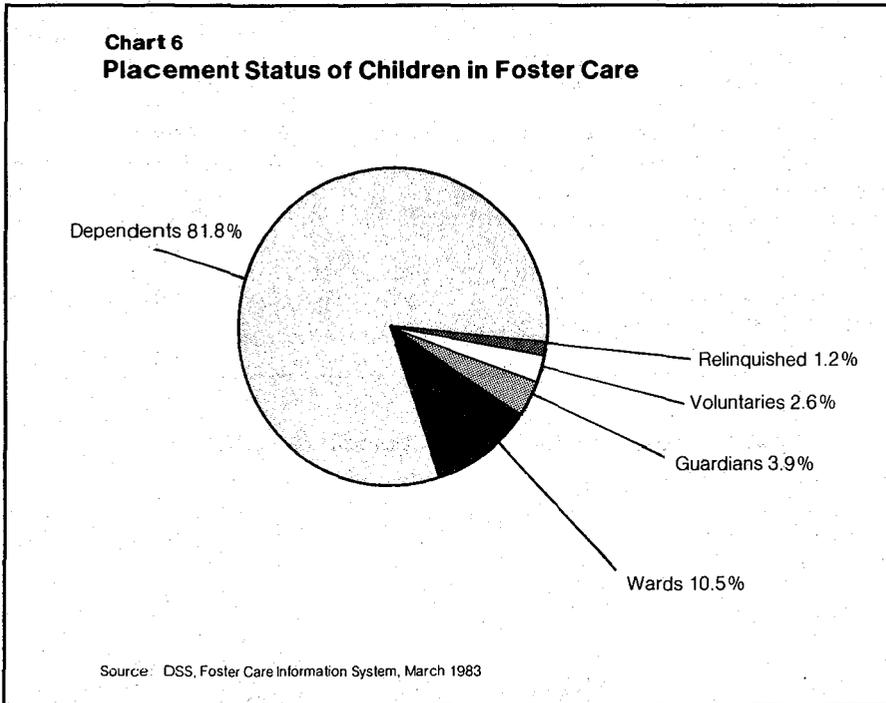
**AFDC-FOSTER CARE PROGRAM**

The Aid to Families with Dependent Children-Foster Care (AFDC-FC) program pays for the care provided to children by guardians, foster parents, and foster care group homes. Children may be placed in foster care in one of three ways:

- **Court Order.** A juvenile court may place a child in foster care if the child (1) has been abused, abandoned, or neglected and (2) cannot be safely returned home—such children are referred to as *dependents* of the court. In addition, a court can place a child in foster care if the child is beyond the control of his or her parent(s) or guardian(s)—such children are referred to as *wards* of the court. In addition, probate courts may place children in *guardianship* arrangements for a variety of reasons.

- **Voluntary Agreement.** County welfare or probation departments may place a child in foster care pursuant to a voluntary agreement between the department and the child's parent(s) or guardians(s).
- **Relinquishment.** Children who have been relinquished for adoption may be placed in foster care by an adoption agency pending their adoption.

Chart 6 shows the percentage of children in foster care that fall into each of these categories.



### Budget Proposal

The 1984-85 budget proposes total expenditures of \$231,068,000 for the AFDC-FC program, including \$4,590,000 for a proposed 2 percent cost-of-living increase. Of the total amount proposed, \$168,621,000 is from the General Fund, \$54,354,000 is from federal funds, and \$8,093,000 is from county funds.

The costs of the Foster Care program are shared by the three levels of government. The cost of care for children who are eligible under the *federal* Foster Care program is shared by the federal government (50 percent), the state (47.5 percent), and the counties (2.5 percent). The costs of care for children who qualify for the *State-Only* Foster Care program are shared 95 percent by the State and 5 percent by the counties. The Department of Social Services (DSS) estimates that 58 percent of all

**AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued**

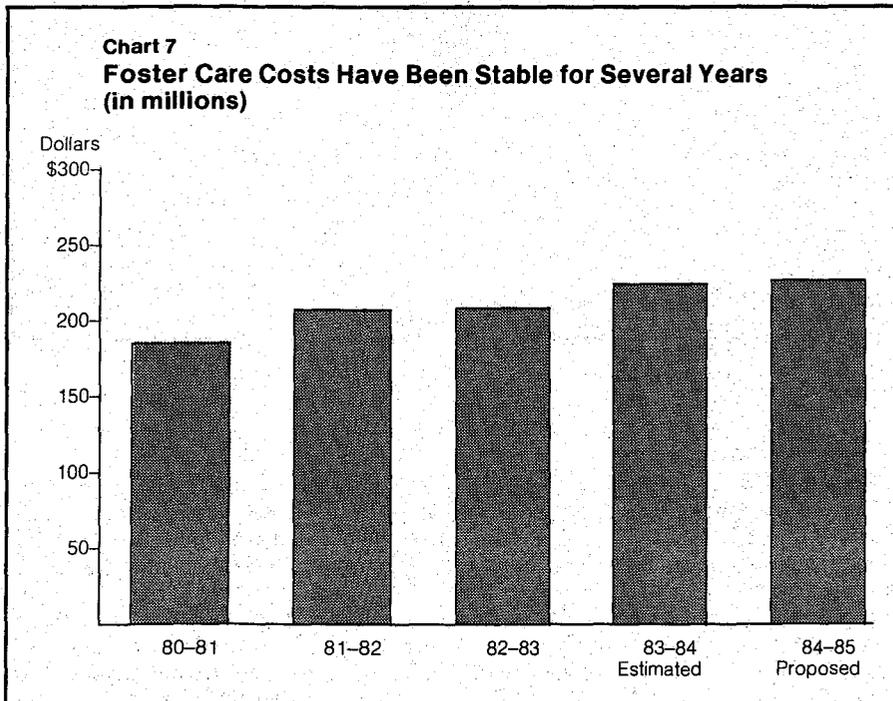
children in foster care are eligible for the federal Foster Care program, while the remaining 42 percent are eligible only for the state Foster Care program.

Children qualify for the federal Foster Care program if (1) they are placed in care pursuant to a court order, (2) they have been removed from homes that qualify for AFDC grants, and (3) they are *not* receiving care from a for-profit group home. State-only foster care is available to children regardless of their placement status, except that children placed *voluntarily* in foster care are eligible for the state program for only six months. In order for a child to be eligible for the state-only program, his or her family need not be eligible to receive AFDC grants. The child, however, must meet certain AFDC eligibility requirements.

**Expenditures for Foster Care Have Been Stable for Several Years**

Chart 7 displays the expenditures for the foster care program over the last several years. As the chart shows, the costs of this program have remained relatively stable in recent years. Our analysis indicates that this is due to three factors:

1. **Stable Caseloads.** The budget assumes there will be 28,780 children in foster care in 1984–85. This is an increase of 480 children, or less than 2 percent over caseloads in 1981–82.



2. *Stable Mix of Group Home and Family Home Placements.* The type of home in which a child is placed can significantly affect the costs of his or her care. This is because group homes receive substantially higher rates of reimbursement than foster family homes. For example, in April 1983, the average monthly cost of group home care was \$1,523, while the average cost of foster family home care was \$364. Obviously, a substantial shift of children out of group homes and into foster family homes would result in significant reductions in the total costs of the Foster Care program. Conversely, a shift in the opposite direction would increase program costs. In recent years, the percentage of children in foster care who reside in group homes has grown only slightly—from 22.8 percent in January 1981 to 23.5 percent in April 1983.

3. *Limits on Foster Care Rate Increases.* Prior to 1977-78, counties paid the major share of the nonfederal costs of foster care. In addition, each county established its own rates of reimbursement for foster parents and group homes. During 1978-79, the state, through the enactment of Ch 297/78 (SB 154) (a) assumed 95 percent of the nonfederal costs of foster care and (b) limited rate increases to the percentage cost-of-living increases granted by the Legislature. These provisions were extended by Ch 282/79 (AB 8). As a result of this ceiling, rates paid to foster care providers increased 9.2 percent in 1981-82, zero in 1982-83, and 4 percent in 1983-84.

#### **Recent Legislation May Affect Foster Care Costs During the Next Several Years**

Two pieces of legislation which were recently enacted may affect the costs of the Foster Care program during the next several years. Specifically, Ch 978/82 (SB 14) made significant changes in child welfare services that may reduce foster care caseloads. In addition, Ch 977/82 (AB 2695) changed the way in which the government sets the rates of reimbursement for foster care providers. We discuss the potential effects of each measure below.

*Changes in Child Welfare Services made by SB 14 May Reduce Foster Care Caseloads and Percentage of Group Home Placements.* Senate Bill 14 created the emergency response, family reunification, family maintenance, and permanent placement service programs. These new service programs are intended, in part, to:

- *Reduce* the number of *new placements* in foster care by providing services to keep abused and neglected children safely in their homes (emergency response and family maintenance);
- *Increase* the number of *discontinued foster care cases* by providing services to reunite dependent children with their parents (family reunification); and
- *Increase* the number of *discontinued foster care cases* by providing for the early development of a permanent plan for children who cannot be safely reunited with their families, with first consideration being given to adoption (permanent planning).

In addition, SB 14 requires the courts to seek the least restrictive, most family-like setting when placing children in foster care. This provision may result in a reduced percentage of foster care children being placed in group homes and an increased percentage being placed in family homes. Because family home care is much less expensive than group home care, this provision of SB 14 could reduce foster care expenditures.

The extent to which SB 14 will reduce the costs of the Foster Care program depends on the success of county welfare departments in implementing its reforms.

**AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued**

**Assembly Bill 2695 Changed the Way the Government Sets Foster Care Rates.** AB 2695 made two major changes with respect to foster care rates. Specifically, it provides for:

1. **Equalization of Foster Family Home Rates.** Prior to the enactment of AB 2695, rate increases for foster family homes were limited to the percentage cost-of-living adjustments (COLA) provided by the Legislature. Because the rates paid by counties to family homes varied widely, the imposition of the COLA ceiling served to perpetuate these variations. AB 2695 provides for a gradual equalization of foster family home rates among counties. Specifically, it establishes a uniform statewide basic rate. In addition, it provides that (a) homes whose rates are above the basic rate will receive a rate increase that is *less than* the percentage COLA provided by the Legislature for the AFDC program, and (b) homes whose rates are below the basic rate will receive percentage increases that *exceed* the COLA provided by the Legislature. Over a period of years, this will result in all foster family homes in the state receiving the same basic rate. Moreover, it will allow the Legislature to continue to exert control over increases in the costs of foster family care.

2. **Group Home Rate Setting.** Prior to enactment of AB 2695, rate increases for group homes were subject to the same COLA ceiling as foster family homes. As a result, the pre-existing variations among counties were perpetuated here, as well. Under AB 2695, group home rates will be established by a controlled, cost-based rate setting system. This rate setting system consists of two components:

- **Cost-Based Rates.** The measure requires the DSS to annually establish cost-based rates beginning in 1983-84. These rates must reflect the actual expenditures of each group home, on a per child basis, in the base year (in most cases, the most recent calendar year for which expenditure data are available). These cost-based rates are *not* the rates that group homes will be paid. Instead, they are intended to serve as a benchmark of each facility's need.
- **Rate Control Plan.** The measure also requires the DSS to annually develop and submit to the Legislature, beginning in 1983-84, a rate control plan for the subsequent fiscal year. The measure provides that beginning in 1984-85, group home rates will be set according to the rate control plan. AB 2695 did not specify the factors which the department should consider in developing a rate control plan. It clearly anticipated, however, that the rates established under the plan should bear some relationship to the cost-based rates established by the department.

Under this two-part rate setting system, each facility's reimbursement rate will be based on its funding need, as reflected in its cost-based rate, but the reimbursement rate will be limited by the rate control plan in order to ensure that the total costs of group home foster care are kept within the amounts the Legislature is willing to pay.

The fiscal significance of the rate control plan is illustrated by the fact that the cost-based rates set by the department for 155 group homes during the current year are 21 percent higher, on average, than the rates that currently are paid to these group homes. Thus, in the absence of a rate control plan or a COLA ceiling, the cost of the care provided by these homes would increase by 21 percent in 1984-85.

**Concerns Regarding Implementation of AB 2695**

*We recommend that, prior to the budget hearings, the department report to the fiscal committees on the details of its proposed rate control plan for 1984-85. We further recommend that the department provide the fiscal committees with its timetable for developing a rate control plan that is based on cost-based rates rather than on a simple extension of the COLA ceiling.*

*Department Has Prepared Draft Regulations to Extend the COLA Ceiling on Group Home Rates for 1984-85.* The department's preliminary rate control plan for 1984-85 is essentially an extension with slight modifications of the COLA ceiling that has been in effect since 1977-78. This plan is contained in draft regulations prepared by the department. Although we have not had an opportunity to review the draft regulations in detail, we understand, that under this plan, (1) group homes whose rates were below the median rate in 1983-84 will receive an *increase of more than the COLA* increase provided in the budget for 1984-85 and (2) group homes whose 1983-84 rates were above the median will receive an *increase of less than the COLA* provided in the budget. Thus, the plan would base rate increases for 1984-85 on the median 1983-84 rate without regard to a facility's actual cost-based rate.

We have two concerns regarding the department's draft regulations:

- *Extension of the COLA Ceiling Will Not solve the Problem that Resulted in the Enactment of the Group Home Rate-Setting Provisions of AB 2695.* One of the purposes of AB 2695 was to reduce the variation in the rates at which similar group homes are reimbursed for the foster care services they provided. The controlled cost-based rate setting system provided in AB 2695 was designed to ensure that the rate at which group homes were reimbursed would reflect the costs of the services provided by each home, while maintaining the Legislature's control over AFDC-FC program costs. The draft regulations would not accomplish this purpose. Instead, they would merely extend the COLA ceiling, with slight modifications, into 1984-85. While a control system of this sort *will* allow the Legislature to continue to exert control over total program costs, it does nothing to reduce the rate disparities that AB 2695 was designed to eliminate.
- *Draft Regulations are Subject to Change as a Result of Public Hearings.* A public hearing is scheduled for February 29, 1984, on the draft regulations. It is impossible to predict what portion, if any, of the draft regulations will be modified as a result of the hearings. Therefore, it would be premature to assume that the department's final rate control plan will be identical to that reflected in the draft regulations.

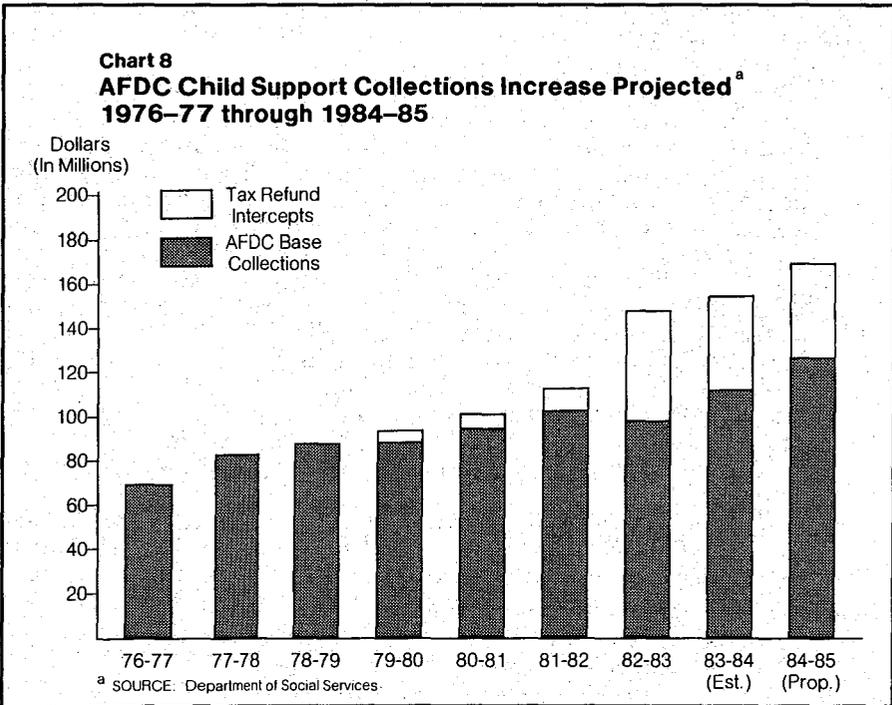
We believe that the fiscal committees need to know what the rate control plan for 1984-85 will be so that they can determine the appropriate level of funding for the AFDC-FC program. This is because the costs of the program in 1984-85 will depend, to a great extent, on the exact nature of the rate control plan. For this reason, we recommend that, prior to budget hearings, the department report to the fiscal committees on the details of its proposed rate control plan for 1984-85. We further recommend that the department advise the fiscal committees of its timetable and specific plans for developing a permanent rate control plan based on cost-based rates, rather than a simple COLA ceiling.

**AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued**

**CHILD SUPPORT ENFORCEMENT**

The Child Support Enforcement program is a revenue-producing program administered by the county district attorneys' offices. Through this program, the district attorneys locate absent parents, establish paternity, and obtain and enforce court-ordered child support payments. This service is available to welfare recipients and nonwelfare families.

Child support payments collected on behalf of AFDC recipients are used to reduce state, county, and federal welfare costs. Collections made on behalf of nonwelfare clients are distributed directly to the client. Chart 8 shows collections on behalf of AFDC families from two sources: collections obtained directly from parents and collections through attachment of state and federal income tax refunds.



**Projected Child Support Collections are Overestimated**

*We withhold recommendation on estimated net savings of \$63,199,000 to the General Fund anticipated from child support collections, pending receipt of revised expenditures estimate in May.*

The budget estimates that child support collections in 1984-85 will reach \$167,436,000 (all funds), an increase of 9.6 percent over estimated collec-

tions for 1983-84. These collections will reduce the costs of the AFDC program paid by the state, local and federal government. Part of the growth is due to increased collections resulting from a new program that attaches up to 25 percent of unemployment benefits paid to parents with unpaid child support obligations. In addition, collections, excluding those due to tax refund and UI intercept programs, are expected to increase 5 percent above estimated base collections in 1983-84.

Our analysis indicates that DSS' estimates of child support collections for 1983-84 and 1984-85 may be unrealistic. The department did not base its estimate of collections for 1983-84 on actual collections in 1982-83. Instead, the department estimated the 1983-84 collections by applying a 5 percent annual increase to actual collections in 1981-82. However, the actual rate of growth between 1981-82 and 1982-83 was only 1.7 percent. Consequently, the department's estimate for 1984-85 (1) begins with a base level that is too high and (2) assumes a growth rate—5 percent—which is three times the rate actually realized in the last year for which data is available.

It is not surprising that collections grew by only 1.7 percent between 1981-82 and 1982-83. Several factors help explain this slow rate of growth in base collections, and the effects of these factors probably will continue to be felt in 1984-85.

- The 1981 federal law changes in AFDC eligibility have reduced case-loads and, in turn, resulted in decreased AFDC child support collections. These decreases were not fully reflected in the department's estimates for 1984-85.
- Increased collections through income tax refund intercept programs have been accompanied by decreases in base collections. In part, this is due to a shift of staff resources to the intercept functions.

On the other hand, one factor may tend to increase collections in the coming years. Los Angeles County, which accounts for about 20 percent of statewide collections, projects large increases in base collections during 1983-84—the first time in several years that it has done so.

For these reasons, we are not able to document the validity of the estimate for child support collections in the budget year. Accordingly, we withhold recommendation on estimated net savings of \$63,199,000 to the General Fund due to child support collections, pending receipt of revised expenditure estimates in May. By then, we will have more information on actual collection experience, which will provide a more reliable basis on which to estimate collections and resulting incentive payments for 1984-85.

#### **Delays in Payment of Incentives to Counties**

*We recommend that, prior to the budget hearings, the department report to the Legislature on its progress in reducing the backlog of county claims for child support incentive payments.*

California and the federal government provide incentive payments to counties to encourage efforts aimed at collecting child support owed to AFDC families. The federal incentive payment equals 12 percent of total AFDC-related collections, and the state provides an additional 7.5 percent incentive. These incentive payments increase the share of child support collections that the county can keep. Without the incentives, the county would retain only 5.4 percent of AFDC-related collections (the county's share of AFDC payments). With the incentive payments, counties can keep a total of 24.9 percent of the AFDC-related collections.

**AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued**

During 1982–83, the backlog of unprocessed county claims for incentive payments grew. In that year, a total of \$31,324,000 was due to be paid to counties as child support incentives. Assuming a steady flow of claims and payments, we would expect the DSS to make \$2.6 million in payments to the counties each month. Between January and June 1983, however, incentive payments to counties averaged only \$1.5 million per month, resulting in increases to the backlog averaging \$1.1 million per month.

The DSS reports that it has taken several steps to alleviate the backlog in incentive claims processing. These include (1) temporarily redirecting staff and increasing overtime, (2) securing exemptions to the hiring freeze in order to fill vacancies, and (3) focusing processing efforts on the largest claims. As a result of these changes, payments of incentives increased during October, November, and December 1983. The DSS expects the backlog of the largest claims to be eliminated by May 1984. The DSS advises, however, that the backlog began to develop when the unit was fully staffed, and thus, if staffing levels remain constant, procedural changes will still be necessary to prevent backlogs from developing in the future.

Delays in providing incentive payments to the counties may work at cross purposes to the thrust of the program: to encourage adequate county staffing for child support enforcement activities. Therefore, we recommend that, prior to the budget hearings, the department report to the fiscal committees on the progress it has made in reducing the backlog of unprocessed incentive payment claims submitted by the counties.

**BUDGET ISSUES****Federal Supplemental Compensation Benefits Extended**

*We recommend a reduction of \$12,832,000 (\$5,742,000 from Item 5180-101-001 and \$7,090,000 from Item 5180-101-866) to reflect the extension of Federal Supplemental Compensation benefits.*

In September 1983, Congress enacted PL 98-92, which extended until March 1985 provisions of the Federal Supplemental Compensation (FSC) Act. Under this act, the federal government provides an additional 8 to 12 weeks of unemployment compensation benefits to workers who have exhausted their basic 26 weeks of benefits. According to the Employment Development Department, California is now providing 12 additional weeks of payments, but the number of weeks of additional benefits could decrease to 8 weeks depending on the state's unemployment rate.

At the time the DSS prepared the 1984–85 budget estimates for the AFDC program, the FSC was due to terminate at the end of September 1983. The department's estimate for the AFDC program assumed that termination of FSC benefits would occur, and its estimates of AFDC grant costs were increased to reflect the loss of these benefits.

The extension of FSC will bring about a reduction in AFDC costs in 1983–84, as well as in 1984–85. It will do so for two reasons: (1) families will submit applications for AFDC at a later date because they can rely on unemployment benefits for two to three added months and (2) those AFDC families that receive unemployment benefits will receive a smaller grant.

The DSS estimates that as a result of extending the FSC benefits through March 1985, AFDC grant expenditures in 1983–84 will be \$6.8 million less than originally estimated (\$2.9 million General Fund, \$3.6 million federal

funds, and \$0.3 million county funds). In addition, AFDC grant expenditures in 1984-85 from state and federal funds will be \$12.7 million less than proposed in the budget (\$5.7 million General Fund and \$7.0 million federal funds) and expenditures from county funds will be \$0.6 million less. The decreased AFDC grant costs will also result in a \$143,000 reduction (\$64,000 General Fund, \$71,000 federal funds, and \$8,000 county funds) to provide the AFDC cost of living adjustment proposed by the budget. We recommend that the appropriations for AFDC grants be reduced to reflect the savings expected due to the extension of FSC.

In addition, as a result of the FSC extension there will be savings in administrative costs due to reduced caseloads. We have included a related recommendation under Item 5180-141-001, county administration of welfare programs, to reflect these savings.

#### **Asset Clearance Match Demonstration**

*We recommend a reduction of \$741,000 (\$350,000 in Item 5180-101-001 and \$391,000 in Item 5180-101-866) to reflect grant savings expected to result from increased fraud investigative staff recommended in Items 5180-141-001 and 5180-141-866.*

Chapter 703, Statutes of 1981 (SB 620), authorizes a four-county demonstration project in which welfare and Franchise Tax Board (FTB) records are matched to determine if any welfare recipients earned more than \$30 in interest or dividends in any year. Because both AFDC and Food Stamp programs include eligibility rules that put limits on the assets a family may retain and still qualify for assistance, the matching of FTB records with welfare records provides a means for reducing program costs by identifying recipients with assets that may have exceeded the limit. Matches are referred to county investigative staff to determine whether any aid was fraudulently received.

Actual workload due to the matches has exceeded original estimates. As a result, current fraud investigator staffing is not sufficient to review all cases that warrant investigation. Based on our review, we conclude that increased staffing will result in AFDC grant savings by (1) detecting and collecting overpayments and (2) identifying families that currently receive aid who are ineligible because they do not meet the assets test. We, therefore, have recommended an augmentation to county administration of welfare programs, Items 5180-141-001 and 5180-141-866, to permit an increase in investigator staffing. In order to reflect the savings expected from additional investigations, we recommend a reduction of \$741,000 in AFDC grant expenditures from this item. (\$350,000 in General Fund costs and \$391,000 in federal funds).

## Department of Social Services

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

Item 5180-111 from the General  
Fund and Social Welfare Fed-  
eral Fund

Budget p. HW 172

Requested 1984-85 .....	\$1,101,124,000 <sup>a</sup>
Estimated 1983-84 .....	1,097,386,000
Actual 1982-83 .....	1,140,480,000
Requested increase \$3,738,000 (0.3 percent)	
Total recommended reduction .....	None

<sup>a</sup> This amount includes \$35,297,000 proposed in Item 5180-181-001 (a) for cost-of-living increases.

## 1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
5180-111-001	Payments to Aged, Blind, and Disabled	General	\$1,065,827,000
5180-111-866	Payments to Aged, Blind, and Disabled—Refugees	Federal	(8,551,000)
5180-181-001 (a)	Payments to Aged, Blind, and Disabled COLA	General	35,297,000
5180-181-866 (e)	Payments to Aged, Blind, and Disabled COLA—Refugees	Federal	(204,000)
Total			\$1,101,124,000

## GENERAL PROGRAM STATEMENT

The Supplemental Security Income/State Supplementary Payment (SSI/SSP) program provides cash assistance to eligible aged, blind, and disabled persons. Eligibility for the SSI/SSP program is determined on the basis of an elderly, blind, or disabled applicant's income and resources.

The federal government pays the cost of the SSI grant. California has chosen to supplement the federal payment by providing an SSP grant. The SSP grant is funded entirely from the state's General Fund. In California, the SSI/SSP program is administered by the federal government through local Social Security Administration (SSA) offices.

During the current year, an estimated 648,112 persons will receive assistance each month under this program.

## OVERVIEW OF THE BUDGET REQUEST

## Current-Year Surplus

The budget estimates that General Fund expenditures for the SSI/SSP program in the current year will be \$14,316,000 less than the amount budgeted. The reduced expenditure level reflects lower-than-anticipated caseloads, partially offset by higher-than-anticipated average monthly grants.

**Lower Caseloads.** The 1983 Budget Act assumed that during 1983-84, an average of 654,850 persons per month would receive SSI/SSP benefits. The department's most recent estimate of the monthly caseload for 1983-84 is 648,112 persons, or 1 percent less than the projected caseload.

**Table 1**  
**Total Expenditures for the SSI/SSP Program**  
**By Category of Recipient**  
**1982-83 through 1984-85<sup>a</sup>**  
**(in millions)**

Category of Recipient	Actual 1982-83			Estimated 1983-84			Proposed 1984-85 <sup>b</sup>		
	State	Federal	Total	State	Federal	Total	State	Federal	Total
Aged .....	\$439.9	\$257.6	\$697.5	\$406.4	\$272.0	\$678.4	\$400.2	\$271.8	\$672.0
Blind .....	40.5	28.0	68.6	40.2	31.1	71.3	40.8	32.3	73.2
Disabled .....	660.1	658.6	1,318.6	650.8	738.3	1,389.1	660.1	774.2	1,434.2
Refugees:									
Time									
Eligible .....	—	(39.7)	(39.7)	—	(29.6)	(29.6)	—	(22.1)	(22.1)
Time									
Expired .....	(9.7)	(13.3)	(23.0)	(16.4)	(25.8)	(42.2)	(22.6)	(36.6)	(59.2)
Totals .....	\$1,140.5	\$944.2	\$2,084.7	\$1,097.4	\$1,041.4	\$2,138.8	\$1,101.1	\$1,078.3	\$2,179.4

<sup>a</sup> Numbers may not add to totals due to rounding.

<sup>b</sup> Includes 2.0 percent COLA.

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

*Higher Average Grants.* The 1983 Budget Act anticipated average monthly SSP grant costs of \$272 during 1983–84. The department’s most recent estimate, however, is that the average monthly grant will be \$275, or 1.1 percent higher than originally anticipated.

Our review of the current-year estimate of expenditures indicates that it is reasonable. This estimate is subject to change during the May revision of expenditures.

**Budget Year Proposal**

The budget proposes an appropriation of \$1,101,124,000 from the General Fund for the state’s share of the SSI/SSP program in 1984–85. This is an increase of \$3,738,000, or 0.3 percent, above estimated current-year expenditures. Federal expenditures of \$1,078,278,000 are proposed for the SSI portion of the grants in 1984–85, an increase of \$36,888,000, or 3.5 percent, over estimated current-year expenditures.

Table 1 shows total expenditures for 1982–83 through 1984–85, by funding source, for each of the three categories of recipients. Included within the amounts identified in the table are SSI/SSP payments to refugees.

**Proposed General Fund Expenditures**

Table 2 identifies the components of the \$3,738,000 net increase in General Fund expenditures proposed for the SSP program in 1984–85. This amount reflects \$71,279,000 in increased expenditures, partially offset by \$67,541,000 in decreased expenditures. The decreases result from (1) a decline in basic caseload (\$6,367,000), (2) anticipated increases in recipient’s unearned income (\$22,929,000), and (3) increased federal funds available to provide a cost-of-living adjustment (COLA) for SSI/SSP grants (\$38,245,000). The increased expenditures are due primarily to:

- The full year cost of funding the 3.5 percent COLA provided in January 1984 (\$21,729,000);
- Reduced reimbursements from the federal government on account of errors made by the state in administering the SSI/SSP program (\$6,938,000);
- Anticipated increases in grant costs resulting from various changes to the disability review process (\$7,300,000); and
- The General Fund cost of providing a 2 percent COLA (\$35,297,000) on January 1, 1985.

**Table 2**  
**SSI/SSP**  
**Proposed General Fund Budget Changes**  
**1984–85**  
**(in thousands)**

	<i>Amount</i>	<i>Total</i>
1983–84 Expenditures (Revised) .....		\$1,097,386
I. Baseline Adjustments		
a. Basic caseload decrease .....	-\$6,367	
b. Cost-of-living increase (1/1/85)		
(1) Federal funds available .....	-38,245	
(2) Total General Fund cost .....	35,297	

c. Reduced grant costs due to increased recipient unearned income (1/1/85) .....	-22,929	
d. Full-year cost of 1/1/84 COLA .....	21,729	
Subtotals .....		-10,515
2. Program Changes		
a. Federal reimbursement for errors .....	\$6,938	
b. Court case .....	3,369	
c. Reductions in disability reviews .....	3,931	
d. Other .....	15	
Subtotals .....		\$14,253
1984-85 Expenditures (Proposed) .....		\$1,101,124
Change from 1983-84:		
Amount .....		\$3,738
Percent .....		0.3%

## ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

### CASELOAD TRENDS

While the SSI/SSP program is often thought of as primarily supporting aged individuals, the disabled are, in fact, the largest category of recipients, accounting for 57 percent of the projected average monthly caseload and 66 percent of total grant costs in 1984-85. The DSS projects that an average of 645,113 persons will receive assistance under the SSI/SSP program each month in 1984-85. As Table 3 shows, this is 2,999 persons, or 0.5 percent, less than the monthly caseload estimate for 1983-84. This reduction in the average monthly caseload results from a significant decline in the aged caseload, partially offset by relatively small increases in the blind and disabled caseloads.

Table 3  
Average Monthly Caseload  
SSI/SSP Program  
1983-84 through 1984-85

Category of Eligibility	1983-84 Estimated	1984-85 Projected	Percent Change
Aged .....	264,055	258,000	-2.3%
Blind .....	18,237	18,380	0.8
Disabled .....	365,820	368,733	0.8
Totals .....	648,112	645,113	-0.5%

The department's projection of the aged caseload in 1984-85 is consistent with the long-term decline in the number of aged persons applying for and receiving benefits under the SSI/SSP program. One major reason for the declining aged caseload is that individuals currently reaching age 65 have spent a significant portion of their working lives paying into the social security system and private pension funds. Thus, when these individuals retire, they may have significant income and resources at their disposal. To the extent that their resources are greater than the SSI/SSP grant, these individuals do not qualify for payments under the SSI/SSP program.

In contrast to the decline in the aged caseload, the DSS projects that both the blind and disabled caseloads will increase by 0.8 percent between

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

the current year and the budget year. Specifically, the DSS projects that:

- The slight growth trend in the blind caseload will continue throughout 1983–84, at which point the caseload will level off at 18,380 recipients per month during the budget year.
- The court's decision in *Lopez v. Heckler* will reduce by 144 persons each month the number of disabled individuals who are terminated from the SSI/SSP program. This is because the court decision prohibits termination of disabled individuals from the program without proof of medical improvement in their condition.
- The federal Social Security Administration's decision to require 31 percent fewer disability reviews of SSI/SSP recipients in California during 1983–84, and 1984–85 will result in 133 fewer persons each month being terminated from the program.

**JUDICIAL CHANGES*****Lopez v. Heckler*—Disability Review Process**

Disabled SSI/SSP recipients are reviewed periodically in order to determine whether they continue to qualify for benefits based on their type and degree of disability. In 1982, the federal government made various changes in the procedures for determining whether a disabled recipient continues to qualify for the SSI/SSP program. A U.S. district court, however, has ruled in *Lopez v. Heckler* that recipients may not be terminated from the SSI/SSP program as a result of using the revised procedures.

Specifically, the court ruled that (1) disability reviews must demonstrate medical improvement by a recipient in order to terminate benefits and (2) all disabled cases previously terminated as a result of applying a definition of disability which did not demonstrate medical improvement must be reinstated and receive retroactive benefits. Upon appeal, the U.S. Supreme Court stayed the requirement to reinstate previously terminated cases, pending a final decision on the case. At the same time, the Supreme Court upheld the lower court's decision that medical improvement is a necessary prerequisite to termination of benefits.

The Department of Social Services estimates that terminations due to disability reviews will fall to 25 percent of the cases reviewed. Previously, 41 percent of the disability cases reviewed were terminated. The department estimates that this decision will result in increased General Fund costs of \$810,000 in 1983–84 and \$4,179,000 in 1984–85.

**ELIGIBILITY AND BENEFITS****Eligibility For The SSI/SSP Program**

The Department of Social Services (DSS) estimates that approximately 645,113 individuals will receive cash assistance under the SSI/SSP program each month in 1984–85. These individuals fall into one of three categories: aged, blind, or disabled. In order to be eligible for the SSI/SSP program, individuals must meet certain income and resource criteria in addition to meeting the categorical requirements for eligibility. Table 4 summarizes the eligibility requirements for the SSI/SSP program.

**Table 4**  
**Basic Eligibility Requirements**  
**For the SSI/SSP Program**

**I. Categorical Requirements**

<i>Category</i>	<i>Criteria</i>
1. Aged.....	a. 65 years of age or older.
2. Blind.....	a. Vision correctable to no better than 20/200 in the better eye. b. Diagnosis by physician or optometrist.
3. Disabled .....	a. Mental or physical impairment which precludes "substantial gainful employment."

**II. Income and Resource Limits**

<i>Type</i>	<i>Limit</i>
1. Home .....	Entire value exempt.
2. Personal and Real * Property.....	\$1,500 for individual, \$2,250 for couple.
3. Household Goods/Personal Effects .....	\$2,000 equity value.
4. Motor Vehicle .....	\$4,500 market value.
5. Gross Income Limit .....	None.
6. General Income Exclusion.....	\$20/month general exclusion.
7. Earned Income Exclusion	
a. All categories .....	a. First \$65/month of earned income plus one-half of remaining earned income.
b. Blind and Disabled.....	b. Any income used toward gaining self-sufficiency.
8. Net Income Limit.....	Maximum SSI/SSP grant (see Table 6).

\* Real property exclusive of home is considered to be personal property.

The amount of the grant received by an SSI/SSP recipient is partially determined on the basis of the recipient's living situation. The majority of SSI/SSP recipients reside in independent living arrangements. Other recipients reside in (1) independent living arrangements without cooking facilities, (2) households of another person, and (3) nonmedical board and care facilities. The grants to these individuals differ from those to individuals in independent living arrangements.

**Benefits Available to SSI/SSP Recipients**

In addition to the monthly cash grant, SSI/SSP recipients may qualify for and receive a variety of other benefits from federal, state, and local governments. Some of these additional benefits, such as health care services under Medi-Cal, are available to individuals because they are SSI/SSP recipients. Other benefits, such as public housing and social security benefits, are available to SSI/SSP recipients only to the extent that they meet specific eligibility criteria and, in the case of public housing, are accepted into the program.

This section discusses six major benefits available to SSI/SSP recipients in addition to their monthly cash grants. The discussion focuses on the benefits as they were in 1982-83, the latest year for which data is available on actual utilization.

It should be noted that, in addition to the benefits discussed in this section:

1. SSI/SSP recipients are eligible for adult social services from county welfare departments;
2. 34,000 households receiving SSI/SSP also receive cash assistance through AFDC; and

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

3. Some applicants eligible for SSI/SSP received interim assistance grants while they awaited final eligibility determination for SSI/SSP. Neither the number of eligible applicants nor the level of the interim assistance grant which they received is known.

Because the combined monthly income of SSI/SSP recipients exceeds the monthly income limits for the food stamp program, SSI/SSP recipients are not eligible for food stamps.

**Social Security.** The Retirement, Survivors, Disability, and Health Insurance (RSDHI) program provides benefits to retired and disabled workers and their dependents, and to the survivors of insured workers. It also provides health insurance benefits for persons age 65 and over and for the disabled under age 65. According to statistics compiled by the federal Social Security Administration, 368,870 SSI/SSP recipients received RSDHI payments averaging \$300 per month during 1982-83. The RSDHI payments are counted as income for SSI/SSP grant purposes. As a result, individual SSI/SSP grants are reduced by the amount of the RSDHI payment, less a \$20 standard deduction. The RSDHI payments constitute 90 percent of all countable income received by SSI/SSP recipients.

**Medi-Cal.** The Medi-Cal program, administered under Title XIX of the federal Social Security Act, provides funds to health care providers for the cost of care delivered to public assistance recipients, and other individuals whose medical costs exceed their ability to pay. All SSI/SSP recipients are eligible for Medi-Cal health care. During 1982-83, 461,160 individuals, or 70 percent of all SSI/SSP recipients, utilized Medi-Cal reimbursed fee-for-service care. An undetermined number of additional SSI/SSP recipients utilized other Medi-Cal services provided through prepaid health plans, dental plans, and other categories of service paid for on a per capita basis. The average monthly cost of fee-for-service Medi-Cal services utilized by SSI/SSP recipients during 1982-83 was \$197. In addition to regular Medi-Cal benefits, some SSI/SSP recipients received Long-Term Care (LTC) benefits. The LTC payments are made to skilled nursing facilities and intermediate care facilities to cover the cost of board and care of beneficiaries. Because Medi-Cal covers the cost of room and board, SSI/SSP recipients in these facilities receive only an SSI/SSP personal and incidental needs allowance of \$25.

**In-Home Supportive Services.** The In-Home Supportive Services (IHSS) program, funded in California under Title XX of the Social Security Act, provides domestic and personal care services to aged, blind, and disabled individuals with the goal of preventing institutionalization. SSI/SSP recipients are eligible for this service. Other individuals may be eligible for IHSS if they meet all other SSI/SSP eligibility criteria but have excess income. Monthly payments are made to providers on behalf of IHSS recipients. The authorized payment level is based on need, as determined by county social workers or assessment workers. Recipients who receive 20 or more hours of specified IHSS service each month are eligible for higher maximum monthly benefits (\$838 in 1982-83) than other IHSS recipients (\$581 in 1982-83). During 1982-83, 94,635 SSI/SSP recipients received IHSS services.

**Low-Income Energy Assistance.** During 1982-83 California provided cash assistance to low-income households to help them pay the cost of the energy they used. Categorical public assistance recipients, such as SSI/SSP recipients, are automatically eligible for this assistance, which is not con-

sidered in calculating the amount of the SSI/SSP cash grant. During 1982-83, approximately 146,801 SSI/SSP recipients received a cash grant under this program. The average annual benefit provided under the Home Energy Assistance Program in 1982-83 was \$162. An undetermined number of SSI/SSP recipients also received (1) up to \$300 in emergency help in paying energy bills and (2) grants of up to \$1,000 to weatherproof their homes.

**Housing Programs.** Several housing assistance programs are available to low- and moderate-income households. These households may receive (1) subsidized shelter as tenants in public housing complexes owned and operated by local public housing authorities or (2) rental assistance in new or rehabilitated units owned by public or private agencies. The availability of housing assistance and income eligibility thresholds vary among the counties. It is estimated that in 1982-83, approximately 9,834 SSI/SSP recipients resided in public housing and an additional 144,784 SSI/SSP individuals received rental assistance.

**Senior Nutrition Programs.** The Department of Aging administers community-based programs providing meals to the elderly either at group sites or in the recipient's home. All individuals age 60 or older and their spouses under 60 are eligible for these meals. All *aged* individuals receiving SSI/SSP grants, therefore, are qualified for this service. Access to these nutrition programs is limited, however, because (1) the programs are small, serving only a small portion of the potential clients and (2) there are regional variations in the availability of the services. In 1982-83, approximately 222,000 individuals, or 6.1 percent of the population age 60 years or older, received 12.3 million meals at 827 sites in California. Another 28,000 persons were served 3.3 million meals in their homes. Because of the open-door policy of these centers, which require no affiliation with other state programs, it is not possible to quantify the benefits actually received by SSI/SSP recipients.

**Calculation of Average Benefits.** Table 5 shows the average value of benefits received in 1982-83 by SSI/SSP eligible individuals. The averages are calculated in two ways. The "Average Cash Value of Benefits Received" shows the average benefit value per individual receiving the particular benefit. For example, in the case of those SSI/SSP participants who received social security payments, the average value of the payment per recipient was \$300. The "Value of Benefits Averaged Over All SSI/SSP Recipients" gives the average benefit value for *all* individuals in the SSI/SSP program, including both those who did not receive the particular benefit as well as those who did. As a result, this measure of benefits received per SSI/SSP individual is less than the average benefit received per participating individual.

**Difficulties in Calculating Benefits Received by SSI/SSP Eligibles.** The average benefit value provides the best available picture of the total benefits received by SSI/SSP individuals. Like all averages, however, it conceals differences among individual recipients. In using the information contained in Table 5, it should be kept in mind that:

- **Not all SSI/SSP recipients are eligible for all benefits.** Some benefits are contingent upon health or degree of physical impairment.
- **The availability of some benefits is limited.** Some programs are geographically limited. In other cases, the ability of SSI/SSP recipients to travel to the site where services are provided is limited. In yet other cases, eligible individuals may not be aware that a particular benefit is available.

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

- *Some SSI/SSP recipients may choose not to receive some benefits.* They may use alternative resources, such as family, friends, the church and other nonprofit service providers, or they may choose to fend for themselves in an effort to gain or maintain independence.
- *The average number of persons receiving a benefit understates the number of persons who use the program over the course of a year.* Because some recipients are enrolled for only part of the year, the program provides aid to more individuals in the state than the monthly average figure implies.

**Table 5**  
**Monthly Benefits Available to SSI/SSP Recipients<sup>a</sup>**  
**1982-83**

<i>Benefit</i>	<i>Number of Recipients Using Benefit</i>	<i>Percent of Total SSI/SSP Caseload<sup>b</sup></i>	<i>Average Cash Value of Benefit Received</i>	<i>Value of Benefit Averaged Over All SSI/SSP Recipients</i>	<i>Value of Benefit Averaged Over All SSI/SSP Couples</i>
SSI/SSP cash grant .....	657,017	100.0%	\$258.33	\$258.33	\$412.92
Social security payments (RSDHI) .....	368,870	56.1	300.22	168.42	414.30
Medi-Cal:					
Health care <sup>c</sup> .....	461,160	70.2	197.29	138.50	277.00
Long-term care .....	68,010	10.4	750.94	78.10	— <sup>e</sup>
In-home supportive services, domestic and personal care assistance.....	94,635	14.4	209.71	30.20	30.20 <sup>h</sup>
Public Housing <sup>d</sup> .....	9,834	1.5	74.55	1.12	1.12 <sup>i</sup>
Rental Subsidies <sup>de</sup> .....	144,784	22.0	61.93	13.62	13.62
Average total monthly benefits.....	—	—	—	\$688.29	\$1,149.16
Average total annual benefits .....	—	—	—	\$8,259.48	\$13,789.92
LIHEAP <sup>f</sup> .....	146,801	22.3%	\$162.00	\$36.13	\$36.13 <sup>g</sup>
Average total annual benefits with LIHEAP .....				\$8,295.61	\$13,826.05

<sup>a</sup> Source: Departments of Health Services and Social Services, Office of Economic Opportunity, federal Department of Housing and Urban Development, the Social Security Administration, and the Bureau of Labor Statistics.

<sup>b</sup> The percentage figures do not add to 100 percent because many recipients utilized more than one benefit.

<sup>c</sup> Fee-for-service users only. Other Medi-Cal service categories, such as dental and prepaid health plans are delivered on a per capita basis. Data on the utilization of these nonfee-for-service categories by public assistance recipients is not available at this time.

<sup>d</sup> Housing assistance caseloads are based on a household size of two with a monthly income of \$791 (aged couple). Housing authorities and state and federal departments do not maintain specific data on public assistance recipients who reside in subsidized housing.

<sup>e</sup> Includes assistance under Sections 8 and 23 of the federal Housing and Urban Development Act and the Farmers' Home Administration's Rental Assistance program.

<sup>f</sup> Cash benefits shown are total payments rather than monthly benefits.

<sup>g</sup> Couples classified as two individuals for LTC.

<sup>h</sup> No data available. Assumes same level of benefit as for individual living alone.

<sup>i</sup> Benefit is calculated on basis of household, regardless of size.

**The Importance of the SSI/SSP Grant.** Table 5 shows the importance of the basic SSI/SSP grant in maintaining the income of recipients. The grant accounts for 37 percent of the average cash subsidy to individuals. Social security benefits account for 24 percent of the benefits available to SSI/SSP recipients.

## GRANT LEVELS AND COST-OF-LIVING ADJUSTMENTS

### Effects of the Social Security Amendments of 1983 (HR 1900)

In April 1983, Congress enacted the Social Security Amendments of 1983 (HR 1900). This measure made significant changes affecting both the grant levels and cost-of-living adjustments (COLA) under the SSI/SSP program. Specifically, the act affects California's SSI/SSP program in three ways:

1. *The SSI Payment Standards were Increased on July 1, 1983.* HR 1900 increased the federal SSI grant by \$20 for individuals and by \$30 for couples, effective July 1, 1983. This increase was not a COLA. California used part of the federal grant increase to offset the cost of the SSP program. The remainder of the federal grant increase was passed through to recipients. The net result of these actions was to increase the total SSI/SSP maximum payment level by \$10 for individuals and by \$15 for couples, as shown in Table 6.

2. *The Federal SSI COLA was Delayed Until January 1, 1984.* Each year, the federal SSI payment levels are increased by the percentage change in the Consumer Price Index (CPI). Previously, COLAs were granted July 1 of each year. HR 1900, however, delayed the federal COLA for SSI recipients to January 1, 1984. In addition, the act permanently changed the date on which federal SSI COLAs will be granted. Beginning January 1, 1984, the SSI maximum payment levels will be adjusted each January 1, based on the percentage change in the CPI. In order to conform to these federal changes, California provided that the statutory COLA for the *total* SSI/SSP grant would be given January 1 (calendar year basis) instead of July 1 (fiscal year basis). Table 6 shows the grant levels in 1982-83 and 1983-84 for various categories of recipients as a result of these federal and state changes.

**Table 6**  
**Maximum Monthly SSI/SSP Grant Levels**  
**1982-83 and 1983-84**

Category of Recipient	1982-83	1983-84		
		July-December 1983	January-July 1984	Annualized Percent Change <sup>a</sup>
<b>Aged/Disabled Individual</b>				
Total Grant .....	\$451.00	\$461.00	\$477.00	4.0%
SSI .....	284.30	304.30	314.00	8.7
SSP .....	166.70	156.70	163.00	-4.1
<b>Aged/Disabled Couple</b>				
Total Grant .....	838.00	853.00	886.00	3.8
SSI .....	426.40	456.40	472.00	8.9
SSP .....	411.60	396.60	414.00	-1.5
<b>Blind Individual</b>				
Total Grant .....	506.00	516.00	535.00	3.9
SSI .....	284.30	304.30	314.00	8.7
SSP .....	221.70	211.70	221.00	-2.4
<b>Blind Couples</b>				
Total Grant .....	985.00	1,000.00	1,041.00	3.6
SSI .....	426.40	456.40	472.00	8.9
SSP .....	558.60	543.60	569.00	-0.4

<sup>a</sup> Annualized percent change equals the average increase during 1983-84 over 1982-83.

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

3. *California is Required to Maintain Its July 1983 SSP Maximum Payment Levels.* Prior to enactment of HR 1900, states such as California that opted for federal administration of their programs could decrease their maximum SSP payment levels under specified circumstances. Specifically, states could reduce their grant levels provided that (1) their total spending for SSP did not fall below the expenditure level of the previous year or (2) the maximum SSP payment levels did not fall below the payment levels in December 1976. Because California's expenditures for the SSP program rose sharply during the late 1970s, the state in recent years was able to decrease spending under the program without putting itself out of compliance with federal regulations. This is because, despite the decreases, the levels of SSP grants in California were still well above the December 1976 levels. As a result of HR 1900, however, states now are required to maintain their SSP grants at or above the July 1983 levels.

**State Law Requires a 5.5 Percent COLA**

Existing state law requires that the total SSI/SSP payment levels be adjusted January 1, 1985, based on the change in the California Necessities Index (CNI) during calendar year 1983. The Commission on State Finance estimates that the CNI increased by 5.5 percent during this period. (This estimate is subject to change as part of the May revision of expenditures.)

Federal law requires that the SSI payment provided to aged, blind, and disabled recipients be adjusted on January 1, 1985, based on the percentage change in the Consumer Price Index (CPI) between April-June 1983 and April-June 1984. The DOF estimates that the CPI will increase by 4.7 percent during this period. Thus, a portion of the total cost-of-living adjustment to the combined SSI/SSP payment will be supported by an increase in federal funds. (The estimate of the CPI also is subject to change during the May revision of expenditures.)

**Budget Proposes a 2.0 Percent COLA**

The budget proposes a 2.0 percent increase in the maximum payment levels for SSI/SSP recipients, effective January 1, 1985, at a cost of \$35.3 million to the General Fund. This proposal assumes that legislation will be enacted to suspend the statutory requirement that the cost-of-living increase provided on the total SSI/SSP grant be set equal to the change in the CNI (estimated at 5.5 percent).

If the change in the CPI between April-June 1983 and April-June 1984 is 4.7 percent, as the Department of Finance estimates, the cost of a 2 percent COLA to the General Fund—\$35.3 million—would be more than offset by the increase in federal funds provided to finance the COLA to the SSI portion of the grant (\$38.2 million).

**Maximum Payment Levels**

Table 7 shows what the maximum SSI/SSP payment levels would be for selected categories of recipients in independent living arrangements, assuming that they are granted (1) a 2.0 percent COLA, as proposed by the administration, and (2) a 5.5 percent increase, as required by current law. Under existing law, the maximum grant for an aged individual would increase on January 1, 1985, by \$26, to \$503. Under the administration's proposal, the grant for an aged individual will increase by \$10, to \$487.

**Table 7**  
**Maximum Monthly SSI/SSP Grant Levels**      **1984 and 1985**  
1985

Category of Recipient	1984 January-December	Administration Proposal (2.0 Percent) <sup>a</sup>		Current Law (5.5 Percent) <sup>a</sup>	
		Amount	Change	Amount	Change
<b>Aged/Disabled Individual</b>					
Total Grant.....	\$477	\$487	2.1%	\$503	5.5%
SSI.....	314	328	4.5	328	4.5
SSP.....	163	159	-2.5	175	7.4
<b>Aged/Disabled Couple</b>					
Total Grant.....	886	904	2.0	935	5.5
SSI.....	472	494	4.7	494	4.7
SSP.....	414	410	-1.0	441	6.5
<b>Blind Individual</b>					
Total Grant.....	535	546	2.1	564	5.4
SSI.....	314	328	4.5	328	4.5
SSP.....	221	218	-1.4	236	6.8
<b>Blind Couple</b>					
Total Grant.....	1,041	1,062	2.0	1,098	5.5
SSI.....	472	494	4.7	494	4.7
SSP.....	569	568	-0.2	604	6.2

<sup>a</sup> Adjustments may not equal 2 and 5.5 percent, due to statutory requirement that payments be rounded to the nearest dollar.

### Fiscal Effect of COLA

Table 8 shows the cost in 1984-85 of providing either a 2.0 percent or a 5.5 percent COLA to SSI/SSP maximum payment levels, assuming that the federal SSI increase will be 4.7 percent. The table indicates that the increase in federal assistance would more than offset the General Fund cost of providing a 2.0 percent increase to the combined SSI/SSP grant level. In contrast, the cost to the General Fund of funding the statutory cost-of-living increase—5.5 percent—would be \$97,066,000, or \$61,769,000 more than the amount proposed in the budget.

**Table 8**  
**Fiscal Effect of Proposed COLA to**  
**SSI/SSP Maximum Payment Levels 1984-85**

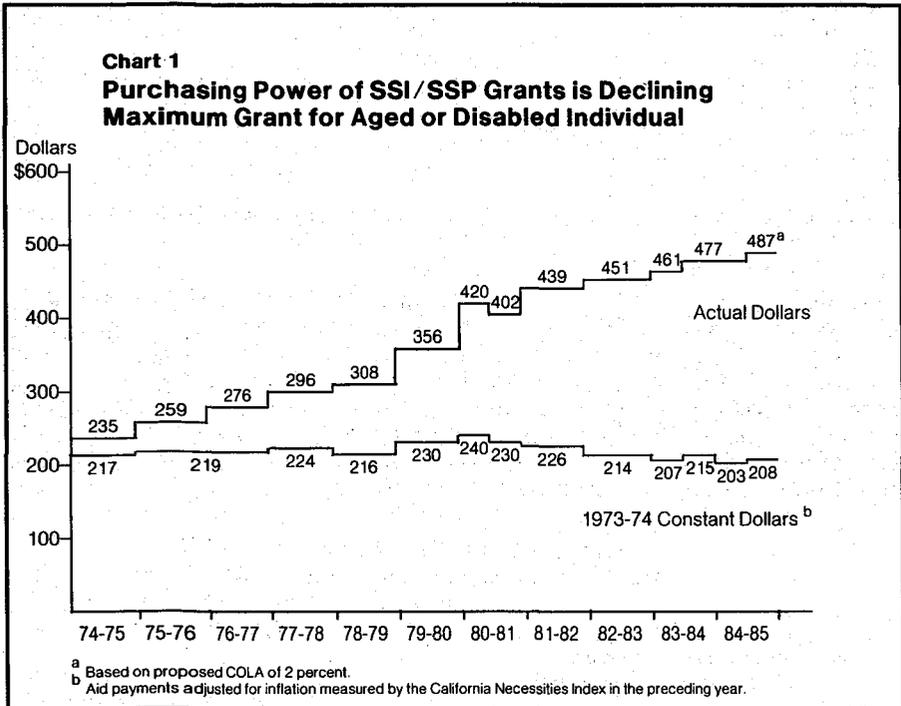
	General Fund	Federal Funds	Total
Base .....	\$1,104,072,000	\$1,039,829,000	\$2,143,901,000
Increased federal funds to provide a 4.7 percent increase on SSI grant, effective 1/1/85 .....	—	38,245,000	38,245,000
Savings to the state if SSP grant is reduced by a comparable amount so as to leave SSI/SSP grant unchanged .....	-38,245,000	—	-38,245,000
Expenditures, assuming no change in SSI/SSP grant .....	\$1,065,827,000	\$1,078,074,000	\$2,143,901,000
Cost of 1.6 percent COLA for SSI/SSP grants <sup>a</sup> .....	\$28,292,000	\$163,000	\$28,455,000
Cost of 2.0 percent COLA for SSI/SSP grants .....	35,297,000	204,000	35,501,000
Cost of 5.5 percent COLA for SSI/SSP grants .....	97,066,000	561,000	97,627,000
Expenditures, assuming SSI/SSP grant increases by:			
1.6 percent .....	\$1,094,119,000	\$1,078,237,000	\$2,172,356,000
2.0 percent .....	\$1,101,124,000	\$1,078,278,000	\$2,179,402,000
5.5 percent .....	\$1,162,893,000	\$1,078,635,000	\$2,241,528,000

<sup>a</sup> California must give at least a 1.6 percent COLA to comply with federal law.

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

**Previous Increases to SSI/SSP Grants**

Chart 1 shows the increases in the SSI/SSP grant since January 1974, and the value of the grant during this 10-year period in “real” 1974 dollars—that is, the grant amount, adjusted to reflect the impact of inflation on purchasing power as measured by the CNI. The chart shows that on January 1, 1984, the “real” value of the grant to an aged or disabled individual was \$215, compared to \$217 in 1974-75. If a 2.0 percent COLA is granted to SSI/SSP recipients as the budget proposes, the “real” grant level will be \$208 on January 1, 1985.



### California's SSI/SSP Grants Compared to Other States

The federal government allows states, at their option, to supplement federal SSI benefits. California supplements these benefits through the SSP program.

Table 9 shows the SSI/SSP benefits provided to aged or disabled individuals and couples by the 10 most populous states, as of January 1, 1984. The table indicates that of the 10 states, 5 chose to supplement the basic grant, and that of these 5, California provided by far the largest supplement to both individuals and couples. The resulting grant levels in California are 27 percent and 62 percent higher, respectively, than the grant levels prevailing in New York, the state with the next largest supplement. California's SSI/SSP standards exceed those of states which do not supplement the SSI grant by 52 percent in the case of individuals and 88 percent in the case of couples.

In addition, California is the only one of the 10 largest states that provides larger grants to the blind than to the aged or disabled. While aged or disabled individuals and couples receive \$477 and \$886, respectively, blind individuals receive \$535 and blind couples receive \$1041 each month.

**Table 9**  
**Maximum Monthly SSI/SSP Grant Levels**  
**Ten Largest States**  
**January 1, 1984**

State	<i>Aged or Disabled Individual</i>		<i>Aged or Disabled Couple</i>	
	<i>Total Grant</i>	<i>State SSP</i>	<i>Total Grant</i>	<i>State SSP</i>
California.....	\$477	\$163	\$886	\$414
New York.....	375	61	548	76
Texas.....	314	—	472	—
Pennsylvania.....	346	32	521	49
Illinois.....	314	—	472	—
Ohio.....	314	—	472	—
Florida.....	314	—	472	—
Michigan.....	338	24	508	36
New Jersey.....	343	29	495	23
North Carolina.....	314	—	472	—

**Department of Social Services**  
**SPECIAL ADULT PROGRAMS**

Item 5180-121 from the General  
Fund and Social Welfare Fed-  
eral Trust Fund

Budget p. HW 173

Requested 1984-85 .....	\$138,000
Estimated 1983-84 .....	1,472,000
Actual 1982-83 .....	1,539,000
Requested decrease \$1,334,000 (-90.6 percent)	
Total recommended reduction .....	None

**1984-85 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
5180-121-001—Special Adult Programs		General	\$138,000
5180-121-866—Special Adult Programs		Federal	(52,000)

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Special Circumstances Program. Recommend that, prior to the budget hearings, the Department of Social Services advise the fiscal committees on (1) ways of controlling the administrative costs of the Special Circumstance Program and (2) the extent to which other comparable benefits are available to SSI/SSP recipients.

1241

**GENERAL PROGRAM STATEMENT**

This item provides the General Fund appropriation to fund grants for the emergency and special needs of SSI/SSP recipients. The special allowance programs for SSI/SSP recipients are supported entirely from the General Fund and are administered by county welfare departments.

This item also appropriates federal funds to finance cash grants to repatriated Americans returning from other nations.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes a General Fund appropriation of \$138,000 for Special Adult programs administered by the Department of Social Services (DSS) in 1984-85. This is \$1,334,000, or 91 percent, less than the estimated General Fund expenditure level for Special Adult programs in the current year. This reduction reflects the administration's proposal to eliminate the Special Circumstances programs.

In addition to the request for General Fund support, the budget proposes \$52,000 in federal funds to finance cash benefits to repatriated Americans. This is the same as the amount appropriated for this purpose in the current year.

**ANALYSIS AND RECOMMENDATIONS**

The Special Adult program consists of three distinct programs. These programs are (1) Special Circumstances, (2) Special Benefits, and (3) Temporary Assistance for Repatriated Americans.

**Special Circumstances Program**

*We recommend that, prior to the budget hearings, the department advise the fiscal committees on (1) alternative ways of reducing or controlling state and county costs of administering the Special Circumstances program and (2) the extent to which benefits comparable to those provided by the Special Circumstances program are available to SSI/SSP recipients through other state and federally funded programs.*

The Special Circumstances program provides adult recipients with financial assistance in times of emergency. Payments up to specified maximum amounts can be made to replace furniture, equipment, or clothing that is damaged or destroyed by a catastrophe. Payments also are made for moving expenses, housing repairs, and emergency rent. In addition, the Special Circumstances program reimburses foster parents for the cost of burying a foster child who was in their care at the time of death.

The budget proposes to eliminate the emergency benefit component of the Special Circumstances program because of its high administrative costs, for a savings of \$1,334,000 to the General Fund. The administration proposes to continue reimbursements to foster parents, at a General Fund cost of \$25,000 in 1984-85.

**Background.** In 1974, the federal government consolidated county-administered adult aid programs into the new Supplemental Security Income (SSI) program. Because the basic SSI grant did not include an amount for special nonrecurring needs, the Legislature established the Special Circumstances program to provide benefits in unusual circumstances. The enabling legislation (Ch 1216/73) defines special circumstances as those circumstances "that are not common to all recipients and that arise out of need for certain goods or services, and physical infirmities or other conditions peculiar on a nonrecurring basis, to the individual's situation."

Prior to establishment of the SSI/SSP program, the counties provided funds to meet the nonrecurring needs of individuals who were receiving aid under the adult aid programs. However, the circumstances under which an individual could receive funds for nonrecurring needs were limited. The Special Circumstances program increased the extent to which individuals could receive benefits for a variety of emergencies.

Approximately 500 SSI/SSP recipients (or less than one-tenth of 1 percent of the SSI/SSP caseload) receive emergency benefits each month through the Special Circumstances program. The average benefit received by these individuals is \$222.

California also provides for the special nonrecurring needs of AFDC recipients. In general, this program provides for the repair or replacement of specified household items which are lost or damaged under circumstances beyond the control of the family.

**Administrative Costs.** In addition to funds scheduled in this item, the state and counties incur administrative costs in delivering benefits under the Special Circumstances program. These costs, which are supported through appropriations in Item 5180-001-001, department support, and Item 5180-141-001, county administration, are shown in Table 1. Based on the department's estimate, for every dollar spent on emergency benefits in the current year, an additional \$1.35 will be spent on program administration.

**SPECIAL ADULT PROGRAMS—Continued**

**Table 1**  
**Special Circumstances Program—Emergency Benefits**  
**Administrative and Program Expenditures**  
**1982-83 and 1983-84**  
**(in thousands)**

	<i>Actual</i> 1982-83	<i>Estimated</i> 1983-84
Administrative Costs		
County administration .....	\$1,534	\$1,680
State operations <sup>a</sup> .....	131	123
Total Administrative Cost .....	\$1,665	\$1,803
Program Costs—Emergency Benefits .....	\$1,405	\$1,334
Benefit to Administration Ratio .....	1:1.19	1:1.35

<sup>a</sup> Includes direct costs, allocated costs, and expenses resulting from contract with State Controller's office for program audits. Also includes estimate of chargeable expenses for Fair Hearings resulting from the Special Circumstances program.

Current law requires that counties (1) verify that a special circumstance exists, (2) issue a warrant for payment, and (3) send a claim to the state for payment. The DSS informs us that counties incur high administrative costs relative to program costs because verification of a special circumstance often requires a site visit to the applicant's home in order to assess the need and determine the reasonable cost of replacement or repair. The department further informs us that no analysis of administrative cost control alternatives was conducted prior to when the administration proposed the elimination of the Special Circumstances program. Moreover, at the time this analysis was prepared, no analysis of alternative means for controlling administrative costs at the county level had been submitted for legislative review.

We recommend that prior to the budget hearings the department report to the fiscal committees on the potential for reducing the costs of administering the program.

**Identification of Similar Benefits.** The department informs us that there are no statewide programs similar to the Special Circumstances program. However, the department advises that some programs may provide similar benefits under certain circumstances or in certain locations within the state. No list of alternative programs was compiled prior to when the administration proposed the elimination of the program. The department has since compiled a list of three alternative programs providing similar assistance under limited circumstances. These programs are:

- **The Individual and Family Grant (IFG) Program.** The IFG program provides cash assistance to families in need in areas which have been declared disaster areas by the president.
- **Department of Rehabilitation (DOR).** The DOR has some limited federal funds to provide moving allowances to vocational rehabilitation clients only when the moving assistance is covered by the rehabilitation plan.
- **Community Development Block Grant (CDBG) Programs.** Communities receiving CDBG funds may allocate all or part of these funds for housing repair and modifications. The local community determines the type of assistance and the eligibility criteria.

Based on our review of the department's list of alternative sources of benefits, we conclude that, in the absence of the Special Circumstances

program, California would not meet the same level or variety of emergency needs of SSI/SSP recipients.

We recommend that, prior to the budget hearings, the DSS report to the fiscal committees on the number and type of programs that provide benefits to SSI/SSP recipients which are comparable to those currently available through the Special Circumstances program.

**Special Benefits Program**

The Special Benefits program provides funds to SSI/SSP recipients who have guide dogs. Under the program, approximately 315 persons receive a special monthly allowance of \$30 to cover the cost of food for their guide dogs. The budget proposes General Fund expenditures of \$113,000 for these allowances in 1984-85. This is the same amount that the DSS estimates will be spent for this purpose in the current year.

**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. These persons 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 \$52,000.

**Department of Social Services  
REFUGEE CASH ASSISTANCE PROGRAMS**

Item 5180-131 from the Social  
Welfare Federal Funds

Budget p. HW 175

Requested 1984-85 .....	\$63,721,000 <sup>a</sup>
Estimated 1983-84 .....	77,459,000
Actual 1982-83 .....	117,901,000
Requested decrease \$13,738,000 (-17.7 percent)	
Total recommended reduction .....	None

<sup>a</sup> Includes \$431,000 proposed in Item 5180-181-866(c) for a 2 percent cost-of-living increase.

**1984-85 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
5180-131-866	Refugee Programs—Local Assistance	Federal	\$63,290,000
5180-181-866(c)	Refugee Programs—Local Assistance, COLA	Federal	431,000
Total			\$63,721,000

**GENERAL PROGRAM STATEMENT**

This item appropriates the federal funds that pay for the costs of cash grants and medical assistance provided to refugees and Cuban/Haitian entrants under the Refugee Cash Assistance (RCA) program. In general, refugees are eligible to receive cash assistance under the RCA program if they:

**REFUGEE CASH ASSISTANCE PROGRAMS—Continued**

- Have been in this country for 36 months or less;
- Meet the income and need requirements of the AFDC program, but do not qualify for aid under that program due to household composition (for example, the family does not have an absent or incapacitated parent); and
- Do not qualify for aid under the SSI/SSP program (such benefits are provided only to needy aged, blind, or disabled individuals).

In addition to cash assistance, refugees and entrants are eligible to receive medical assistance if they (1) have been in this country for 36 months or less and (2) are receiving public assistance under the RCA, AFDC, SSI/SSP, or local General Assistance programs. The federal government pays 100 percent of the cash grant and medical assistance costs under the RCA program.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes expenditures of \$63,721,000 (including a 2 percent cost-of-living adjustment (COLA), in federal funds for cash and medical assistance provided through the RCA program to refugees and entrants in 1984-85. This represents a reduction of \$13,738,000, or 18 percent, compared with estimated current-year expenditures for these programs. Funding for the program in the prior, current, and budget years is shown in Table 1.

Of the \$13.7 million decrease, \$8,567,000 is due primarily to a 28 percent reduction in projected cash assistance caseload. This reduction is partially offset by an increase of \$431,000 proposed in Item 5180-181-866 for a 2 percent cost-of-living increase for cash grants. Caseloads for the RCA program are anticipated to decline primarily because of (1) the reduction in the number of refugees being allowed into the country by the U.S. State Department and (2) the 36-month limit on eligibility for special refugee programs.

**Table 1**  
**Refugee Programs**  
**Department of Social Services**  
**1982-83 through 1984-85**  
**Federal Funds**  
**(in thousands)**

Program	1982-83	1983-84	1984-85	Change 1983-84 to 1984-85	
				Amount	Percent
Refugee cash assistance <sup>a</sup>	\$50,647	\$30,101	\$21,965 <sup>b</sup>	-\$8,136	-27.0%
Refugee medical assistance	67,254	47,358	41,756	-5,602	-11.8
Totals	\$117,901	\$77,459	\$63,721	-\$13,738	-17.7%

<sup>a</sup> Includes federal funds to reimburse counties for cash grants provided to refugees through county general assistance programs. These reimbursements are made on behalf of refugees who have been in this country for less than 18 months.

<sup>b</sup> Includes \$431,000 for a 2 percent cost-of-living increase proposed under Item 5180-181-866.

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.***Other Federal Funds for Cash Assistance are Limited**

In addition to the RCA funds, other federal monies are available to provide cash grants to refugees. As with the RCA program, the amount of federal funds available to the state for these programs depends on the length of time the refugee has been in this country. The federal government pays 100 percent of these costs for refugees who have been in this country for less than 36 months (referred to as "time-eligible" refugees). The federal government, however, pays only a part of the cash assistance costs of refugees who have been in this country 36 months or longer (referred to as "time-expired" refugees).

In addition to the RCA program, cash assistance is available to time-eligible and time-expired refugees through the following programs.

- **Aid to Families with Dependent Children (AFDC).** The AFDC program provides cash grants to children and their parents or guardians whose income is insufficient to meet the children's basic needs. Eligibility is limited to families with children who are needy due to the death, incapacity, or continued absence or unemployment of the parents or guardians.
- **Supplemental Security Income/State Supplementary Payment (SSI/SSP).** The SSI/SSP program is a federally administered program that is jointly funded by the federal and state governments, under which needy and eligible aged, blind, and disabled persons receive financial assistance.
- **County General Assistance.** Needy California residents, including refugees, may receive aid through county general assistance programs. Eligibility criteria and grant levels for these programs are established by each county.

Table 2 shows the number of time-eligible and time-expired refugees receiving aid in 1983-84 and 1984-85 under each of California's cash assistance programs. Table 2 shows that:

**Table 2**  
**Refugees Receiving Aid**  
**Time-Eligible and Time-Expired Refugees**  
**1983-84 and 1984-85**

	1983-84	1984-85	Change	
	Estimated	Projected	Amount	Percent
<b>Time-Eligible Refugees:</b>				
AFDC .....	71,850	52,092	-19,758	-27.5%
SSI/SSP .....	5,406	3,930	-1,476	-27.3
Refugee Cash Assistance .....	8,498	6,092	-2,406	-28.3
General Assistance .....	2,769	1,955	-814	-29.4
Subtotals .....	88,523	64,069	-24,454	-27.6%
<b>Time-Expired Refugees:</b>				
AFDC .....	99,480	136,888	37,408	37.6%
SSI/SSP .....	7,714	10,527	2,813	36.5
General Assistance .....	4,643	6,101	1,458	31.4
Subtotals .....	111,837	153,516	41,679	37.3%
<b>Totals .....</b>	<b>200,360</b>	<b>217,585</b>	<b>17,225</b>	<b>8.6%</b>

**REFUGEE CASH ASSISTANCE PROGRAMS—Continued**

- Approximately 217,600 refugees will receive some form of cash assistance in 1984–85. This is an 8.6 percent increase over the number of refugees receiving assistance in the current year.
- Of the 217,600 refugees on aid, approximately 189,000 (52,000 time-eligible and 137,000 time-expired) will receive AFDC payments. As a result, refugees will make up 11 percent of the state's total AFDC caseload (1,661,000 in 1984–85).
- The number of refugees who are eligible for 100 percent federal funding will decrease in 1984–85, as increasing numbers of refugees reach their 36th month in this country. Accordingly, the number of time-expired refugees will increase significantly—by 37 percent—between 1983–84 and 1984–85.

**California's Costs Will Increase Dramatically as Federal Funds are Reduced**

As a result of the 36-month time limit on 100 federal funding, state and local costs for cash assistance will increase significantly between 1983–84 and 1984–85. Table 3 shows the costs of cash assistance provided to time-expired refugees in the current and budget years. The table shows that:

- General Fund costs for cash assistance to time-expired refugees will total \$147 million in 1984–85, an increase of \$49.0 million, or 51 percent, above the current year.
- County costs will total \$37 million in 1984–85, an increase of 45 percent over 1983–84.

The expenditures shown in Table 3 understate the total costs to the state and local governments of providing services to refugees because it does not include the cost of medical assistance provided to time-expired refugees. Because of the time limit on 100 percent federal funding, state and county costs will continue to increase in 1985–86 and beyond.

**Table 3**  
**Costs of Cash Assistance**  
**For Time-Expired Refugees**  
**1983–84 and 1984–85**  
**(in thousands)**

Program/Funding Source	1983–84	1984–85 <sup>a</sup>	Change	
			Amount	Percent
1. AFDC <sup>b</sup>				
a. General Fund .....	\$80,983	\$124,283	\$43,300	53.5%
b. County funds .....	13,391	20,634	7,243	54.0
c. Federal funds .....	94,373	144,919	50,546	53.6
Subtotals, AFDC .....	\$188,747	\$289,836	\$101,089	53.6%
2. SSI/SSP				
a. General Fund .....	\$16,438	\$22,577	\$6,139	37.3%
b. Federal funds .....	25,759	36,565	10,806	42.0
Subtotals, SSI/SSP .....	\$42,197	\$59,142	\$16,945	40.2%
3. General Assistance				
a. County funds .....	\$12,098	\$16,298	\$4,200	34.7%
Totals .....	\$243,042	\$365,276	\$122,234	50.3%
General Fund .....	\$97,421	\$146,860	\$49,439	50.7%
County funds .....	25,489	36,932	11,443	44.9
Federal funds .....	120,132	181,484	61,352	51.1

<sup>a</sup> Amounts include a proposed 2 percent COLA.

<sup>b</sup> Includes grant and administrative costs.

**Department of Social Services**  
**COUNTY ADMINISTRATION OF WELFARE PROGRAMS**

Item 5180-141 from the General  
 Fund and Social Welfare Fed-  
 eral Fund

Budget p. HW 174

Requested 1984-85 .....	\$129,114,000
Estimated 1983-84 .....	116,686,000
Actual 1982-83 .....	102,475,000
Requested increase \$12,428,000 (+10.7 percent)	
Total recommended reduction .....	\$66,000
Recommended transfer to Item 5180-181-001 .....	10,900,000

**1984-85 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
5180-141-001	County administration	General	\$129,114,000
5180-141-866	County administration	Federal	(354,827,000)
9680-101-001 (aa-ff)	Mandated local costs	General	(407,000)

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page

1. Limits on State-Funded County Salaries. Recommend that \$10.9 million in Item 5180-141-001 be transferred to Item 5180-181-001 to provide a cost-of-living adjustment (COLA) for county administration consistent with COLAs provided by the Legislature to state employees. 1253
2. *Asset Clearance Match Demonstration. Augment Item 5180-141-001 by \$100,000.* Recommend an augmentation of \$373,000 (\$100,000 in Item 5180-141-001 and \$273,000 in Item 5180-141-866) to increase fraud investigators for the Asset Clearance Demonstration Project. 1262
3. *Extension of Federal Supplemental Compensation Benefits. Reduce Item 5180-141-001 by \$166,000.* Recommend a reduction of \$543,000 (\$166,000 from Item 5180-141-001 and \$377,000 from Item 5180-141-866), due to the extension of federal supplemental compensation benefits. 1264

**GENERAL PROGRAM STATEMENT**

This item contains the General Fund appropriation for the state's share of costs incurred by the counties in administering (1) the AFDC program, (2) the food stamp program, and (3) special benefit programs for aged, blind, and disabled recipients. In addition, the budget identifies the federal and county costs of administering child support enforcement and cash assistance programs for refugees. The costs of training county eligibility and nonservice staff also are funded by this item.

## COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued

**Table 1**  
**Expenditures for County Welfare Department Administration<sup>a</sup>**  
**1982-83 through 1984-85**  
**(in millions)**

Program	Actual 1982-83				Estimated 1983-84				Proposed 1984-85			
	State	County	Federal	Total	State	County	Federal	Total	State	County	Federal	Total
AFDC administration .....	\$77.5	\$99.9	\$183.0	\$360.4	\$89.2	\$105.6	\$200.1	\$394.9	\$101.5	\$113.2	\$216.6	\$431.3
Non-assistance food stamps .....	20.4	26.5	48.1	95.0	23.4	33.5	61.3	118.2	25.3	29.1	64.4	118.7
Child support enforcement												
a. Welfare .....	—	24.9	61.6	86.6	—	26.9	62.8	89.7	—	28.5	66.4	94.8
b. Non-welfare .....	—	8.1	19.9	28.0	—	8.0	18.8	26.8	—	8.5	19.9	28.4
Special adult programs .....	2.4	—	—	2.4	2.5	—	—	2.5	0.8	—	—	0.8
Refugee cash assistance .....	—	—	9.9	9.9	—	—	6.5	6.5	—	—	4.9	4.9
Staff development .....	2.2	2.5	4.7	9.4	1.5	1.6	3.2	6.3	1.5	1.8	3.3	6.6
Subtotal .....	\$102.5	\$161.9	\$327.2	\$591.6	\$116.7	\$175.6	\$352.5	\$644.9	\$129.1	\$181.1	\$375.4	\$685.6
COLA cap rescission <sup>b</sup> .....	—	—	—	—	—	—	—	—	(10.9)	(-15.5)	—	(-4.6)
1984-85 COLAs <sup>b</sup> .....	—	—	—	—	—	—	—	—	—	(17.0)	(20.6)	(37.6)
Local mandates <sup>c</sup> .....	—	—	—	—	(0.3)	(-0.3)	—	—	(0.4)	(-0.4)	—	—
Emergency food and shelter .....	—	—	—	—	—	—	4.6	4.6	—	—	—	—
Totals .....	\$102.5	\$161.9	\$327.2	\$591.6	\$116.7	\$175.6	\$357.1	\$649.5	\$129.1	\$181.1	\$375.4	\$685.6

NOTE: Details may not add to total due to rounding.

<sup>a</sup> SOURCE: Department of Social Services.

<sup>b</sup> These amounts are included in the totals appropriated for this item.

<sup>c</sup> Funding for local mandates is provided in Item 9680-101 and is not part of the table totals shown here.

## OVERVIEW OF THE BUDGET REQUEST

### Current Year Deficiency

The budget estimates that General Fund expenditures for the administration of county welfare programs will be \$3,488,000 more than the amount appropriated for 1983-84. This deficiency is the net result of several separate increases and decreases in funding requirements for this program, relative to what was anticipated in the 1983 Budget Act. Increased costs resulting from higher AFDC caseloads (\$3,929,000) and Special Adult Program Administration (\$555,000) are partially offset by decreased costs attributable to the Welfare Fraud Early Detection and Prevention program (\$563,000) and a 50 percent decrease in the costs of staff development budgeted in this item (\$1,497,000). Based on our review, we conclude that the department's estimate of the current year deficiency is reasonable. This estimate is subject to change during the May revision of expenditures.

### Budget Year Proposal

The budget proposes an appropriation of \$129,114,000 from the General Fund as the state's share of county costs to be incurred in administering welfare programs during 1984-85. This is an increase of \$12,428,000, or 11 percent, over estimated current-year expenditures.

The budget proposes total expenditures of \$685,633,000 for county administration of welfare programs in 1984-85, as shown in Table 1. This is an increase of \$36,170,000, or 5.6 percent, over estimated current year expenditures. This amount does not include \$407,000 proposed in Item 9680-101-001 to reimburse counties for state-mandated administrative activities and added grant costs.

### Budget Year Adjustments

Table 2 shows the proposed adjustments to General Fund expenditures for county administration in 1984-85. The net increase of \$12,428,000 is due, in large part, to the following major cost increases:

1. \$2,287,000, due to increased AFDC caseloads.
2. \$10.9 million resulting from the proposed removal of the limits on state participation in county salary increases.

These increased costs are partially offset by the following savings:

1. \$702,000 due to decreased food stamp caseloads.
2. \$1,680,000 due to the proposed end to Special Circumstances program.

### State Mandated Local Costs

The budget proposes \$407,000 from the General Fund to reimburse counties for their costs of complying with six state mandates. One of these mandates was imposed by the Legislature:

- Chapter 102, Statutes of 1981 (AB 251), requires counties to determine whether AFDC recipients have alternative medical insurance coverage (increased administrative costs: \$79,000).

**COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued**

Table 2

**Proposed General Fund Budget Changes for County Administration  
1984-85 (in thousands)**

	<i>Cost</i>	<i>Total</i>
1983-84 Expenditures (Revised) .....		\$116,686
A. Adjustments to Ongoing Costs or Savings		
1. AFDC Administration		
a. Increased caseload .....	\$2,287	
b. End to extended unemployment benefits .....	238	
c. Retroactive costs of court decisions .....	-320	
d. Fraud prevention and detection programs .....	61	
e. Other .....	645	
Subtotal .....		\$2,911
2. Nonassistance Food Stamp Administration		
a. Decreased caseload .....	-\$702	
b. Monthly reporting/retrospective budgeting .....	461	
c. Other .....	-144	
Subtotal .....		-\$385
B. New Costs or Savings		
1. AFDC Administration		
a. End to past-year COLA limitations .....		\$8,657
b. Retroactive costs of court decisions .....		682
2. Food Stamp Administration—End to past-year COLA limitations		2,243
3. Elimination of Special Circumstances Program .....		-\$1,680
C. Total Changes for 1984-85 .....		
1984-85 Expenditures (Proposed) .....		\$129,114
Change from 1983-84:		
Amount .....		12,428
Percent .....		10.7

The other five mandates were imposed administratively by the department. These mandates:

- Require counties to verify the household size, shelter costs, and dependent care costs for food stamp recipients (increased administrative costs: \$60,000).
- Make the criteria for exempting an individual from employment services registration the same for counties with and without WIN programs (increased county grant costs: \$4,000).
- Remove the \$200 maximum exemption for the cost of employment-related equipment (increased county grant costs: \$10,000).
- Exclude loans from income in determining eligibility and calculating the grant (increased county grant costs: \$4,000).
- Requires counties to investigate discrepancies between social security numbers reported by AFDC recipients and those on file with the Social Security Administration (increased administrative costs: \$250,000).

**WELFARE FRAUD EARLY DETECTION/PREVENTION PROGRAM**

The 1983 Budget Act provided funds for the establishment of programs to prevent fraudulent receipt of AFDC and food stamp benefits. Under the provisions of the Budget Act, counties were required to report on their existing procedures to detect and prevent fraud. In addition, they were required to determine whether these procedures were as cost-effective in detecting fraud as a system used by Orange County. If their procedures were not as cost-effective, the counties could seek additional funds to develop programs based on the Orange County model. The primary fea-

tures of this model are (1) early referral of applications to investigators when the eligibility worker suspects that there is a potential for fraud, (2) investigation of the case within a few days, and (3) timely return of the results of the investigation to the eligibility worker for appropriate action.

During 1983-84, a total of 18 counties are expected to participate in the program, as shown in Table 3. These 18 counties will hire a total of 31 fraud investigators and 13 eligibility workers to staff the fraud detection programs. In 1984-85, one additional county is expected to start a program using 3 fraud investigators.

The 1983 Budget Act assumed net expenditures of \$6,357,000 (\$1,094,000 General Fund, \$4,058,000 in federal funds and \$1,205,000 in county funds) for the Welfare Fraud Early Detection and Prevention program. The department has reduced its estimate of expenditures to \$855,000 (\$165,000 General Fund, \$510,000 in federal funds and \$180,000 in county funds) due to the limited number of counties requesting funding for the program and because counties do not anticipate starting programs until January or March 1984.

The 1984 Budget Bill proposes net expenditures under the program of \$1,092,000 (\$189,000 General Fund, \$694,000 in federal funds, and \$209,000 in county funds) in 1984-85. This represents the net cost of program staff, less the administrative savings due to reduced caseload as a result of the program's investigations. AFDC grant savings attributable to the program are expected to reach \$9.3 million in 1984-85. There are two reasons for the sharp increase over the \$1.7 million in savings estimated for 1983-84: (1) programs that begin during 1983-84 will not become fully operational until 1984-85 and (2) grant savings due to the program accumulate as more and more fraudulent applicants are denied aid each month.

**Table 3**  
**Costs and Savings Due to Welfare Fraud**  
**Early Detection/Prevention Programs**  
**All Funds**  
**(dollars in thousands)**

	1983-84		1984-85 Proposed
	Budget Act Estimate	Mid-Year Revise	
County Administration			
Program staff .....	\$9,637	\$1,046	\$2,089
Administrative savings .....	-3,280	-191	-997
Net Administrative Cost .....	\$6,357	\$855	\$1,092
AFDC Grant Savings .....	-\$35,152	-\$1,739	-\$9,273
Net Savings .....	-\$28,795	-\$884	-\$8,181
Counties participating .....	44	18	19
Staff added <sup>a</sup> .....	191	44	47

<sup>a</sup> Includes both fraud investigators and eligibility workers.

The department has estimated the program savings based on the assumption that, each month, six applicants per investigator will be denied grants. This assumption reflects Orange County's experience. Actual savings from the program, however, could vary from this estimate for at least two reasons. First, the extent to which applicants are misrepresenting themselves when applying for aid may differ from county to county. Second, some counties are using eligibility workers to conduct investigations,

**COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued**

while Orange County used only fraud investigators. Eligibility workers could be more or less successful at identifying fraudulent applications than fraud investigators.

**COST CONTROL MEASURES IN COUNTY ADMINISTRATION**

The Department of Social Services (DSS) allocates funds to counties for the administration of welfare programs using a formula that considers (1) caseload, (2) productivity targets for eligibility workers, (3) the existing salary structure in each county, (4) allowable cost-of-living increases, and (5) allocated support costs. One of the primary objectives of this formula is to control the growth in state-funded county costs for administering welfare programs.

The department calculates the county's allocation of funds for administrative costs in the following way. First, it determines the productivity targets (the number of cases to be handled by an eligibility worker) and supervisory ratios for the county. The cost control plan calls for counties to meet the average of the productivity standards achieved by counties of a similar size during a specific base year, or their own performance during the base year if it was above average. Second, the department determines the allowable salary costs per worker, considering the limits on state funding for cost-of-living increases in the last two years and actual county salaries. Third, the department calculates total administration costs by multiplying the DSS May estimates of caseloads in AFDC and food stamps, times the average cost per case, which is derived from the productivity target and average salary costs. Several other adjustments are made in order to fund overhead costs, fraud investigation activities, and other special items.

The state's share of cost is approximately 25 percent of the total. The counties are notified of their allocation early in the budget year. The amount actually paid to a county is determined by adjusting the allocation for the actual caseload during the year.

Under this system, there are two ways in which the state can limit the costs to the General Fund of county administration: (1) raise productivity targets and (2) limit the allowance for cost-of-living increases to county employees.

**Productivity Targets.** The cost control plan specifies productivity targets that provide a basis for limiting allocations to counties. Table 4 lists the productivity targets for the AFDC and Food Stamp programs, and shows the extent to which these targets are being met by the 27 largest counties. The first column of the table shows how many counties are meeting each of the productivity targets specified by the cost control plan. The second column shows the number of counties for which the target allowed by DSS results in administrative costs that are *higher* than they would be if DSS had required the county to meet the cost control plan's targets. The last column shows the number of counties for which the targets allowed by DSS result in costs that are *lower* than the costs that would be incurred if DSS had used the cost control plan's targets to determine the county's allocation.

Table 4 shows that in general, the majority of counties are meeting their AFDC productivity targets except in the area of quality control workers. Thirteen of the 27 counties were allowed more quality control staff than the plan calls for. The department has allowed more staff in this area than the cost control plan would permit in order to increase the amount of

resources devoted to reducing AFDC error rates.

Plan targets for nonassistance food stamps and the support ratio, on the other hand, are not being met. In 18 of the 27 largest counties, the targets allowed for food stamp cases per worker result in higher costs than plan targets. In 22 of the 27 counties, the targets allowed for the support ratio resulted in higher costs for county administration than the costs that would have been allowed under the plan targets.

**Table 4**  
**Differences Between Cost Control Plan**  
**Targets and Allowed Productivity Targets**  
**(27 Large and Medium Sized Counties)**  
**1983-84<sup>a</sup>**

	<i>Allowed Target Equals Plan Target</i>	<i>Allowed Target Results in Higher Cost Than Plan Target</i>	<i>Allowed Target Results in Lower Cost Than Plan Target</i>
<b>AFDC</b>			
Intake cases/worker .....	24	3	-
Intake workers/supervisor .....	21	5	1
Continuing cases/worker .....	19	7	1
Continuing workers/supervisor .....	19	6	2
Quality Control workers .....	14	13	-
Quality Control workers/supervisors <sup>b</sup> .....	19	2	6
<b>Nonassistance Food Stamps</b>			
Cases/worker .....	9	18	-
Workers/supervisor .....	20	5	2
Support ratio <sup>c</sup> .....	5	22	-

<sup>a</sup> SOURCE: Department of Social Services.

<sup>b</sup> Three counties have no targets for Quality Control worker/supervisor.

<sup>c</sup> Support ratio equals the ratio of support costs to eligibility staff costs.

**Adjustment of Targets.** Productivity targets are based on county performance in a particular base year (1977-78 for AFDC administration and 1979-80 for food stamp administration). In the past, there has been no provision for adjusting the targets to reflect changes in administrative procedures that may have a significant effect on the time it takes to process each case. To correct this situation, the *Supplemental Report to the 1983 Budget Act* required the department to prepare a plan for adjusting the productivity targets to take account of procedural changes identified in the budget. The department reports that beginning in 1985-86, it will adjust the targets to reflect the cost of ongoing procedural changes. Target adjustments will be calculated based on the estimated cost of the procedural change.

#### **Limits on the State's Share of County Salary Increases Should be Retained**

We recommend that:

1. *\$10.9 million from the General Fund be transferred from Item 5180-141-001 to Item 5180-181-001 to fund a 1984-85 COLA for county administration, in lieu of past-year salary increases that exceed what the state agreed to fund.*

2. *The Legislature adopt Budget Bill language limiting the extent to which the state will share in the cost of salary increases granted by the counties.*

**COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued**

3. *The Legislature establish the 1984-85 COLA limits for county administration based on the increases provided for state employees in the 1984 Budget Act.*

The budget proposes to remove existing limitations on the state's share of county costs. These limitations were imposed in prior years in order to cap the percentage increase in county welfare department salaries that the state would fund at the percentage increase granted state employees. The budget requests a \$17.7 million augmentation from the General Fund in 1984-85 for the purpose of funding prospectively county salary increases in excess of the cap. This includes \$10.9 million in Item 5180-141-001 for the administration of the AFDC and Food Stamp programs and \$6.8 million in Item 4260-101-001 for the administration of the Medi-Cal program. The budget proposes no funds for county-granted salary increases in 1984-85.

*The Legislature Has Sought to Limit the State's Share of County-Granted COLAs.* Under current law, the federal government pays 50 percent of the costs of administering the AFDC and Food Stamp programs. The state and counties each pay 25 percent. Since 1981-82, however, the Legislature has placed limits on the state's share of the costs attributable to COLAs granted by counties to their welfare department employees. Table 5 shows the limits contained in the 1981, 1982, and 1983 Budget Act. It indicates that:

- *The 1981 Budget Act* provided funds to cover the state's share of costs resulting from COLAs up to 6 percent. In addition, the Budget Act stated that counties would be responsible for COLAs that exceeded 6 percent limit. Consequently, counties that granted salary and benefit increases of less than 6 percent continued to receive 25 percent state participation in these costs. Counties that granted salary and benefit increases that exceeded 6 percent had to pay 50 percent of the costs above 6 percent. The 1981 Budget Act permitted state participation in salary increases above 6 percent only if counties were able to improve the productivity of their staff (that is, increase the number of cases handled by staff).
- *The 1982 Budget Act* provided no funds for county salary increases and included language limiting the state's share of county-granted COLAs.
- *The 1983 Budget Act*, as passed by the Legislature, contained funds for the state's share of a 3 percent COLA for county salaries. In addition, it allowed counties that granted COLAs less than 3 percent to apply the difference to COLAs not funded in the previous two years. This provision became moot, however, when the Governor, citing lower inflation in 1983 and the state's "severe fiscal constraint," vetoed the funds provided for the county COLA.

The Legislature had two purposes in limiting state participation in county COLAs. First, the limitation reduces the likelihood of a General Fund deficiency in county administration because counties grant COLAs exceeding what the budget anticipated. This was common before the COLA cap was established. For example, in 1980-81 (the year before the COLA cap was established), county boards of supervisors provided COLAs to welfare department employees that averaged 10.4 percent. The 1980 Budget Act, however, only appropriated enough funds to cover a 9 percent COLA. These higher-than-anticipated COLA costs accounted for

10 percent of the \$8.4 million deficiency in county administration in 1980-81.

Second, and more importantly, limits on county-granted costs avoid the situation where the state pays for salary increases to county employees that are larger than what the state provides to its own employees, including those working in close proximity to county employees.

**Table 5**  
**Budget Act Controls on the State's Share of Costs Resulting From**  
**County Granted COLAs for Welfare Department Employees**  
**Salary and Benefit Increases**  
**1980 through 1984**

<i>Budget Act</i>	<i>Budgeted Salary Increase</i>	<i>Budget Act Language</i>	<i>Effect</i>
1980 .....	9%	None.	State shared in the cost of whatever salary increase counties granted. Actual increases averaged 10.4%.
1981 .....	6%	The state would not share in the cost of salary increases that exceed the percentage increase authorized by the Legislature unless the excesses were funded by permanent productivity increases.	Counties granted an average COLA of 8.6%, resulting in General Fund shortfall, which was 2.6% above the level authorized by the Legislature.
1982 .....	0%	Same as above.	Counties granted an average COLA of 4.6%.
1983 .....	0%	<sup>a</sup> The state would not share in the cost of salary increases that exceed the percentage increase authorized by the Legislature in the 1981 and 1982 Budget Acts unless the excesses were funded by permanent productivity increases or in subsequent years the cost-of-living adjustments granted by counties are less than the percentage increase authorized by the Legislature.	The department estimates that counties will grant an average salary increase of 4.6% to their employees.
1984 .....	(proposed)	It is intended that \$10.9 million be used in county administration to restore the 25 percent state share of actual 1983-84 salaries.	\$10,900,000 added General Fund cost in Item 5180-141-001.

<sup>a</sup> The Governor vetoed a 3 percent COLA provided by the Legislature.

**Counties Have Granted COLAs That Exceed Budget Act Limits.**  
 Table 6 compares the COLAs provided by counties to welfare department employees with increases provided to state employees and welfare recipi-

**COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued**

ents, as well as with the change in the California CPI. Table 6 shows that:

- *The COLAs provided by counties exceeded the limits established by the various Budget Acts.* In 1981–82, when the state’s participation in salary and benefit increases was limited to 6 percent, counties provided COLAs which averaged 8.6 percent. In 1982–83, when the state did not pay for any salary increases, actual increases were 4.6 percent. In each year, individual counties exceeded the Budget Act limits by as much as 15 percentage points.
- *The COLAs provided by individual counties vary widely.* One county (Plumas) provided salary increases of only 1.5 percent over the three years, while another county (San Francisco) provided a 26 percent increase for employee salaries and benefits during this period.
- *County COLAs, on average, exceeded by 9.1 percent the salary increases given to most state employees.*
- *County salaries, on average, rose faster than consumer prices during the period. In addition, the average county salary increased faster than the increase in AFDC grants.*

**Table 6**  
**Comparison of State-Supported Salary Increases**  
**With Actual Increases and Other Related Measures<sup>a</sup>**  
**1980–81 through 1983–84**

	State-Funded County Welfare Salary Increases	Average for County Welfare Staff	Range of Increases Provided by Individual Counties	Salary Increase for State Civil Service	Change in California CPI	Increase in AFDC Grants
1980–81 .....	10.4%	10.4%	3.6% to 14.2%	10.0%	11.3%	12.9%
1981–82 .....	6.0	8.6	0 to 15.0	6.5	10.8	9.3
1982–83 .....	—	4.6	–4.4 to 14.7	—	1.8	—
1983–84 .....	— <sup>b</sup>	4.6(est.)	N/A <sup>c</sup>	3.0	4.6	4.0
Cumulative..... from 1981–82 through 1983–84	6.0%	18.8%	1.5% to 25.6% <sup>d</sup>	9.7%	18.0%	15.9%

<sup>a</sup> All increases represent average annual increases.  
<sup>b</sup> The Governor vetoed a 3 percent increase provided by the Legislature.  
<sup>c</sup> Actual 1983–84 increases are not yet available.  
<sup>d</sup> Includes increases only as of 1982–83.

**Distribution of COLA Funds.** Table 7 shows our estimate of how the funds proposed in the budget would be distributed among the 12 largest counties. Of the \$10.9 million proposed for salary increases for AFDC and Food Stamp administration, \$8.7 million (80 percent) would go to these 12 large counties. Between 1981–82 and 1983–84, salary increases in these counties ranged from a low of 9.1 percent (3.1 percent above the state limit) in Sacramento County to a high of 25.6 percent (19.6 percent above the state limit) in San Francisco.

**Table 7**  
**Cost to Fully Fund Actual County**  
**Salary and Benefit Increases for**  
**12 Largest Counties**  
**1984-85**

81-82    82-83

Marin 15.1  
 San Mateo 15.2  
 Counties

	Budgeted Increase	Actual Increase	Difference	Unfunded costs of Salary Increase	
				DSS Estimate	LAO Estimate
Alameda.....	6%	23.3%	17.3%	\$816,704	\$868,256
Contra Costa.....	6	18.9	12.9	306,342	350,747
Fresno.....	6	9.9	3.9	107,604	203,721
Los Angeles.....	6	19.2	13.2	4,528,117	5,382,307
Orange.....	6	21.6	15.6	530,827	578,820
Riverside.....	6	9.8	3.8	112,254	215,154
Sacramento.....	6	9.1	3.1	163,074	351,504
San Bernardino.....	6	17.4	11.4	440,461	522,764
San Diego.....	6	12.2	6.2	414,167	620,311
San Francisco.....	6	25.6	19.6	594,293	615,015
San Joaquin.....	6	18.0	12.0	278,875	325,965
Santa Clara.....	6	15.2	9.2	427,577	544,966
Total—12 Largest Counties.....				\$8,720,294	\$10,579,530
Total—Statewide.....				\$10,900,368	\$13,224,413

**Budget Proposal is Flawed.** Based on our analysis, we conclude that there are several serious flaws with the budget proposal to lift the cap on the state's share of costs for county-granted COLAs.

- **Cost of the Proposal is Underfunded.** We estimate that the budget underestimates the cost of rescinding the limit on the state's share of cost for county-granted COLAs. As shown in Table 7, the approval of the proposal would cost the General Fund \$13.2 million. This is \$2.3 million more than the budget requests in 1984-85. Our analysis indicates that the department made two errors in preparing its estimate. First, it understated the cost of salary increases between 1982-83 and 1983-84. Second, it has overestimated costs due to salary increases in support (clerical support and administration). The net result of correcting these errors is to increase the General Fund cost of this proposal by \$2.3 million.
- **Proposal Rewards High-Cost Counties.** The proposal treats counties unequally. It provides additional funds to those counties that chose to grant larger cost-of-living increases than what the last three Budget Acts funded, while offering nothing to those counties that followed the state's lead and stayed within the Legislature's COLA limits. Some of the counties that would get nothing from the budget proposal reduced salaries in 1982-83, perhaps in an effort to stay within the limits placed on them by the COLA cap. For the most part, the counties that would receive no funds under the budget proposal are small counties with limited resources: precisely those counties least able to bear the costs of unfunded COLAs.
- **Proposal is Based on a Faulty Premise.** The budget asserts that COLA limitations have increased "the potential for General Fund overpayments, higher quality control error rates, and federal AFDC and Food Stamp sanctions." The budget states that the potential for increased errors results, in part, from reducing staff and thereby increasing the number of cases handled by the remaining eligibility workers. We believe this premise is incorrect for the following reasons.

**COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued**

First, there has been no consistent trend in error rates since enactment of the controls on salaries and benefits. Table 9 (below) shows that, while error rates are high when compared to the federal standard of 4 percent, they have gone down as well as up during the period since 1980–81.

Secondly, we are unable to identify in those counties that granted high COLAs a consistent pattern of staff reductions and therefore increased cases per eligibility workers that could threaten to increase error rates. Table 8 groups counties on the basis of whether they gave either high, medium, or low cost-of-living increases in recent years, and shows the percent of counties in each group that increased the number of cases handled per worker. If staff were reduced in order to fund COLAs for the remaining employees, we would expect cases per worker to increase. Table 8 shows that high COLA counties tended to increase the number of AFDC intake cases and food stamp cases per worker. This is consistent with the budget premise. On the other hand, low COLA counties were *more* likely than high COLA counties to increase continuing cases handled by each worker. This trend is contrary to the budget premise underlying the budget proposal.

**Table 8**  
**Counties that Increased AFDC or Food Stamp**  
**Cases Per Worker**  
**1980–81 through 1982–83**

	<i>AFDC Cases</i>		<i>Food Stamp Activities</i>	<i>Total Number of Counties</i>
	<i>Intake Cases</i>	<i>Continuing Cases</i>		
High COLA..... (over 18%)	67%	53%	53%	15
Medium COLA ..... (10 to 18%)	54	64	46	28
Low COLA ..... (under 10%)	47	67	33	15

**LAO Recommendation.** For these reasons, we recommend that the Legislature *reject* the budget proposal to share in the cost of county-granted COLAs that exceed the limits established by the Legislature. Instead, we recommend that:

- The funds proposed in Item 5180-141-001 to fund prior-year COLAs be transferred to Item 5180-181-001 to provide a COLA in 1984–85 for county administration up to a limit established by the Legislature.
- The Legislature adopt the same language controlling the distribution of the COLA as it included in the 1983 Budget Act.
- The Legislature fix the maximum COLA for which the state will provide funding at a level comparable to the percentage salary increases granted to state employees.

This course of action would offer several advantages over what the budget proposes.

1. ***It Allows All Counties Additional Funding for Salary Increases.*** Under the budget proposal, only those counties that went beyond the COLA limits set by the Legislature in prior Budget Acts would receive additional state funding for salaries and benefits. Under our proposal, these counties would have all or a portion of the excess COLA funded by the state. In addition, those counties that stayed within the past legislatively established limits could, if they wish, increase salaries in 1984–85 and receive state funding for part of the increase.

2. *State Participation in Salaries Will Increase Uniformly Throughout the State.* Under the budget proposal, the state would fund salary increases of 19.6 percent in San Francisco (as shown in Table 6), but only 3.1 percent in Sacramento county. Under our proposal, the state would participate equally in salary increases in all counties, up to a specified limit (except in those counties granting salary increases that are less than that allowed by the COLA caps).

3. *It Prevents the Legislature from Being Criticized for Funding Salary Increases Paid to County Employees that are Larger than the Salary Increases Provided to State Employees.* Since 1980-81, salary levels in the state civil service have increased by 12.9 percent. This includes a 6.5 percent increase in 1981-82 and a 6 percent increase provided for half of 1983-84. County administrative COLAs have been limited to 6 percent. Under the budget proposal, the state would pay its share of salary increases in 36 counties that exceeded the increases granted to state employees. Under our proposal, the state could limit the COLAs for which counties would receive state funding to that provided state employees.

The following Budget Act language would provide for state participation in county cost-of-living increases up to the established limit. It also would permit counties that increase salaries by a percentage less than the limit established in the Budget Act to apply the difference to unfunded salary increases remaining from past years.

"Notwithstanding any other provision of law, the funds appropriated by this item shall be used to provide cost-of-living adjustments to county welfare departments for personal, and nonpersonal services, or to fund the amount of cost-of-living increases granted by counties which exceeded the levels specified in the State Budget Acts for the 1981-82, 1982-83, and 1983-84 fiscal years, not to exceed the percentage increase authorized by the Legislature for all counties in this item for the 1984-85 fiscal year.

The 1984-85 county administration cost control plan shall contain a provision which specifies that 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 unless the excess costs are funded by permanent productivity increases, or in subsequent years the cost-of-living adjustments granted by counties are less than the percentage increase authorized by the Legislature.

The department shall not allocate, reallocate, or transfer unused portions of county cost-of-living funds between counties nor shall the department use any funds to fund cost-of-living adjustments in excess of the percentage increase authorized by the Legislature in this item."

#### **ADMINISTRATIVE QUALITY CONTROL REVIEWS**

Federal regulations require states to review samples of AFDC and food stamps case files twice a year to determine whether those receiving benefits are eligible for such benefits, and whether the correct amounts have been provided.

Every six months, California draws a random sample of cases from the counties' files and reviews each case. Based on its review, the state calculates the percent of payments made in error to AFDC families as well as errors in the issuance of food stamps. These percents are the state's error rates. The federal government then reviews subsamples of the original state samples for accuracy, and adjusts the state's findings to reflect the results from the subsample reviews. These adjusted error rates are the federally recognized error rate for each program.

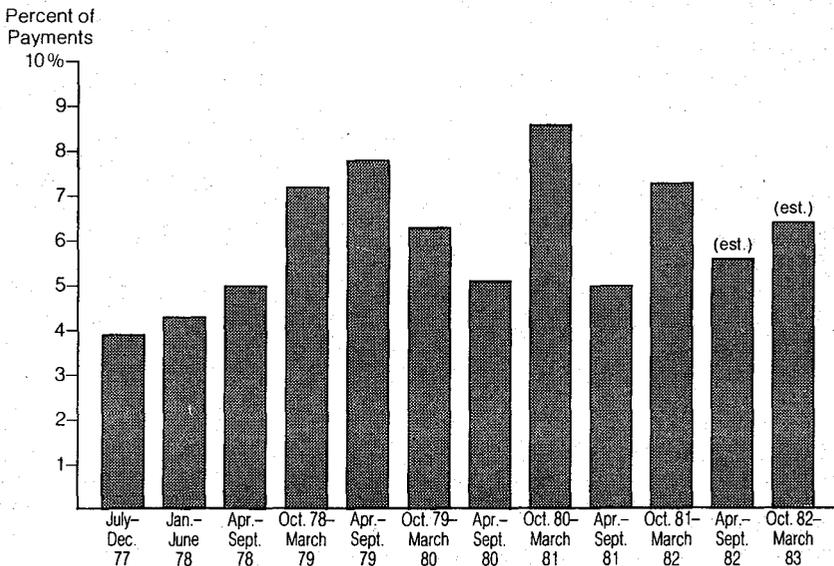
**COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued**

State regulations further require 34 of the 35 largest counties to conduct similar quality reviews of AFDC cases twice a year. The thirty-fifth county (Los Angeles) estimates its error rate on the basis of the federal sample results. County quality control staff review about 140 cases, and calculate the county's error rate based on the results of these reviews. A subsample of these county-reviewed cases is reviewed by the state to check on the accuracy of the original county results. The state then adjusts the county findings to arrive at the state recognized error rate for each of the counties.

Chart 1 shows the AFDC payment error rates in California since 1976. In the most recent period for which final federal results are available, October 1981 to March 1982, the state's error rate jumped to 7.3 percent.

**Federal Sanctions.** Federal regulations require states to reduce their error rates by one-third decrements, starting in October 1980. Federal regulations also require that for the October 1982 to September 1983 review periods, states achieve an error rate of 4.0 percent or lower. Beginning on October 1, 1983, states must achieve an error rate of 3 percent or lower. A state's failure to achieve either the interim reductions or the 4.0 percent level will result in a reduction in federal financial participation in the costs of the state's AFDC program.

**Chart 1  
Statewide AFDC Payment Error Rate, July 1977 through  
March 1983<sup>a</sup>**



<sup>a</sup> SOURCE: Based on data released by Department of Social Services. All periods show federal findings except April-September 1982 and October 1982-March 1983. For these two periods rates are estimated based on adjustment of state findings.

Because California's error rate in the base period (April to September 1978) was below 4.0 percent, the state must achieve the 4.0 percent standard for all review periods between October 1980 and September 1983, and a 3 percent standard for all subsequent review periods. Federal sanctions can be imposed upon the state when the combined error rate over two six-month sampling periods exceeds these standards.

In 1983, California was notified that its error rate for the period October 1980 to September 1981 exceeded the federal standard and that California was subject to a sanction of \$35,067,000. California appealed the application of the sanction, citing its good faith effort to reduce errors. The federal government has not yet decided whether to waive the sanctions.

It is likely that California also exceeded the allowable error rate standard of 4.0 percent during the October 1981-through-September 1982 review period. The final error rate for the period October 1981 to March 1982 is 7.3 percent. Although final figures are not available from the federal government, we estimate that California's error rate for the April-to-September 1981 period will be 5.6 percent. When these two error rates are combined, California can expect to be notified of a sanction totaling approximately \$33 million. The state then will have 65 days in which to request a second waiver of sanctions. The Secretary of DHHS will then determine whether all, part, or none of the sanctions will be waived.

#### Other Measures of Administrative Performance

Besides the payment error rates cited above, quality control reviews provide several other measures of administrative performance in the AFDC and food stamp programs. Table 9 lists these measures for quality review periods since October 1979. Underpayment error rates represent the percentage of payments that county welfare departments should have made, but did not. The case-error rate shows what percent of cases in the sample had errors—that is, overpayments, underpayments, or payments to ineligible families.

Table 9  
Error Rates in AFDC and Food Stamp Programs  
October 1979 through March 1983

	10/79 to 3/80	4/80 to 9/80	10/80 to 3/81	4/81 to 9/81	10/81 to 3/82	4/82 to 9/82	10/82 to 3/83
<b>AFDC</b>							
Dollar error rates							
—Overpayments and payments to ineligibles <sup>a</sup> .....	6.3%	5.1%	8.6%	5.0%	7.3%	5.6% <sup>a</sup>	6.4% <sup>a</sup>
—Underpayments <sup>c</sup> .....	0.6	0.5	0.7	0.6	0.4	0.2	0.5
Case error rate <sup>c</sup> .....	15.8	14.3	15.0	14.2	14.0	9.7	10.9
Negative action errors <sup>c</sup>							
—Incorrect reason for discontinuance or denial.....	0.5	0.9	1.8	4.2	3.9	N/A	N/A
—Inappropriate notice.....	4.9	3.5	3.1	3.3	3.6	N/A	N/A
<b>Food Stamps</b>							
Dollar error rates							
—Overpayments and payments to ineligibles <sup>c</sup> .....	7.2	7.8	8.7 <sup>a</sup>	6.2 <sup>a</sup>	9.3 <sup>a</sup>	8.0 <sup>a</sup>	N/A
—Underpayment <sup>c</sup> .....	2.6	3.5	3.0	2.9	2.8	3.3	3.3
Case error rate <sup>c</sup> .....	19.9	23.1	22.1	17.7	18.7	19.3	19.9
Negative action errors <sup>c</sup> .....	7.1	9.4	9.1	9.5	9.4	9.6	N/A

<sup>a</sup> Estimated final findings based on original state findings.

<sup>b</sup> Final federal findings

<sup>c</sup> Original state findings.

**COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued**

The department also reviews a sample of cases that were denied or discontinued aid. The results from this sample show what percent of the cases were denied or discontinued for incorrect reasons, and the percent of denied and discontinued cases in which errors were made in the notification of such action.

**OTHER BUDGET ISSUES****Asset Clearance Match Demonstration**

*We recommend an augmentation of \$100,000 in Item 5180-141-001 and \$273,000 in Item 5180-141-866 to fund additional county investigator staff for the Asset Clearance Match Demonstration Project.*

Chapter 703, Statutes of 1981 (SB 620), authorizes a four-county demonstration project to match welfare and Franchise Tax Board (FTB) records in order to identify welfare recipients who received over \$30 annually in interest or dividend payments. Because AFDC eligibility is limited to families with less than \$1,000 in resources, families that earn more than \$30 in interest and dividends in a year may have available assets that exceed this limit. When a match is made between a welfare record and a FTB record, the case is referred to county welfare investigators in order to determine if the family was ineligible for assistance.

The first match of welfare and FTB records was conducted in November 1982 and was based on 1981 interest and dividend data. The match used welfare data submitted by four counties: Alameda, Los Angeles, Santa Barbara, and Shasta. The match yielded 18,000 cases where social security numbers in the AFDC case matched a number in the FTB files for which interest and dividends were reported. A second match conducted in January 1984 based on 1982 records yielded 8,967 new cases.

The four participating counties employ a total of 18 investigators to handle these cases. Table 10 shows the results of their investigations through the end of October 1983. A total of 4,137 cases have been referred to counties and of these referrals, 1,565 cases have been assigned to investigators. The counties have completed 552 investigations and have identified 298 cases with overpayments totaling \$2,405,000. This is an average of \$8,069 per fraudulent case. Sixteen cases have been prosecuted.

**Table 10**  
**Asset Clearance Match Demonstration**  
**Performance Measures**  
**As of October 1983**

Total cases matched .....	17,637
Cases referred to counties .....	4,137
Cases under investigation .....	1,565
Completed investigations .....	552
Cases with overpayments .....	298
Average overpayment .....	\$8,069
Number of prosecuted cases .....	16

Table 11 lists the costs and benefits of the Asset Clearance Match Project. In 1982-83, the project resulted in a net cost of \$22,000. This is because investigations did not begin until the last half of 1982-83 and did not yield savings until the following year. The department projects net savings of \$1.6 million in 1983-84 and, assuming the same staffing level, net savings of \$2.7 million in 1984-85.

**Table 11**  
**Costs and Benefits of Asset Clearance Match**  
**(in thousands)**

	1982-83 <i>Actual</i>	1983-84 <i>Estimated</i>	1984-85 <i>Proposed</i>
<i>Costs</i>			
County Administration .....	\$536	\$921	\$921
State Operations .....	92	124	153
Totals .....	\$628	\$1,045	\$1,074
<i>Savings</i>			
Overpayments recouped .....	-\$606	-\$1,211	-\$1,456
Grant costs avoided .....	—	-1,416	-2,340
Totals .....	-\$606	-\$2,627	-\$3,796
Net Fiscal Effect .....	\$22	-\$1,582	-\$2,722

A sizeable portion of the original cases with matches have not been investigated. In Los Angeles, 7,000 cases, including many cases where the family continues to receive aid, have yet to be referred to the county for investigation. The backlog results from a lack of investigator positions because the project underestimated the percentage of matched records that would require investigations. The department estimated that 10 percent of an expected 28,000 cases would require investigation. Although only 17,637 matches were discovered, counties actually have assigned between 25 and 36 percent of these cases to investigation (this excludes Los Angeles County). Although Shasta and Santa Barbara Counties appear to have adequate staff to handle assigned investigations, Los Angeles and Alameda Counties may not be adequately staffed to complete cases already referred for investigation.

We recommend that funds budgeted for the Asset Clearance Match Demonstration Project be increased to provide for 10 additional investigators. We recommend this increase for the following reasons:

- Based on the results of the demonstration project to date, overpayments recouped through additional investigations would almost completely offset the cost of the additional staff. In addition, the avoided grant costs due to discontinuance of fraudulent cases will more than offset the costs of additional investigators.
- The DSS soon will send to the counties a new list of welfare cases with 1982 interest earnings identified by FTB. Existing investigator staffing is inadequate to handle both the new cases and the remaining backlog of cases identified in November 1982.
- Finally, inadequate staffing may cause the savings that can be achieved by expanding the asset clearance match statewide to be underestimated.

Based on the experience of demonstration counties to date, 10 investigators would be sufficient to process the 7,000 backlog of cases. (This assumes that 20 percent of these cases will require investigations and an investigator can handle 140 cases per year.) We estimate that 10 additional inves-

**COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued**

tigators in 1984-85 would cost an additional \$500,000, as shown in Table 12. The *net* administrative costs would total \$472,000 (\$500,000 for added investigative staff partially offset by administrative savings of \$28,000).

We estimate that these 10 investigators would result in a net savings of \$525,000 in collected AFDC overpayments, \$259,000 in avoided grant expenditures, and a \$28,000 reduction in AFDC administrative costs, for a total savings of \$812,000 (\$357,000 in state funds, \$405,000 in federal funds, and \$50,000 in county funds).

Although the additional investigator staffing will result in overall savings to the federal and state governments, it will increase county costs by \$56,000. However, these added county costs are more than offset by the \$172,000 savings budgeted in 1984-85 for the Asset Clearance Demonstration Project at its current staffing levels. Consistent with this recommendation, we make a related recommendation in our analysis of AFDC Payments for Children (Items 5180-101-001 and 5180-101-866). In those items, we recommend a General Fund reduction of \$350,000 (\$234,000 for overpayments collected and \$116,000 due to reduced caseloads) and a federal fund reduction of \$391,000 (\$262,000 for overpayments collected and \$129,000 due to reduced caseloads).

**Table 12**  
**Estimated Costs and Benefits of 10**  
**Additional Fraud Investigators**  
**1984-85**  
**(in thousands)**

	<i>State</i>	<i>County</i>	<i>Federal</i>	<i>Total</i>
<i>Cost</i>				
Added investigative staff <sup>a</sup> .....	\$107	\$106	\$287	\$500
<i>Savings</i>				
Overpayments collected .....	-\$234	-\$29	-\$262	-\$525
Reduced caseload				
—Grant savings .....	-116	-14	-129	-259
—Administrative cost savings .....	-7	-7	-14	-28
Total Savings .....	-\$357	-\$50	-\$405	-\$812
<i>Net Savings</i> .....	-\$250	\$56	-\$118	-\$312

<sup>a</sup> Funding ratios are based on those used for currently budgeted fraud investigators in Asset Clearance Match Demonstration.

**Extension of Federal Supplemental Compensation**

*We recommend a reduction of \$166,000 in Item 5180-141-001 and \$377,000 in Item 5180-141-866 due to extension of Federal Supplemental Compensation benefits.*

In September 1983, Congress enacted PL 98-92, which extended until March 1985 the provisions of the Federal Supplemental Compensation (FSC) Act. Under this act, the federal government provides an additional 8 to 12 weeks of unemployment compensation benefits to workers who have exhausted their basic 26 weeks of benefits. According to the Employment Development Department, California is providing 12 additional weeks of payments, but the number of weeks of additional benefits could decrease to 8 depending on the state's unemployment rate.

At the time the DSS prepared the 1984-85 budget estimates for AFDC administration, the FSC was due to terminate at the end of September 1983. As a consequence, the department's estimate of costs for AFDC administration assumed termination of FSC benefits and a resulting increase in AFDC caseload. The caseload was anticipated to increase because some families would no longer receive FSC benefits and therefore would be eligible for AFDC.

According to the DSS, the extension of FSC will result in reduced administrative costs of \$283,000 in 1983-84. In addition, the DSS estimates that the administrative savings in 1984-85 will total \$723,000, including \$166,000 to the General Fund, \$377,000 in federal funds, and \$180,000 in county funds. Because the department's estimates do not reflect the administrative savings that will result from continuation of FSC benefits in 1984-85, we recommend a reduction of \$166,000 in Item 5180-141-001 and \$377,000 in Item 5180-141-866.

**Department of Social Services**  
**SOCIAL SERVICES PROGRAMS**

Item 5180-151 from the General Fund and Social Welfare Federal Fund

Budget p. HW 175

Requested 1984-85 .....	\$205,050,000 <sup>a</sup>
Estimated 1983-84 .....	169,229,000
Actual 1982-83 .....	154,122,000
Requested increase \$35,821,000 (+21.2 percent)	
Total recommended reduction .....	None
Recommendation pending Item 5180-151-001 .....	\$4,583,000
Recommendation pending Item 5180-181-001 (b) .....	(\$5,143,000)

<sup>a</sup> This amount includes \$9,273,000 proposed in Item 5180-181-001 (b) for cost-of-living increases.

**1984-85 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
5180-151-001	Social Services programs/local assistance	General	\$195,777,000
5180-151-866	Social Services programs/local assistance	Federal	(379,110,000)
5180-181-001 (b)	Social Services programs/local assistance, COLA	General	9,273,000
5180-181-866 (b)	Social Services program/local assistance, COLA	Federal	(575,000)
Total			\$205,050,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis*  
*page*

1. Other County Social Services (OCSS) Allocation. Recommend that the companion bill to the 1984 Budget Bill be amended to specify that counties shall receive two allocations for OCSS consisting of (a) an allocation for child

1278

**SOCIAL SERVICES PROGRAMS—Continued**

- welfare services and In-Home Supportive Services (IHSS) administration and (b) an allocation for information and referral, adult, and optional services. Further recommend adoption of Budget Bill language specifying that funds appropriated for child welfare services and IHSS administration shall be allocated based on a cost control plan.
2. OCSS Cost Control Plan. Recommend adoption of supplemental report language relating to a cost control plan for child welfare services and IHSS administration. 1280
  3. OCSS—County Match. Recommend that the companion bill to the 1984 Budget Bill be amended to require that counties pay 25 percent of the total costs of the OCSS program. (Potential General Fund savings: \$9,522,000.) 1281
  4. OCSS—Supportive Services. Recommend the adoption of Budget Bill language specifying that a county's allocation of OCSS funds be reduced to reflect the availability of appropriate services funded by the General Fund through the Child Abuse Prevention program. 1282
  5. IHSS—Cost-of-Living Increase. Withhold recommendation on \$5,143,000 in Item 5180-181-001 to provide a 2 percent cost-of-living increase for IHSS providers, pending the May revision of expenditures. 1289
  6. IHSS—Fiscal Estimate of Statewide Standards. Recommend that, prior to the budget hearings, the department provide the fiscal committees with an estimate of the costs or savings resulting from implementation of statewide time-for-task standards. 1296
  7. IHSS—Needs Assessment Process. Recommend that, prior to the budget hearings, the department report to the fiscal committees concerning the establishment of a uniform statewide needs assessment process. 1297
  8. Access Assistance for the Deaf. Recommend that, prior to the budget hearings, the department submit the following to the fiscal committees: 1298
    - a. A plan for including specific program definitions within requests for contract proposals.
    - b. A report concerning progress in promulgating required regulations and establishing service regions.
    - c. A plan to ensure recoupment of fees for interpreter services.
    - d. A plan for assessing program goals and objectives.
  9. Adoptions—Allocation. Recommend adoption of Budget Bill language requiring the department to submit a plan for allocating funds to county adoption agencies for the Relinquishment Adoption program. 1304
  10. Adoptions—Cost-of-Living Adjustment (COLA) Cap. 1306
 

Recommend that the department advise the fiscal committees, prior to the budget hearings, of the extent to which General Fund costs of COLAs granted by county adoption agencies in excess of the 6 percent COLA cap have been offset by productivity increases. Withhold recommendation on \$4,583,000 in Item 5180-151-001 which we estimate is the portion of the proposed General Fund expenditure for adoptions that is attributable to excess county COLAs, pending receipt of the department's findings.

**Table 1**  
**Department of Social Services**  
**Social Services Programs**  
**Including Cost-of-Living Adjustment<sup>a</sup>**  
**(in millions)**

Programs	Actual 1982-83				Estimated 1983-84				Proposed 1984-85			
	General Fund	County Funds	Federal Funds	Total Funds	General Fund	County Funds	Federal Funds	Total Funds	General Fund	County Funds	Federal Funds	Total Funds
A. Other County Social Services .....	11.3	51.1	141.9	204.3	14.5	51.1	165.0	230.6	20.1	52.1	174.3	246.4
B. Special Adult Services .....	121.1	1.2	153.1	275.4	124	3.7	173.9	301.6	153.8	5.5	159.5	318.7
1. In-Home Supportive Services .....	(117.2)	(1.2)	(153.1)	(271.5)	(119.9)	(3.7)	(173.8)	(297.4)	(149.5)	(5.5)	(159.5)	(314.4)
2. Maternity Home Care .....	(2.1)	—	—	(2.1)	(2.1)	—	—	(2.1)	(2.1)	—	—	(2.1)
3. Access Assistance for the Deaf .....	(1.8)	—	—	(1.8)	(2.0)	—	(.1)	(2.1)	(2.2)	—	—	(2.2)
C. Specialized Family and Children's Services	.4	1.2	10.4	12.0	.4	.8	16.2	17.4	.4	.8	10.2	11.4
1. Work Incentive (WIN) Program .....	(.4)	(1.2)	(10.2)	(11.8)	(.4)	(.8)	(10.2)	(11.4)	(.4)	(.8)	(10.2)	(11.4)
2. Child Development Services .....	—	—	—	—	—	—	(6.0)	(6.0)	—	—	—	—
3. Foster Care Information System .....	—	—	(.2)	(.2)	—	—	—	—	—	—	—	—
D. Adoptions .....	18.8	—	.1	18.8	18.8	—	0.0 <sup>b</sup>	18.8	24.4	—	0.0 <sup>b</sup>	24.4
E. Demonstration Programs .....	2.6	.1	.3	2.9	11.6	.1	.2	11.9	6.4	—	.2	6.7
1. Child Abuse Prevention .....	(1.0)	—	(.3)	(1.2)	(10.0)	—	(.2)	(10.2)	(6.4)	—	(.2)	(6.7)
2. Family Protection Act (AB 35) .....	(1.6)	(.1)	—	(1.7)	(1.6)	(.1)	—	(1.7)	—	—	—	—
F. Refugee Social Services .....	—	—	19.0	19.0	—	—	33.0	33.0	—	—	35.5	35.5
<b>TOTALS:</b>												
1. Amounts .....	154.1	53.6	324.7	532.4	169.2	55.7	388.3	613.2	205.1	58.4	379.7	643.1
2. Percent .....	28.9%	10.1%	61.0%	100.0%	27.6%	9.1%	63.3%	100.0%	31.9%	9.1%	59.0%	100.0%

<sup>a</sup> Details may not add to totals due to rounding.

<sup>b</sup> Less than \$50,000.

**SOCIAL SERVICES PROGRAMS—Continued****GENERAL PROGRAM STATEMENT**

The Department of Social Services (DSS) administers various social services programs which provide services, rather than cash, to eligible clients. The budget has grouped these programs into six categories: (1) Other County Social Services (OCSS), (2) specialized adult services, (3) specialized family and children's services, (4) adoptions, (5) demonstration programs, and (6) refugee social services.

Federal funding for social services is provided pursuant to Titles IV-A, IV-B, IV-C, IV-E, and XX of the Social Security Act and the Federal Refugee Act of 1980. In addition, 10 percent of the funds available under the federal Low Income Home Energy Assistance (LIHEA) block grant are transferred to Title XX social service programs each year.

**OVERVIEW OF THE BUDGET REQUEST**

As Table 1 shows, the budget proposes total expenditures of \$643 million for social services programs in 1984-85. Of this amount, \$205 million, or 32 percent, is requested from the General Fund, and \$380 million, or 59 percent, is anticipated from the federal government. The budget also anticipates county support for social services totaling \$58.4 million.

Of the total General Fund request, \$9.3 million is for a two percent cost-of-living adjustment (COLA) for social services programs. The total cost-of-living increase proposed for social services programs is \$11.5 million.

**Proposed Budget Changes**

Table 2 shows the proposed changes in spending for social services programs, from all funding sources. The table shows a net increase in proposed expenditures from all funds of \$29.9 million, or 4.9 percent, over estimated current-year outlays. This reflects both increased and decreased costs. The major increases are:

- \$10,774,000, due to the additional full-year costs of the Emergency Response program created pursuant to Ch 978/82 (SB 14);
- \$21,358,000, due to anticipated increases in the IHSS caseload for 1984-85;
- \$9,666,000 for the additional full-year cost to the IHSS program resulting from the court's decision in *Community Services for the Disabled v. Woods*;
- \$5,165,000, due to increased adoption caseloads resulting from the child welfare services reforms enacted by SB 14; and
- \$11,476,000 for cost-of-living adjustments (COLA).

These increases are partially offset by the following reductions;

- \$19,171,000, due to proposed reductions in the IHSS program;
- \$6.0 million, due to the elimination of one-time federal funding for child day care provided in the current year by Job Training Partnership Act programs;
- \$1,684,000, due to the sunset of the Family Protection Act;
- \$610,000, due to the termination of four respite care demonstration projects; and
- \$2,938,000, due to a technical adjustment reflecting the use of monies during 1984-85 that were originally budgeted for 1982-83 by Ch 1398/82 (AB 1733).

**Table 2**  
**Proposed 1984-85 Budget Adjustments**  
**Social Services Programs—All Funds**  
**(in thousands)**

	Adjustments	Totals
1983-84 Expenditures (Revised) .....		\$613,228
A. Proposed Baseline Adjustments		
1. OCSS		
a. Additional (full-year) cost of Emergency Response program.....	\$10,774	
b. Other adjustments to SB 14 cost estimate .....	228	
Subtotal, OCSS .....		\$11,002
2. IHSS		
a. Increased caseload costs.....	\$21,358	
b. Costs due to court decision in <i>Community Services v. Woods</i> ....	9,666	
c. Payments to spouse providers (AB 223) .....	-600	
d. Anticipated program reductions .....	-19,171	
e. Other .....	-314	
Subtotal, IHSS.....		\$10,939
3. Deaf Access Assistance		
a. Hold harmless at 1983-84 appropriation level .....		\$72
4. Specialized Family and Children's Services		
a. Elimination of one-time federal funds for child day care .....		-\$6,000
5. Adoptions		
a. Increased caseloads attributable to SB 14 .....		\$5,165
6. Demonstration programs		
a. Change in funding source for child abuse prevention .....	-\$2,938	
b. Sunset of Family Protection Act .....	-1,684	
c. Termination of Respite Care Demonstration projects.....	-610	
Subtotal, demonstration programs .....		-\$5,232
7. Refugee Social Services programs		
a. Basic social services programs—increased federal funds .....	\$71	
b. Additional (full-year) cost of Targeted Assistance program (final 12 months of 18-month program) .....	2,398	
Subtotal, refugee programs.....		\$2,469
B. Proposed COLAs		
1. OCSS .....	\$4,832	
2. IHSS .....	6,076	
3. Maternity Home Care .....	42	
4. Deaf Access Assistance .....	42	
5. Adoptions .....	484	
Subtotal, COLAs .....		\$11,476
1984-85 Expenditures (Proposed) .....		\$643,119
Change from 1983-84:		
Amount .....		\$29,891
Percent .....		4.9%

The proposed \$29.9 million increase from all funds consists of (1) a General Fund increase of \$35.8 million, or 21 percent, (2) a reduction in federal funds of \$8.7 million, or 2.2 percent, and (3) an increase in anticipated county expenditures of \$2.7 million, or 4.9 percent. The General Fund bears a disproportionate share of increases in the total costs of this program, due to limits on the county and federal share of costs, as follows:

**SOCIAL SERVICES PROGRAMS—Continued**

- **Limits On County Share of Costs.** Senate Bill 14 limits the county share of costs for the OCSS program to the percentage cost-of-living increase provided for the program. As a result, the state will fund 85 percent of the nonfederal share of the *increase* proposed for 1984–85 and the counties will pay for only 15 percent. Similarly, state law (Ch 69/81) limits the county share of the costs of the IHSS program to 10 percent of any *increase* in total program costs over an established base.
- **Limited Federal Funds.** Federal funds (Title XX, Title IV-B, Title IV-C, Refugee, and LIHEAP) are made available to California based on federal appropriation levels and the state's share of the nation's population or other demographic statistics; they are not provided based on program costs as they are in other programs such as AFDC. Thus, although expenditures in those programs supported by Title XX (OCSS and IHSS) are budgeted to grow by 6 percent in 1984–85, California's Title XX allocation for FFY 1985 is expected to be only about 1 percent higher than its allocation for FFY 1984 (reflecting an anticipated 1 percent increase in the national Title XX appropriation).

**ANALYSIS AND RECOMMENDATIONS****Unbudgeted Federal Title XX Funds**

The DSS advises that California has received an allocation of \$280.7 million in federal Title XX (social services block grant) funds for FFY 84. This is \$18.4 million more than was anticipated at the time the 1983 Budget Act was enacted. Of the additional funds available, \$4.6 million is available for expenditure *only* in 1984–85 and \$13.8 million is available to be spent during 1983–84 or 1984–85. The department has budgeted the \$4.6 million for expenditure in 1984–85. The department advises that the remaining \$13.8 million will be authorized for expenditure in 1983–84 after the Legislature has been given 30 days' advance notice pursuant to Section 28 of the 1983 Budget Act.

The department advises that it plans to use the \$13.8 million in unbudgeted federal funds, as follows:

- **\$7.9 Million to Cover Increased IHSS Costs Resulting From Court Decision.** This augmentation would pay for the estimated current-year costs of a judgment against the state issued by the court in connection with *Community Services for the Disabled v. Woods*. (We discuss this case under the section of this analysis entitled "In-Home Supportive Services.")
- **\$2.0 Million for Refugee Social Services.** The department estimates that federal funds available in the current year for refugee social services will be \$2.0 million less than the department's projection of the "need" for these funds. The department advises it will propose to use \$2.0 million of the additional Title XX money to support additional spending for these services.
- **\$3.9 Million "Reserve" for Projected Current-Year IHSS Funding Shortfall.** The department estimates that the amount of funds currently budgeted for the IHSS program will be \$3.3 million less than needed to fully fund IHSS caseloads at existing service levels. The department advises that it will hold in reserve until May 1984 \$3.9

million of the additional Title XX monies, in case program reductions are required in the current year. Should reductions be required, the department would use these funds to reduce or eliminate the reductions.

At the time this analysis was prepared, the administration had not submitted to the Legislature the notification required by Section 28 of the 1983 Budget Act. As a result we have not had an opportunity to review in detail the proposed use of the additional \$13.8 million in the Title XX funds.

### OTHER-COUNTY SOCIAL SERVICES

The Other-County Social Services (OCSS) program funds eight of the nine Title XX services that counties are required by the state to provide. (In-Home Supportive Services (IHSS), the ninth mandated program, is funded separately.) Under the OCSS program, counties also may provide one or more of the various services that are optional under state law.

**Proposed Funding for OCSS.** The budget proposes total spending of \$246,436,000 for the OCSS program in 1984-85. This amount consists of \$174,293,000 in federal funds (Titles IV-A, IV-B, IV-E, and XX), \$52,087,000 in county funds, and \$20,056,000 in General Fund support. The total includes a cost-of-living adjustment of \$3,811,000 proposed separately under Items 5180-181-001 (b) and 5180-181-866 (b).

### REVIEW OF IMPLEMENTATION OF SB 14

#### Overview of SB 14 Changes

Chapter 978, Statutes of 1982 (SB 14), made major changes in the OCSS program. Specifically, the measure (1) created four new child welfare service programs, (2) shifted the emphasis of the OCSS program toward child welfare services, and (3) changed the required county share of program costs. Each of these changes is described below.

**Child Welfare Services Programs.** SB 14 created the following four new child welfare service programs:

- **The Emergency Response Program** was established effective October 1, 1983. Under this program counties are required to provide immediate social worker response to allegations of child abuse and neglect. In addition to initial investigation and intake, the program provides supportive services for abused and neglected children and their parent(s) or guardian(s). These services may include counseling, emergency shelter, care and transportation.
- **The Family Maintenance Program** was established effective October 1, 1983. Under this program counties are required to provide ongoing services to children (and their families) who have been identified through the emergency response program as victims, or potential victims, of abuse or neglect. The primary goal of the program is to allow children to remain with their families under safe conditions, thereby eliminating unnecessary placement in foster care. Services provided through this program include social worker case management and planning, as well as supportive services such as counseling, emergency shelter care, temporary in-home caretakers, teaching and demonstrating homemakers, etc.
- **The Family Reunification Program** was established effective October 1, 1982. Under this program counties are required to provide services to children in foster care who have been temporarily removed from

**SOCIAL SERVICES PROGRAMS—Continued**

their families because of abuse or neglect. The program also provides services to the families of such children. The primary goal of the program is to safely reunite these children with their families. Services provided through this program include social worker case management and supportive services.

- *The Permanent Placement Program* was established effective October 1, 1982. Under this program, counties are required to provide case management and case planning services to children in foster care who cannot be safely returned to their families. The primary goal of the program is to ensure that these children are placed in the most family-like and stable setting available, with adoption being the placement of first choice.

Table 3 displays the proposed expenditures in 1984-85 for the four child welfare service programs created by SB 14. In addition, the table shows the number of social worker full-time equivalents (FTEs) that the budget proposes to fund in 1984-85.

**Table 3**  
**Costs of Child Welfare Services**  
**1984-85<sup>a</sup>**  
**(dollars in millions)**

SB 14 Programs	Case Management and Planning		Supportive Services	Totals
	Social Worker FTEs	Costs <sup>b</sup>		
Emergency Response.....	861	\$44.1	\$7.4	\$51.5
Family Maintenance.....	1,115	57.2	14.9	72.1
Family Reunification .....	700	35.9	6.0	41.9
Permanent Planning .....	332	16.9	—	16.9
Totals .....	3,008	\$154.1	\$28.3	\$182.4

<sup>a</sup> Amounts include the costs of the 2 percent cost-of-living increase proposed for 1984-85.

<sup>b</sup> Includes costs for staff development.

SOURCE: Department of Social Services

**Emphasis of the OCSS Program Shifted.** Prior to the enactment of SB 14, the OCSS program was essentially a block grant to counties intended to help them provide a wide range of social services programs. The allocation of OCSS funds among the various social services programs was left to the discretion of individual counties. As a result, OCSS funds were spent according to the priorities of the counties, rather than the priorities of the Legislature.

With the enactment of SB 14, this arrangement has changed. Specifically, SB 14 (1) changed the OCSS program from a block grant to a program with specific program and services requirements and (2) required that a greater share of the total available OCSS funding be used for child welfare services. As Table 4 shows, the percentage of OCSS funding spent for child welfare services is proposed to increase from 62 percent in 1981-82 to 74 percent in 1984-85. The percent of total funding which is available for spending on the remaining OCSS programs has been reduced accordingly.

**Table 4**  
**Distribution of Funds Among the Various OCSS Programs**  
**1981-82 and 1984-85**

OCSS Programs	Expenditures as A Percent of Total OCSS Funds Available	
	1981-82	1984-85
	Actual <sup>a</sup>	Proposed
1. Information and Referral .....	5.7%	3.8%
2. Adult Services .....	6.3	5.1
3. IHSS Administration .....	22.1	15.9 <sup>b</sup>
4. Optional Programs .....	4.2	1.2
5. Child Welfare Services .....	61.7	74.0

<sup>a</sup> Percentages are based on total spending of \$216.6 million. Of this amount, approximately \$11 million represents county spending in excess of the required county match.

<sup>b</sup> SB 14 reduced the number of IHSS eligibility and need reassessments that counties are required to perform.

**SB 14 Reduced the County Share of OCSS Costs.** Prior to the enactment of SB 14, counties were required to pay 25 percent of the costs of the OCSS program. SB 14 limited the county share of costs to \$51.1 million, instead of 25 percent. This amount reflected the sum of the required 25 percent match provided by the 58 counties in 1980-81. The measure also provided that the county share would be increased each year by the percent of COLA provided in the budget for the OCSS program. Assuming a two percent COLA as proposed in the budget, the required county share of OCSS costs in 1984-85 will be \$52.1 million, or 22 percent of the total costs of the OCSS program. Assuming the costs of the OCSS program continue to increase in the future, the effect of the limit on the county share will be to reduce the percentage of program costs which is paid for by the counties.

#### **Implementation of SB 14 Has Been Incomplete**

There are three major differences between the child welfare service programs established by SB 14 and the programs which existed under prior law. First, SB 14 and the DSS regulations which implement the measure provide for more specific and more detailed case management and case planning standards than did prior law and regulation. Second, SB 14 places greater emphasis on supportive services than prior law. Third, SB 14 provides for greater court involvement in case management by establishing stricter deadlines for court reviews and greater emphasis on family reunification and permanent planning.

The basic goals of SB 14—to protect children and to minimize the disruption of families—cannot be achieved unless each of these changes is implemented. Our analysis indicates that the implementation of these changes to date has been incomplete. Specifically, we have found that:

- Counties have not achieved the case management and case planning standards established in law and regulation.
- The availability of supportive services has been limited.
- Courts have complied with most case management provisions and most court deadlines have been met.

**Counties have not achieved the case management and case planning standards established in law and regulation.** During the Spring and Summer of 1983, the DSS conducted a compliance review covering the first phase of SB 14's implementation (Family Reunification and Permanent Placement). The review consisted of a detailed study of 1,462 ran-

**SOCIAL SERVICES PROGRAMS—Continued**

domly selected family reunification and permanent placement cases. According to the department's review, counties complied with the case management and case planning standards to varying degrees. For example, counties had completed the required assessment of the family reunification cases in 98 percent of the cases reviewed. On the other hand, counties had failed to comply with standards for (1) developing written plans for social worker action regarding the case (13 percent of the cases reviewed), (2) social worker visits with the child (52 percent of the cases reviewed), and (3) arranging for visits between the child and his or her parent(s) (52 percent of the cases reviewed). The results of the review of county compliance with permanent placement regulations are similar. For example, social workers failed to conduct the required visits with children in the Permanent Placement program in 44 percent of the cases reviewed.

***Availability of Supportive Services Has Been Limited.*** The Auditor General sent questionnaires on SB 14 implementation to the counties and reports that 24 of the 43 counties which responded did not provide all of the supportive services required by SB 14. In addition, most counties reported that they limited those services which they did provide. We have discussed this issue with representatives of several county welfare departments. Every one of these representatives indicated that supportive services would be limited in 1983-84 due to a lack of funding. (The Auditor General has published his findings on the implementation of SB 14 in his report, Number P-332, December 1983.)

***Courts Have Complied with Most Case Management Provisions and Most Court Deadlines Have Been Met.*** The Auditor General reports that courts have spent significantly more time reviewing child welfare cases as a result of SB 14. Moreover, based on our discussions with county welfare department representatives, we believe that, in general, the courts are meeting the deadlines established by SB 14.

On this basis, we conclude that implementation of SB 14 has been incomplete in several areas. We recognize that SB 14 has brought about major changes in the child welfare services system and in the overall emphasis of the OCSS program. As a result, some delay in implementation is to be expected. Nevertheless, we are concerned about the implications of these delays. It is unlikely, for example, that the goals of the Family Reunification program—to safely reunite abused children with their families—can be fully achieved so long as social workers fail to meet the standards for frequency of parent and child visits. We also note that counties have cited a lack of funding as the reason for the delays in implementation.

**Adequacy of Funding in 1983-84 for the OCSS Program**

The 1983-84 budget includes \$230,602,000 (\$14,549,000 General Fund, \$164,987,000 federal funds, and \$51,066,000 county funds) for the OCSS program. The department advises that this amount is adequate to fund all of the OCSS activities and services required by state law, including those required by SB 14. However, every county welfare department representative we have spoken with has indicated that the funds provided in 1983-84 are *not* adequate. Moreover, 26 of the 46 counties which responded to the Auditor General's survey reported that they had insufficient staff to implement SB 14.

We believe three factors may explain the discrepancy between the

counties' and the department's assessments of the adequacy of funding for the OCSS program in 1983-84:

- The counties generally have granted their employees COLAs that are larger than what the state has agreed to fund (generally, the percentage increase in salaries granted *state* employees)
- The counties have not allocated as large a percentage of total OCSS funding for child welfare services as the department estimates that they need to spend on these services.
- The department's and the counties' estimate of the funding required to pay for implementation of SB 14 may differ with respect to technical issues regarding caseload measurements and workload standards.

**COLA Cap.** One potential reason for the difference between the department and the counties regarding funding adequacy has to do with the way the department has treated county-granted cost-of-living increases. Specifically, the department's estimate of what it will cost to implement SB 14 is *not* based on *actual* cost-of-living adjustments (COLA) granted by counties for social worker salaries and other operating expenses. Instead, the estimate is based on the costs of social worker salaries and other operating expenses in 1980-81, adjusted for a 6 percent cost-of-living increase. The department has estimated SB 14 costs in this way because the Legislature has limited the state's share of the OCSS COLA to a total of 6 percent since 1980-81.

Several counties, however, have granted COLAs that are substantially greater than 6 percent. In fact, the difference in costs between the actual COLAs granted by the counties and the 6 percent COLA that the state has agreed to fund is large enough in many cases to explain much of the difference between the department's estimate of what SB 14 will cost and the counties' estimates.

Table 5 shows the significance of the COLA cap on OCSS funding for five counties. The table shows, for example, that Los Angeles County would have received an OCSS allocation of \$74.5 million if its allocation had been based on the *actual* COLAs granted by Los Angeles County. This is \$8.5 million, or 13 percent, more than Los Angeles County's actual allocation for 1983-84. This difference is large enough to explain a substantial amount of the difference between the county's estimate of SB 14 implementation costs and the department's estimate.

**Table 5**  
**Effect of the COLA Cap on OCSS Allocations to Five Counties**  
 (dollars in thousands)

County	County COLA		OCSS Allocations—1983-84			
	Granted by County Since 1980-81 <sup>a</sup>	Percent in Excess of State Limit	Actual	Estimate Assuming no COLA Cap <sup>b</sup>	Difference	
					Amount	Percent <sup>c</sup>
San Francisco .....	27.6%	21.6%	\$5,909.4	\$7,560.8	\$1,651.4	27.9%
Sonoma .....	25.5	19.5	1,704.9	2,133.6	428.7	25.1
Fresno .....	22.9	16.9	4,709.1	5,694.3	985.2	20.9
Alameda .....	20.3	14.3	7,896.3	9,326.5	1,430.2	18.1
Los Angeles .....	16.2	10.2	65,911.6	74,452.4	8,540.8	13.0

<sup>a</sup> Represents social worker salary and benefit COLAs only. Other COLAs (such as administrative staff salary and benefit COLAs and price increases for rent, utilities, etc.) may differ from the COLAs granted to social workers for salaries and benefits. Data provided by county welfare departments.

<sup>b</sup> Reflects percentage adjustment to total costs, including the county share of costs as well as the state and federal share allocated by the DSS.

<sup>c</sup> These percentage increases in the allocation exceed the percent by which county COLAs exceed the state limit. This is because, under the hold-harmless provision of SB 14, all increased OCSS costs would be borne by state and federal funds.

**SOCIAL SERVICES PROGRAMS—Continued**

In an opinion dated December 20, 1983, the Legislative Counsel has advised us that the DSS has the authority to limit the amount of funds provided to a county to reflect the COLA limitations established by the Legislature in prior years. The counsel also advises that, if a county needs to spend more money for SB 14 services than the amount provided by the department because the county granted COLAs that exceed the 6 percent cap, the additional funding must be provided from county sources. The counsel indicates that this rule would apply even if it results in the county spending more county funds than its share as established by SB 14.

We conclude that the COLA is a major reason for the discrepancy between the department's and the counties' estimates of what it will cost to implement SB 14. In addition, we conclude that the department's recognition of the COLA cap in making its estimate is proper. To the extent that a county does not have adequate funds to fully implement SB 14 because the county chose to grant COLAs in excess of the legislatively established 6 percent cap, it should increase its spending from county funds in order to bring total funding up to the amount required for complete implementation of SB 14.

*County Allocation of Funds Among the Various OCSS Programs.* Another potential reason for the difference in cost estimates concerns the proportion of OCSS funds that the counties are actually spending on SB 14 services. The department estimates that the child welfare services component of the OCSS program will cost \$168,067,600 in 1983-84. This represents 73 percent, of the estimated total cost of the OCSS program in 1983-84. The Auditor General reports, however, that counties responding to his survey anticipated spending 67 percent of their OCSS funds for child welfare services.

It is important to note that at the time the counties prepared their responses, they did *not know* how much money they would receive in state and federal funds for 1983-84. At the time, counties anticipated spending \$217,513,800 for the OCSS program, which is \$13.1 million less than the department now estimates counties will have available. Even assuming that counties would use *all* of the additional \$13.1 million for child welfare services, they would spend \$158.2 million for child welfare services in 1983-84. This is approximately *\$9.9 million less than the department estimates that they need to spend in order to fully implement SB 14*. Thus, we conclude that another major reason that counties believe that they have received inadequate funding to fully implement SB 14 is that the counties have not allocated enough of the total OCSS funding available to child welfare services.

*Technical Issues Regarding the Department's Estimate of SB 14 Costs.* We have identified two technical issues regarding the department's estimate of SB 14 costs that may explain part of the difference between the department's and the counties' estimates of implementation costs:

- *Caseload Measurements.* It is unclear whether the *statewide caseload* figures used by the department to estimate the statewide costs for the Emergency Response and Family Maintenance programs are reliable. In estimating the costs of these programs, the department used, in part, caseload statistics for the Child Protective Services

(CPS) program which SB 14 eliminated. The department has indicated that these CPS caseload statistics are not reliable on a *county-by-county* basis. If this is true, it is uncertain whether the statistics are reliable on a *statewide* basis. To the extent that the current caseload measurements underestimate actual caseloads, the department's estimate of the costs of SB 14 would be too low. The Department currently is developing a system for measuring caseloads in these programs.

- **Social Worker Workloads.** The estimates of the department and the counties also may differ because of differing assumptions regarding the number of cases a social worker can carry, given the requirements of SB 14. Several counties have provided us with information on the number of cases they believe a social worker can carry and still meet the requirements of SB 14. We have compared these county workload standards with the workloads which are implied in the department's estimates of the costs for the Emergency Response, Family Reunification, and Permanent Placement programs. Our review indicates that the department and the counties are in agreement with respect to the number of cases which emergency response and family maintenance workers are able to carry. On the other hand, the department's estimate of the number of cases which a permanent placement worker can carry (55.1) is substantially higher than the estimates of many counties. Los Angeles County, for example, advises that permanent placement workers cannot perform all the activities required by SB 14 if their caseloads exceed 35 cases per worker. Neither the department nor any county we have contacted has been able to estimate the number of cases which the average family maintenance worker should be able to carry.

The significance of these technical issues is illustrated in Table 6. The table shows that the department's estimate of the costs of SB 14 has changed substantially since the measure was enacted. Specifically, the table shows that the current estimate of costs in 1983-84 is 8.8 percent higher than the department's August 1982 estimate of the same costs. (The August 1982 estimate was the last estimate available to the Legislature before it enacted SB 14 into law in September 1982.) Based on our review, we conclude that this increase in the department's estimate is *primarily*

**Table 6**  
**Department of Social Services' Estimate of Child Welfare Services Costs**  
**Has Increased Substantially**  
 (in millions)

	<i>Child Welfare Services Costs</i>			
	<i>1981-82</i>	<i>1982-83</i>	<i>1983-84</i>	<i>1984-85</i>
1. Actual costs prior to SB 14 .....	\$133.8	—	—	—
2. DSS estimate—August 1982 .....	—	\$135.7	\$154.5	—
3. DSS estimate—May 1983 .....	—	137.5	162.7	—
4. DSS estimate—January 1984 .....	—	145.8	168.1	\$182.4
5. Increase from August 1982 estimate				
Amount .....	—	\$10.1	\$13.6	—
Percent .....	—	7.4%	8.8%	—
6. Increase over 1981-82 costs				
Amount .....	—	\$12.0	\$34.3	\$48.6
Percent .....	—	9.0%	25.6%	36.3%

SOURCE: Department of Social Services

**SOCIAL SERVICES PROGRAMS—Continued**

*attributable to technical changes* in the estimates of caseloads and the number of cases which the average worker can carry. These technical changes to the department's estimate have somewhat reduced the discrepancy between the department's and the counties' estimates. As better caseload and workload information becomes available, it is possible that the department will make additional technical adjustments to its estimate and thereby further reduce the difference between its estimate and the counties' estimates of the costs of SB 14.

**Cost Control System Could Reduce the Confusion About the Costs of Child Welfare Services**

*We recommend that the Legislature amend the companion bill to the 1984 Budget Bill to specify that counties shall receive two allocations for OCSS, consisting of (1) an allocation for child welfare services and IHSS administration and (2) an allocation for information and referral, adult and optional services. We further recommend that the Legislature adopt Budget Bill language specifying that funds appropriated for child welfare services and IHSS administration shall be allocated based on a cost control plan.*

The 1983 Budget Act required the department to submit to the legislature a plan for developing a cost control system for the OCSS program. The act specified that the system should include "caseload measurements and workload standards for each of the OCSS services designed for use in budgeting for the OCSS program on a statewide basis, as well as for allocating OCSS funds to the counties."

The department submitted its plan in January 1984. The plan proposes the development of an OCSS cost control system by *December 1987*. We believe, however, that an OCSS cost control system should be developed for use beginning in *1984-85* for the following reasons:

- ***A Cost Control System Would Improve County Implementation of SB 14.*** As noted above, the major reason cited by counties for the delay in fully implementing SB 14 is lack of funding. We believe that there are two major reasons for the counties' perception that SB 14 is not adequately funded: (1) counties have granted COLAs to their employees that exceed the amount in which the state has agreed to participate and (2) counties have allocated less of the total OCSS funding for child welfare services than necessary, as indicated by the department's estimate. A cost control system would give the department the ability to resolve these issues by (1) specifying the amount of each county's total OCSS allocation to be used for each of the OCSS programs and (2) providing clear direction to the counties regarding the effect of the COLA cap.
- ***A Cost Control System Would Provide a Basis for Resolving the Technical Issues Concerning the Department's Estimate of the Costs of SB 14.*** As noted above, the department's estimate of SB 14 costs has increased substantially, as a result of technical changes underlying the estimate. Our analysis indicates that some technical issues concerning the department's estimate remain unresolved. A cost control system based on caseload measurements and workload standards could provide the basis for resolving these issues.
- ***Child Welfare Services Costs Have Increased Substantially Since the Enactment of SB 14.*** Table 6 shows that the proposed cost of

child welfare services in 1984-85 is \$48.6 million, or 36 percent, higher than the cost of pre-SB 14 child welfare services. This increase is especially significant in light of the fact that it is almost entirely attributable to increases in the baseline costs of the program. *The only COLA included in the increase is the 2 percent COLA proposed for 1984-85.* We believe that a cost control system would provide the basis for ensuring that future increases in this program's costs are (1) necessary in order to provide services at the levels required by law and (2) commensurate with the Legislature's willingness to pay for these services.

***Development of a Child Welfare Services and IHSS Administration Cost Control Plan for 1984-85 is Feasible.*** The department's cost control report indicates that an OCSS cost control plan cannot be developed before December 1987. Our analysis indicates that the primary reason for this lengthy development period is the need to develop minimum service delivery standards for the information and referral, adult services, and optional services components of the OCSS program. Under current law, counties have broad discretion in determining both the nature and the amount of service that they provide under these programs.

We agree that developing minimum service requirements for these three programs would require a considerable amount of time. In addition, current law requires the department to give counties as much flexibility as possible in providing these services and, therefore, the development of minimum service standards for these programs would require the enactment of legislation.

In order to be effective, an OCSS cost control system would have to address the question of the appropriate level of funding for these programs. One way to accomplish this would be to budget and allocate funds for these programs separately from funds for child welfare services and IHSS administration. The current OCSS allocation to counties is actually a combination of a block grant (for information and referral, adult services, and optional services) and a categorical grant (for child welfare services and IHSS administration, both of which are governed by very detailed and specific minimum service level requirements). Separating the current OCSS allocation into two different allocations would:

- ***Make It Possible to Develop a Child Welfare Services and IHSS Administration Cost Control Plan for Use in 1984-85.*** This is because minimum service level requirements for these programs already exist in current law and regulation. Moreover, the department currently estimates the costs of these programs each year, based on existing service requirements and caseload projections.
- ***Allow Counties to Retain The Flexibility They Now Enjoy in Providing Information and Referral, Adult and Optional Services.*** The budget proposes to fund these programs in 1984-85 at the current funding level (as estimated by the department). Allocating these funds separately from the funds provided for child welfare services and IHSS administration would ensure that the counties use the funds for the general purposes for which the Legislature provides them. At the same time, it would allow the counties to retain the discretion they now have regarding the nature and amount of services to be provided under each of the three programs covered by the block grant.

Based on the above, we conclude that the department would be able to

**SOCIAL SERVICES PROGRAMS—Continued**

develop a cost control plan for child welfare services and IHSS administration for use in 1984-85. Our analysis indicates that such a plan would reduce the confusion that exists regarding the adequacy of funding for SB 14, and thereby improve the counties' implementation of SB 14. Moreover, we believe that an OCSS cost control plan would provide the basis for controlling the costs of the OCSS program in the future within the amounts that the Legislature appropriates.

Therefore, we recommend that the Legislature amend the companion measure to the 1984 Budget Bill to specify that counties shall receive two allocations for OCSS, consisting of (1) an allocation for child welfare services and IHSS administration and (2) an allocation for information and referral, adult and optional services. We further recommend that Items 5180-151-001(a) and 5180-151-866(a) of the 1984 Budget Bill be modified to separately identify the amounts appropriated for (1) child welfare services and IHSS administration and (2) information and referral, adult, and optional services.

We further recommend that the Legislature adopt Budget Bill language requiring that the funds appropriated for child welfare services and IHSS administration be allocated to the counties based on a cost control plan to be prepared by the department which utilizes the same caseload measurements and workload standards that the department uses to estimate the costs of this program. The following Budget Bill language is consistent with this recommendation:

"The funds appropriated for the child welfare services and IHSS administration components of the OCSS program shall be allocated to the counties based on a cost control plan. In preparing the cost control plan for 1984-85, the department shall use the caseload measurements and workload standards used in its most recent estimate of the costs of the child welfare services and IHSS administration components of the OCSS program to the extent that the estimate is consistent with the appropriations for these programs contained in this act."

**Cost Control Plan Should Be Flexible**

*We recommend that the Legislature adopt supplemental report language directing the department to develop a cost control plan for 1984-85 that provides for as much county flexibility in determining the use of funds provided for child welfare services and IHSS administration as is consistent with current law and regulation.*

In its cost control report to the Legislature, the department noted that local service needs vary widely among counties. Specifically, the department noted that "service delivery time and the number of services delivered depend on the number and location of district offices, the physical size and terrain of the county, the availability of charitable or volunteer service organizations, the amount of outreach and variation in county organization, etc." We agree that these factors play a significant role in determining each county's costs.

In the long-run, a cost control system might be developed that could explicitly account for these factors. It is unlikely, however, that the department could develop such a plan for use in 1984-85. It is therefore important that the 1984-85 cost control plan allow counties the maximum amount of flexibility in determining how to use the funds available for child welfare and IHSS administration services, consistent with current

law and regulation. For example, counties should be free to determine how much of the available funding will be used to purchase supportive services and how much will be used to fund social worker FTEs. We therefore recommend that the Legislature adopt supplemental report language directing the department to develop a cost control plan for 1984-85 that provides for as much county flexibility in determining the use of the funds provided as is consistent with current law and regulation. The following supplemental report language is consistent with this recommendation:

"The child welfare services and IHSS administration cost control plan for 1984-85 shall provide counties with as much flexibility in determining how to use the funds provided for these programs as is consistent with current law and regulation. The plan shall advise the counties of the caseload measurements and workload standards that the department used in developing the plan but shall allow counties to determine their own social worker workloads according to local needs and conditions, consistent with the funding available and to the extent that the minimum service levels established in current law and regulation are provided."

#### **County Match for the Other County Social Services Program**

*We recommend that the Legislature amend the companion bill to the 1984 Budget Bill in order to require that all counties pay 25 percent of the total costs of the Other County Social Services (OCSS) program (Potential Savings to the General Fund: \$9,522,000).*

As noted above, the counties will pay approximately 21 percent (assuming a 2 percent COLA) of the costs of the OCSS program in 1984-85. This is because SB 14 limits the counties' costs to a specified dollar amount.

Our analysis indicates that the dollar limit on the county share of costs (1) does not promote sound management of the OCSS program and (2) results in substantial inequities among counties with respect to the distribution of state and federal funds.

**1. The Dollar Limit Does Not Promote Sound Management of the OCSS Program.** The county match limit established by SB 14 was designed to guarantee that no county would ever be required to pay for any of the costs of the new programs created by SB 14. As a result of this limit, however, all future increases in the costs of the OCSS program (including costs that cannot be attributed to SB 14) will be borne by the state and federal governments. In fact, under SB 14, the counties will pay in 1990-91 the same dollar amount as they paid in 1980-81 (excluding cost-of-living increases). *Consequently, under existing law, counties have little or no fiscal stake in controlling the costs of the OCSS program.*

Counties will continue to have an incentive not to *spend* more than the total of federal and state funds allocated to them plus the county share. This is because any spending above the total allocation will have to be financed entirely with county funds. The incentive to control *spending*, however, is not the same as an incentive to control *costs*. This is because counties may reduce service levels to the extent necessary to maintain spending within the amount available from state and federal funds and the required county match. As discussed above, counties cite inadequate funding as the major reason for the incomplete implementation of SB 14.

To a great extent, the costs of providing the services required by SB 14 and other state laws will be determined by the counties because they have far more control than the state over such important cost factors as salaries,

**SOCIAL SERVICES PROGRAMS—Continued**

overhead and indirect costs, and worker productivity. By making the state and federal government responsible for funding the increased costs of the OCSS program, SB 14 removes a major incentive for efficiency from the level of government which has the greatest ability to control costs. In the long run, such an arrangement is untenable because it will probably put the Legislature in the position of choosing between sharp increases in General Fund costs and reduced service levels.

2. *The Dollar Limit Results in Substantial Inequities in the Distribution of State and Federal Funds.* The county match limit created by SB 14 results in a distribution of state and federal funds among counties that is questionable from the standpoint of equity. During 1983-84, 11 counties received state and federal funds sufficient to pay for 75 percent of the costs of their OCSS program. The remaining 47 counties, however, received state and federal funds sufficient to pay for approximately 78 percent of the costs of their OCSS program. In fact, several counties received state and federal funds amounting to 80 percent of total costs. We know of no reasons that the taxpayers of the 11 counties that will receive state and federal funds totaling 75 percent of the cost of the OCSS program should be asked to subsidize the taxpayers of the 49 counties that will receive state and federal funds totaling 78 percent (or more) of the costs of the OCSS program.

For these reasons, we recommend that the Legislature amend the companion bill to require that all counties pay 25 percent of the total costs of the OCSS program. This represents the county share of costs prior to the enactment of SB 14. If adopted, this recommendation would allow a reduction of \$9,522,000 in the amount of General Fund support budgeted for the OCSS program. This amount of General Fund support would not be needed as a result of the increased county funding for the program that would result from requiring counties to pay for 25 percent of the program's total cost. This reduction would *not* affect the total amount of funding available for the OCSS program.

**Child Abuse Prevention Projects Duplicate Services Provided Through the OCSS Program**

*We recommend that the Legislature adopt Budget Bill language specifying that a county's allocation of OCSS funds shall be reduced to reflect the availability to the county of appropriate services funded by the General Fund through the Child Abuse Prevention program.*

Chapter 1398, Statutes of 1982 (AB 1733), established a new child abuse prevention program. Under the provisions of Chapter 1398, funds for child abuse prevention are awarded to contractors on a competitive bid basis. At the time this analysis was prepared, the department had issued 178 contracts for child abuse prevention programs.

Some of the services provided under this program are similar to the supportive services provided through the emergency response and family maintenance programs. Specifically, the new child abuse prevention program supports family counseling, respite care, teaching and demonstrating homemakers, and temporary in-home caretakers, all of which counties are required to provide under the Emergency Response and Family Maintenance programs. The children and families served through the Child Abuse Prevention program include children and families who receive services through the Emergency Response and Family Maintenance pro-

grams, as well as children and families referred from other sources.

The budget includes \$6,427,000 in General Fund support for the Child Abuse Prevention program in 1984-85. In addition, the budget includes \$246,000 in federal funds for child abuse prevention *demonstration projects*. Finally, the department estimates that \$2,573,000 of the original \$10.0 million appropriated by Chapter 1398 for the Child Abuse Prevention program will remain unexpended at the end of 1983-84, and will therefore be available for expenditure in 1984-85. Thus, the total amount of General Fund support proposed for child abuse prevention programs in 1984-85 is \$9.0 million—\$6.4 million proposed in the budget and \$2.6 million available from the original appropriation from the General Fund included in Chapter 1398. The estimated \$2.6 million is proposed for reappropriation in Item 5180-490.

We recommend approval of the proposed funding for these child abuse prevention programs. We are concerned, however, that the funds budgeted under the Family Maintenance and Emergency Response programs may duplicate the funds provided through the Child Abuse Prevention program.

The DSS has not reviewed the 178 child abuse prevention contracts that have been issued to date to ensure that the funds provided to contractors for services do not duplicate funding provided to county welfare departments for the same services under the Emergency Response and Family Maintenance programs. We believe, however, that some duplication does exist. For example, we reviewed 13 child abuse prevention contracts and found that three of them required the contractor to provide supportive services *identical* to those that county welfare departments are *required* to provide under the Emergency Response and Family Maintenance programs. Of the three contracts, two specified that the contractor could provide these services *only* to clients referred by the county welfare department, and the other required that the contractor give such clients a high priority.

The budget includes \$22.3 million from all funds for the costs of supportive services under the Emergency Response and Family Maintenance programs. This amount is based on the department's estimate of the costs of the supportive services that counties are required to provide. To the extent that county welfare departments provide the required services through contracts funded from the General Fund under the Child Abuse Demonstration program they will not need to spend General Fund monies provided for the same purposes under the Emergency Response and Family Maintenance programs.

We therefore recommend that the Legislature adopt Budget Bill language specifying that a county's allocation of OCSS funds shall be reduced, by an amount to be determined by the department, to reflect the availability to the county of appropriate services funded by the General Fund through the Child Abuse Prevention program. The following Budget Bill language is consistent with this recommendation:

"The department shall reduce the amount of a county's allocation of OCSS funds by an amount to be determined by the department, to reflect the availability to the county of appropriate contracted services funded through the Child Abuse Prevention program created by Ch 1398/82. Any reduction made pursuant to this provision shall be deemed to be made from the state General Fund share of the affected county's allocation and shall not be reallocated for any other purpose but shall remain unexpended and revert to the General Fund."

**SOCIAL SERVICES PROGRAMS—Continued****IN-HOME SUPPORTIVE SERVICES**

The In-Home Supportive Services (IHSS) program provides specified services to eligible aged, blind, and disabled persons for the purpose of enabling them to remain in their own homes when they might otherwise be institutionalized in boarding or nursing facilities. Two broad categories of services are available within the IHSS program: (1) domestic and related services and (2) nonmedical personal services. Domestic and related services include routine cleaning, meal preparation, shopping, and other household chore services. Nonmedical personal services include feeding, bathing, bowel and bladder care, and other services. In addition to these categories, recipients may also be eligible to receive essential transportation services, yard hazard abatement and heavy cleaning, protective supervision, teaching and demonstration, and paramedical services.

Currently, county welfare departments administer the IHSS program. Each county may choose to deliver services in one or a combination of three ways: (1) directly, by county employees, (2) by private agencies under contract with the counties, or (3) by individual providers hired directly by the recipients. The most common delivery method involves the use of individual providers who, the department estimates, will deliver 77 percent of IHSS case-months in 1983-84.

**Current-Year Expenditures**

The department estimates that in the current year, there will be a funding shortfall of \$3,268,000 in the IHSS program.

We believe the department has *underestimated* the extent to which the IHSS program is underfunded in the current year. This is because the department assumes that \$771,000—which it estimates will not be expended for a discretionary COLA to IHSS providers—can be used to offset the program deficit. The 1983 Budget Act, however, restricted the use of COLA funds to wage and benefit increases for IHSS providers. Any funds not spent for this purpose will revert to the General Fund. Therefore, our estimate of the funding shortfall in the current year is \$4,039,000 (\$3,268,000 + \$771,000).

The current-year funding shortfall is caused primarily by the following factors:

- **Program Changes.** During deliberations on the 1983 Budget Bill, the Legislature made significant changes to the IHSS program (these changes are discussed below). The bill however, did not contain adequate funds to finance these changes. The DSS estimates that the changes will cost \$1,385,000 (\$1,247,000 General Fund and \$138,000 county funds) in the current year.
- **Funding Transfer.** The Department of Finance transferred \$1.6 million of federal Jobs Bill (PL 98-8) money from the IHSS program to the OCSS program during the current year. Because the counties are required to match state-appropriated funds for the IHSS program, the net impact of this transfer on the IHSS program is a reduction of \$1,765,000 for support of the program in the current year.
- **Funds Vetoed.** The Governor vetoed \$589,000 in General Fund support for the program. The Legislature had augmented the program by \$589,000 above the Governor's proposed funding level in order to fund the basic program.

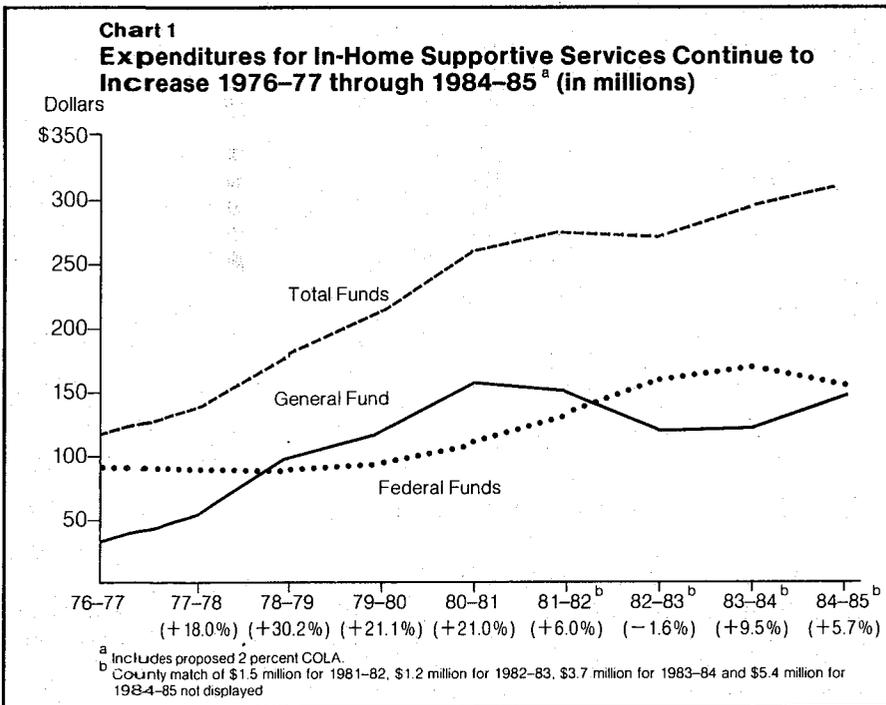
Because of this funding shortfall, counties will have to reduce services to IHSS clients in order to stay within the amount of funds appropriated for the current year. We estimate that services must be reduced by 2.5 hours, on average, for each IHSS client during each of the last four months of the current year in order to compensate for the estimated funding shortfall.

**Budget Year Proposal**

The budget proposes a General Fund appropriation of \$149,493,000 for the IHSS program in 1984-85. Included in this amount are funds proposed under Item 5180-181-001(c) to provide a 2 percent COLA for the IHSS program. The proposed General Fund expenditures for 1984-85 are \$29.6 million, or 25 percent, above estimated 1983-84 General Fund expenditures.

The level of funding proposed to support the IHSS program in 1984-85 is equal to the current-year estimated expenditure level adjusted for (1) the costs of a court decision (\$18.4 million—full-year costs) and (2) the costs of providing a 2 percent COLA to the program (\$6.1 million).

Chart 1 shows the cost-sharing relationships for the IHSS program, for the period 1976-77 through 1984-85. The county share of costs since 1980-81 is not displayed in the chart, although county funds are included in the estimates of total expenditures.



**SOCIAL SERVICES PROGRAMS—Continued**

Chart 1 shows that the budget proposes to allocate less federal funds to the IHSS program in 1984–85 than what has been allocated in the current year. (These funds have been directed to support the OCSS program in 1984–85.) The chart also shows that the budget proposes to increase General Fund support for the program.

The department estimates that an average of approximately 107,775 individuals will receive IHSS services each month in 1984–85. This is an increase of 6.5 percent over estimated monthly caseloads in the current year. The cost of funding projected budget-year caseloads at current-year service levels would be \$330,793,000. The administration proposes \$314,431,000 in total funding for the program. Of this amount, \$308,354,000 is available to support basic program costs and \$6,077,000 is for a 2 percent COLA. In order to remain within the proposed funding level, the counties would have to reduce the level of services provided to IHSS clients by \$22,439,000, or 6.8 percent, if the budget is approved as submitted. This means reducing services to the average client by approximately 4.3 hours each month. The size of the service reductions in each county would vary because (1) counties utilize different modes of delivering services to clients, (2) the average hourly cost of these modes varies considerably, and (3) various counties may implement service reductions at different times during the year.

As Table 7 indicates, the budget assumes that counties will commit \$5.5 million to the IHSS program in 1984–85. The extent to which counties will, in fact, share in the cost of providing the level of service proposed in the budget for 1984–85 depends on whether actual program costs exceed the amount of state and federal funds appropriated for IHSS in the budget year.

**Table 7**  
**In-Home Supportive Services**  
**Proposed Funding by Source**  
**1982–83 through 1984–85**  
**(in thousands)**

<i>Funds</i>	<i>Actual 1982–83</i>	<i>Estimated 1983–84</i>	<i>Proposed 1984–85<sup>a</sup></i>
General .....	\$117,157	\$119,931	\$149,493
Federal .....	153,110	173,804	159,463
County .....	1,214	3,681	5,475
Totals .....	\$271,481	\$297,416	\$314,431

<sup>a</sup> Includes the cost of a 2 percent COLA budgeted under Item 5180-181-001 (c).

**Assessment of Eligibility and Client Need**

Individuals who apply for services under the IHSS program must meet both the program's basic eligibility requirements and need criteria. Eligibility for the IHSS program is tied closely to eligibility for the SSI/SSP program. An individual can qualify for IHSS services if he/she:

1. Is a recipient of SSI/SSP;
2. Meets all SSI/SSP criteria, but is not receiving SSI/SSP grants;
3. Was once eligible for SSI/SSP, and although now performing substantial gainful activity, still has the disability that was once the basis for his/her eligibility; or
4. Meets all other SSI/SSP eligibility criteria, but has an income which,

although higher than the SSI/SSP payment standard, is not sufficient to pay the full cost of IHSS services. These individuals are required to pay a share of the cost of the services provided.

**Assessment of Need.** If an individual is found to be eligible to receive services, a county social worker or assessment worker visits the individual in his/her home. The purpose of this visit is to determine whether the individual is in need of services. County social workers determine the type and level of IHSS services an individual needs in order to remain safely in his or her home. In addition to the initial determination of need made by the county, each recipient must be reassessed periodically.

**Severely and Nonseverely Impaired Recipients.** Individuals may qualify for IHSS services as either nonseverely impaired or severely impaired. Individuals who require 20 hours or more each week of specified services are considered to be "severely impaired." In the current year, severely impaired individuals are eligible for a service award of up to \$872 each month.

Individuals requiring less than 20 hours of the specified services each week are considered nonseverely impaired. In 1983-84, the nonseverely impaired client is eligible for a maximum service award of \$604 per month.

**Variation in Assessed Needs.** State law requires that IHSS tasks be performed for clients only when they are necessary to preserve the health and safety of the individual within his or her home.

In order to ascertain the services required by a client, social workers ask questions of the client concerning his or her level of impairment and the extent to which other resources are available to provide for the person's needs. A standard departmental form is used by counties for this task. Social worker interpretation of need in various counties, however, is not standardized. This is because few strict measures of need are used by counties; instead the social worker is expected to use professional judgment in determining (1) the degree to which the client's level of frailty or disability warrants IHSS and (2) what constitutes healthful and safe living conditions. Moreover, the degree to which one client is impaired is not formally measured against the degree of impairment of other clients in order to determine an equitable number of service hours.

### **Significant Legislative Changes Made in The IHSS Program**

The Legislature made significant changes in the IHSS program through enactment of Ch 323/83 (companion bill to the 1983 Budget Act). The specific changes include the following:

1. **Use of Time for Task Standards Prohibited for Certain Services.** Chapter 323 prohibits counties from using time-for-task standards when determining how many hours of certain services an IHSS client can receive. Specifically, counties cannot use time-for-task standards for non-medical personal services, meal preparation, meal cleanup, and paramedical services.

2. **Additional Services Are Used in Determining Severe Impairment.** Chapter 323 expanded from 7 to 14 the list of services used when determining if an individual is severely impaired for purposes of qualifying for the IHSS program.

3. **Spouses Can Be Paid to Provide Certain Services.** Chapter 323 increased the number of services for which the spouse of an IHSS client can be paid. As a result of Chapter 323, the spouse can be paid, under certain circumstances, for providing medical transportation and protec-

**SOCIAL SERVICES PROGRAMS—Continued**

tive supervision to the IHSS client. Previously, a spouse could be paid only for providing nonmedical personal care services and paramedical services. The department estimates that this change will increase the costs of providing medical transportation services by \$785,000 (\$707,000 General Fund and \$78,000 county funds) in 1984-85. The department informs us that the costs of providing protective supervision have been estimated as part of a recent court decision. This decision is discussed below.

4. **Notice of Action Must Be Sent to IHSS Recipients.** Chapter 323 requires that the county welfare department send a notice of action containing specified information to the IHSS client whenever there is a change in the number of hours of authorized service. Previously, state law required a notice of action, but did not specify the type of information that the notice must contain.

**Two Court Decisions Affect Program**

During the current year, two court cases have been decided that affect the IHSS program. In the first case, *Bonnette v. California Health and Welfare Agency*, the court ruled that, where IHSS services are provided through the individual provider mode, the DSS and the counties, along with the client, are joint employers of the IHSS provider. This case resulted in increased costs of \$136,910 for the payment of back wages to the plaintiffs and the payment of plaintiff's attorney fees. The department does not anticipate ongoing costs associated with this decision.

In the second case, *Community Services for the Disabled v. Woods*, the court ruled that any housemate, regardless of his or her relationship to the client, is eligible for payment as an IHSS provider when providing protective supervision. The department estimates that in the current year, this decision will increase costs in the IHSS program by \$8.8 million. In 1984-85, the decision will cost \$18.4 million. Of this amount \$16.6 million represents the cost to the General Fund and \$1.8 million is the cost to counties in increased matching requirements. The budget proposes to offset the General Fund cost of the decision in 1984-85 by \$12.9 million in federal funds.

**Cost-of-Living Increase for 1983-84**

The 1983 Budget Act included \$7,454,600 in General Fund monies to provide a 3 percent COLA to IHSS providers. The county match for the 3 percent COLA is \$828,400. Thus, the total amount of funds available for a 3 percent COLA in 1983-84 for IHSS providers is \$8,283,000. The department now estimates that counties will approve COLAs to providers totaling \$7,512,000 (\$6,761,000 General Fund and \$751,000 county funds). This is \$771,000 less than the amount available for support of the provider COLA in the current year.

**Department May Have Underestimated Amount of Unspent COLA.** The department assumes that all counties will provide COLAs to IHSS providers in the current year. The initial IHSS expenditure plans submitted by counties, however, indicate that 35 counties do not plan to provide COLAs to IHSS providers in 1983-84. These counties initially were allocated \$2.2 million in COLA funds. To the extent that these counties provide no COLAs to IHSS providers in the current year, the amount of unspent COLA funds could reach \$2.2 million. The extent to which counties will provide a COLA in 1983-84 will not be known until the counties submit revisions to their IHSS plans in February 1984.

**Legislature Restricted Use of COLA Funds.** The 1983 Budget Act

directs the department to ensure that COLA funds are used for wage and benefit increases only. Prior year budget acts did not restrict the use of the COLA funds. As a result, the department added the COLA funds to the "basic" program funds when it allocated funds to the 58 counties. The counties, in turn, could spend the funds in support of any wage and benefit increases the county had granted or, alternatively, in support of basic program costs. Thus, counties were able to expand their IHSS program with funds that the Legislature had appropriated to support provider wage and benefit increases.

As a result of the 1983 Budget Act, counties are not able to use provider COLA funds to support basic program costs in the current year. Any COLA funds not used for wage and benefit increases for IHSS providers will revert to the General Fund.

#### **Cost-of-Living Increase for 1984-85**

The budget proposes \$5,469,000 from the General Fund to provide a 2 percent increase in (1) the maximum allowable monthly payments provided under the IHSS program (\$326,000) and (2) salary increases to IHSS providers (\$5,143,000). If the budget proposal is approved, the maximum grant for a nonseverely impaired recipient will increase from \$604 in 1983-84 to \$616 in 1984-85. The maximum grant for a severely impaired client will increase from \$872 in the current year to \$889 in the budget year.

#### **General Fund Cost of Proposed IHSS COLA is Underbudgeted.**

*We withhold recommendation on \$5,143,000 requested to fund a 2 percent cost-of-living increase for IHSS providers, pending the May revision of expenditures.*

The budget proposes \$5,143,000 in General Fund support for a 2.0 percent COLA to IHSS providers in 1984-85. In estimating the amount of the COLA, the department assumed that program costs would total \$289,910,500 in the budget year. The budget, however, proposes expenditures of \$308,354,000 for the IHSS program in 1984-85. This is \$18.4 million more than the base on which the COLA was calculated. Calculating the COLA on the increased base results in the need for an additional \$332,000 from the General Fund. The department informs us that this error will be corrected in the May revision of expenditures. Therefore, we withhold recommendation on \$5,143,000 budgeted in Item 5180-181-001(c) to finance a 2.0 percent COLA for IHSS providers pending the May revision of expenditures.

### **EFFECTS OF SB 633**

#### **ON COUNTY ADMINISTRATION AND CLIENT SERVICES**

Chapter 69, Statutes of 1981 (SB 633), made significant changes in the IHSS program. As a result of these changes, the county share of costs has increased and the rate of growth in the state's cost of the program has slowed. In addition, some observers maintain that SB 633 has created incentives for counties to limit services to clients.

#### **Changes in the IHSS Program Made by SB 633**

Senate Bill 633 made significant changes in the IHSS program. Specifically, it:

- *Eliminated Comfort as a Basis for Assessing Services.* In 1981-82, counties were required to eliminate all service hours granted to cli-

**SOCIAL SERVICES PROGRAMS—Continued**

ents for their comfort. Previously, clients were provided services in order to ensure their health, safety, or comfort. As a result of this change, clients may only receive services necessary to preserve their health and safety.

- **Required Counties to Share in the Costs of the Program.** Counties must pay 10 percent of the General Fund costs in excess of the expenditures for the IHSS program in 1980–81 (\$255.5 million). Before SB 633, counties administered the program but were not required to contribute funds towards its support.
- **Authorized Counties to Make Necessary Program Cuts.** A county may reduce services to clients in order to stay within its allocation of state and federal funds. State law requires that reductions in services be made in a specified order. Prior to SB 633, state law did not provide for reducing services to clients. As a result, supplemental appropriations had been necessary in some years.
- **Required Counties to Submit Expenditure Plans to the DSS.** Counties must submit plans to the department indicating how they intend to remain within their allocation of state and federal funds for the year. Previously, counties were not required to submit such plans and frequently overspent their allocations.

In addition, Senate Bill 633 made other changes in the program. For example, it limited the number of services for which a spouse could be paid as an IHSS provider.

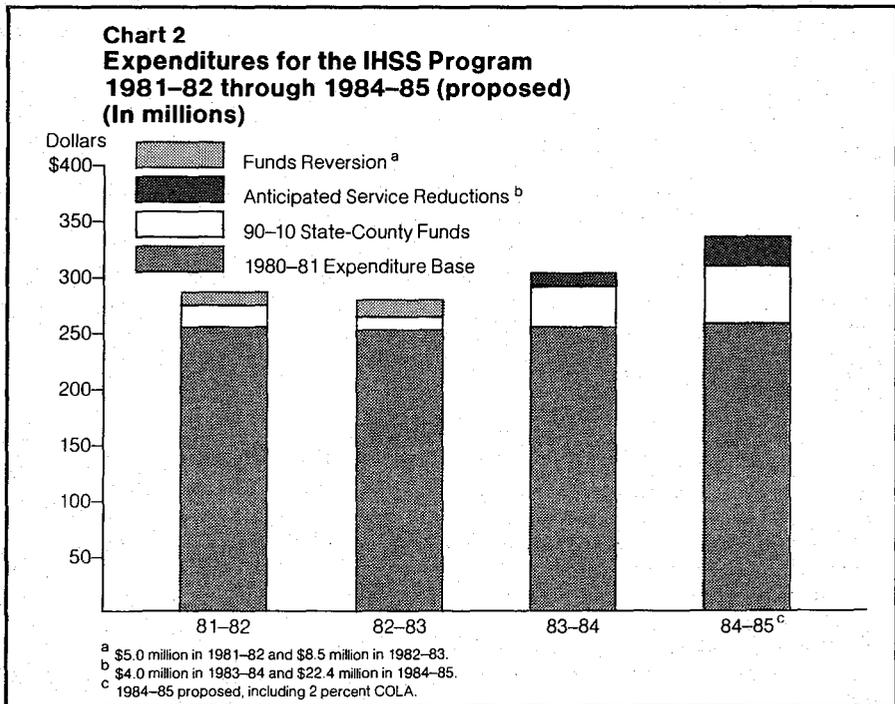


Chart 2 shows the funding arrangement that resulted from enactment of SB 633. The chart shows that counties contribute to the support of the program only above a set level (\$255.5 million). Below this level, General Fund and federal funds pay for all program expenditures.

#### Impact of IHSS Funding Mechanism on State and County Expenditures

It appears that SB 633 has been successful in curbing aggregate growth in the IHSS program. In the period before implementation of SB 633, state and federal fund expenditures for the program grew at an average annual rate of 22 percent. Since passage of SB 633, the annual growth rate has slowed to 4.8 percent each year.

Two changes made by SB 633 probably account for much of the decline in the rate at which IHSS expenditures are growing. First, counties can reduce services to clients in order to stay within their allocation of federal and state funds. As Chart 2 shows, counties will need to make service reductions in the current year in order to remain within the appropriation for 1983-84. Moreover, the DSS projects that service reductions totaling \$22.4 million will be necessary in order to stay within the funding level proposed in the 1984-85 budget.

Second, SB 633 requires counties to share in the costs of the IHSS program above \$255.5 million. As Chart 2 shows, the proportion of the program for which counties must pay a share of the cost has increased between 1981-82 and 1984-85. Specifically, the counties contributed \$1.5 million toward total IHSS program costs in 1981-82, and will contribute \$5.5 million toward the program in 1984-85, as shown in Table 8. The proportion of the program for which counties have a share of costs has more than tripled since enactment of SB 633. More important than the actual amount paid, however, is the fact that—at the margin—counties have a stake in controlling costs because of the 10 percent matching requirement.

Table 8  
County Share of Costs for the  
IHSS Program is Increasing  
(in millions)

	Total Expenditures	County Funds	Percent Of Program
1981-82 .....	\$275.8	\$1.5	0.5%
1982-83 .....	271.5	1.2	0.4
1983-84 .....	297.4	3.7	1.2
1984-85 .....	314.4	5.5	1.7

The county share of costs will continue to increase as a result of caseload growth and programmatic changes. Table 9 shows, for example, the added county costs in the current year as a result of legislative, judicial, and administrative changes in the IHSS program.

#### Effects of IHSS Funding Mechanism on Clients

It is evident that the implementation of SB 633 has given the state a means of controlling gross expenditures for the program. The ongoing effect of SB 633 on IHSS recipients is less clear. Table 10 shows that after the enactment of SB 633, the monthly cost of the average IHSS case declined to \$214 in 1981-82. By 1982-83, the average monthly cost had

**SOCIAL SERVICES PROGRAMS—Continued**

**Table 9**  
**Changes to the IHSS Program for the Current Year**  
**Affect County Match Requirements**  
**(in millions)**

	<i>Total Cost</i>	<i>County Match</i>
Basic Costs.....	\$281.3	\$2.1
<i>Program Changes</i>		
Spouse-provider payments .....	1.4	0.1
3 percent provider COLA .....	7.5	0.8
Court cases .....	8.8	0.9
Funds transfer to OCSS.....	-1.6	-0.2
Subtotals.....	<u>\$16.1</u>	<u>\$1.6</u>
Total .....	\$297.4	\$3.7
Percent Increase Above Basic Cost .....	5.7%	76.2%

fallen to \$212. In both the current year and the budget year, however, the department estimates that the average cost for each case will increase. If the department is correct, this suggests that the decline in the average monthly cost per case in 1981-82 and 1982-83 may have been due to one-time adjustments on the part of counties to the implementation of SB 633. Specifically, the reductions may be wholly attributable to the elimination of comfort services, the limitations placed on payments to spouse providers, and the cap placed on the number of domestic service hours for which a client may be assessed.

**Table 10**  
**IHSS Average Monthly Cost Per Client**  
**1979-80 through 1984-85**

	<i>Cost/Client</i>	<i>Percentage Change From Prior Year</i>
<i>Pre-SB 633</i>		
1979-80 .....	\$181	—
1980-81 .....	222	22.7%
<i>Post-SB 633</i>		
1981-82 .....	214	-3.6
1982-83 .....	212	-0.9
1983-84 (estimated) <sup>a</sup> .....	243	14.6
1984-85 (proposed) <sup>a</sup> .....	252	3.7

<sup>a</sup> Anticipated program reductions not included.

Some observers maintain that SB 633 has had an adverse impact on clients. Specifically, these observers believe that counties have restricted services to clients in order to stay within their allocations. We are unable to assess the extent to which SB 633 has had an adverse impact on clients. This is because two other factors also may influence the amount of services provided to clients. Specifically, (1) the manner in which funds are allocated to the counties may affect the way in which counties deliver services to IHSS recipients and (2) there are no statewide standards by which counties can determine the type and number of hours of services needed by a client.

### **The IHSS Allocation Formula**

State and federal funds for the IHSS program are allocated to the 58 counties in a three-step process, as follows: (1) the DSS determines the percentage of funds that should be reserved in case of emergency, (2) the DSS allocates the remainder of the funds to the counties, based on an allocation formula, and (3) counties then submit plans to the DSS that explain how they will remain within their allocations. The allocation formula used by the department is based on prior-year expenditures by the county and caseload growth.

Because the allocation formula relies on past expenditures, it favors some counties and penalizes others. Some county welfare department staff point out that county efforts to manage the IHSS program in one year so as to avoid program reductions cause the county to be penalized in the next year. This is because counties in which fiscal restraint within the program is emphasized are unlikely to show a growth in either caseloads or expenditures during the year. This means, in turn, that under the formula, these counties lose funds in next year's allocation relative to other counties that *have* had significant caseload or expenditure growth.

### **Statewide Time-for-Task Standards**

Currently, state law mandates the types of services that are available to recipients under the IHSS program. Within broad guidelines set by the state, counties (1) determine the manner in which the services are provided to clients and (2) develop the policies used by social workers to determine the number of hours that a client will receive. Most counties have implemented some method of limiting the number of hours granted to clients.

One method that has been employed by counties to limit hours to clients has been the establishment of time-for-task standards. Under time-for-task standards, a county specifies the maximum amount of time a social worker can allow for a given task. Time-for-task standards, however, vary significantly among counties. To the extent that the standards vary among counties, clients in different counties, but with similar disabilities and impairments, will receive different levels of services.

*DSS Concludes Statewide Standards are Feasible in Certain Services.* The 1983 Budget Act required the department to report to the Legislature concerning the feasibility of implementing *statewide* time-for-task standards in the IHSS program. The department's report concluded that statewide standards are feasible for those tasks where the individual's condition does not determine the length of time necessary to complete the task. Specifically, the department concluded that the following tasks could be covered by statewide standards without endangering the welfare of the IHSS client:

- Meal preparation
- Meal cleanup
- Laundry
- Food shopping
- Other shopping and errands
- Bed baths
- Bathing
- Dressing
- Oral hygiene and grooming

**SOCIAL SERVICES PROGRAMS—Continued**

In addition, the DSS report noted that the department has established a statewide standard for domestic services, as required by current law. As a result, no more than a total of six hours per month can be granted for such domestic services as sweeping, vacuuming, dusting, cleaning kitchen and bath, and storing supplies. This six-hour cap on domestic services acts as a time-for-task standard within which all domestic tasks can be accomplished in a manner sufficient to protect the health and safety of the client.

The department also concluded that there are certain services for which statewide standards should not be implemented. In general, these services are those where (1) social workers would need to make an excessive number of exceptions to the standards in order to ensure that the IHSS client received proper care or (2) no standard could be determined because the amount of time required to complete the task depends on the individual client's disability and level of impairment. According to the DSS, 14 services offered under the IHSS program do not readily lend themselves to statewide time-for-task standards. These services include (1) accompaniment and essential transportation, (2) bowel and bladder care, (3) respiration, (4) feeding, (5) ambulation, (6) bed and seating transfers, (7) repositioning, (8) care and assistance with prostheses, (9) paramedical services, (10) protective supervision, (11) heavy cleaning, (12) snow removal, (13) yard hazard abatement, and (14) teaching and demonstration.

**DSS Report Reveals Wide Variations in Assessments For Services Among Counties.** The department's report provides information on the extent to which counties vary in their assessment of services for IHSS clients. For example, Table 11 shows (1) the average number of hours assessed for clients receiving meal preparation in six counties, (2) the percent of IHSS clients within the county who receive meal preparation services, and (3) the number of hours of meal preparation each week an individual *could expect to receive* in each county.

**Table 11**  
**Assessment for Meal Preparation Services**  
**May 1982**

	Average Weekly Assessed Hours	Percent of Clients Receiving Service	Weekly Assessed Hours Averaged Over Total Caseload
Los Angeles .....	6.4	79%	5.1
San Francisco .....	5.4	77	4.2
San Diego.....	5.6	68	3.8
Orange .....	3.4	68	2.3
San Bernardino.....	6.0	40	2.4
Santa Clara.....	8.3	58	4.8
Average for six counties.....	5.9	65	3.8

Table 11 shows that the counties vary widely in their delivery of meal preparation services under the IHSS program:

- **The Number of Assessed Hours of Meal Preparation Varies Among Counties.** For example, the "average" IHSS client receiving meal preparation in Orange County receives 3.4 hours of meal preparation each week. His or her counterpart in Santa Clara County, however, receives 8.3 hours of services each week. This is 4.9 hours—or 144

percent—more than the client in Orange County.

- **The Proportion of County Clients Receiving Meal Preparation Varies Across Counties.** An IHSS client is more likely to receive meal preparation in some counties than in others. In fact, almost twice as many clients, proportionately, receive meal preparation in Los Angeles (79 percent) as in San Bernardino (40 percent).

As Chart 3 shows, the number of hours of service that the average client can expect to receive varies among counties. The chart displays the expected value of assessed weekly hours of service for meal preparation, dressing, and grooming. The expected value is based on the average weekly assessed hours for the service spread across the total IHSS caseload in the county. For example, in Los Angeles, the average IHSS recipient could expect to receive 1.2 hours per week of assistance with dressing and 2.9 hours per week of help with grooming. In contrast, a client in San Francisco could expect 0.4 hours of dressing aid and 0.6 hours of grooming services each week.

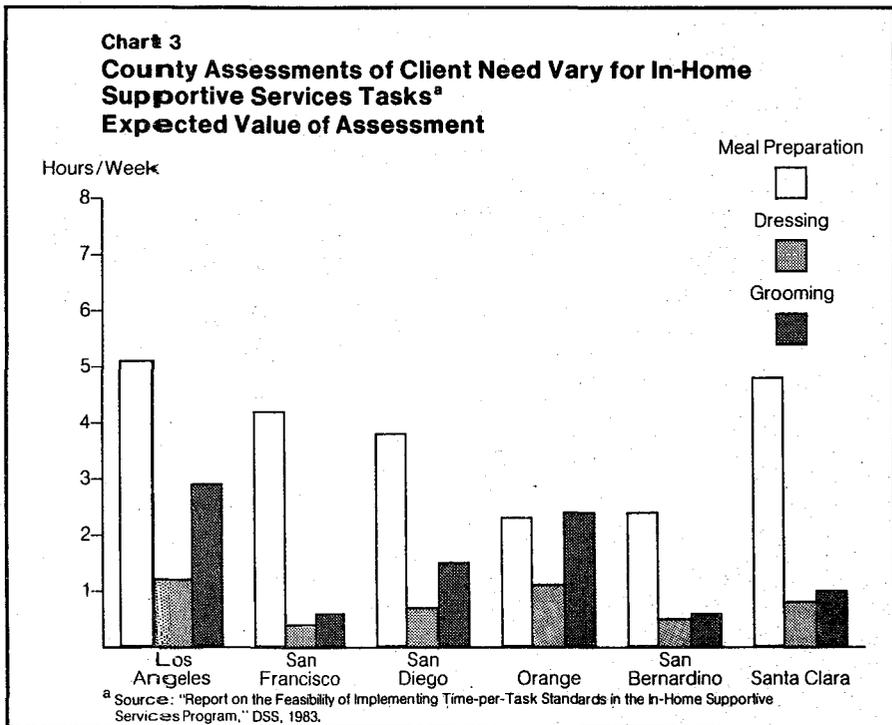
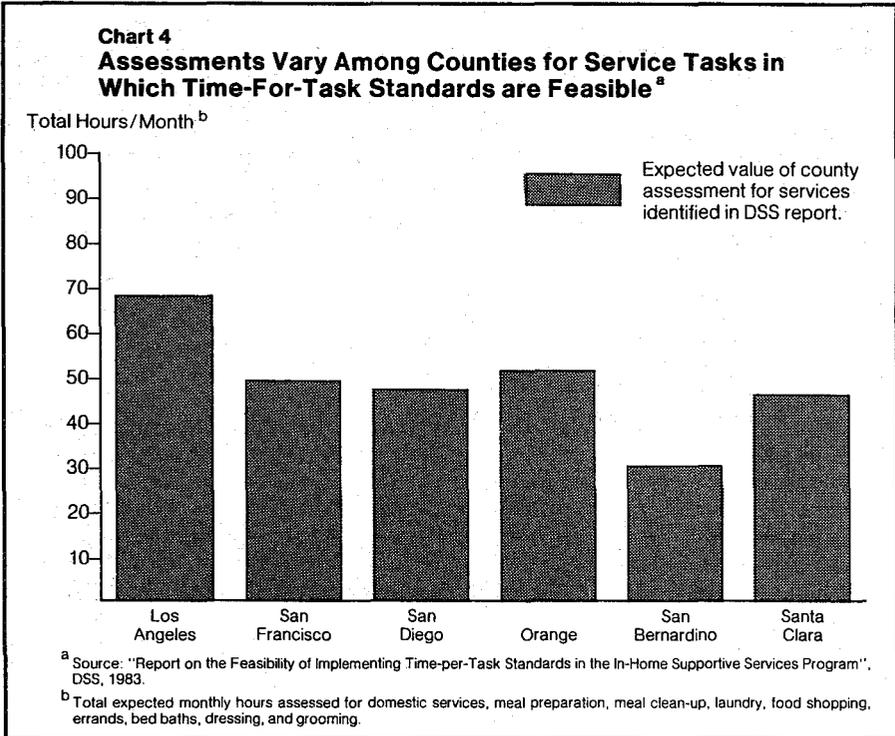


Chart 3 shows that in the case of three services, county assessment practices vary widely. In fact, data presented in the department's report indicates that assessment practices vary widely from county to county for all tasks for which the department has indicated that statewide time-for-task standards could be implemented. Chart 4 shows the effect of these varying assessment practices when applied to all the services for which the DSS found time-for-task standards to be appropriate. For example, the

**SOCIAL SERVICES PROGRAMS—Continued**

average client in Los Angeles is likely to receive 68.1 hours per month of service. This is more than twice as much as the average client in San Bernardino, who is likely to receive only 30.2 hours each month for the same services.



**Fiscal Effect of Time-for-Task Standards**

*We recommend that, prior to the budget hearings, the department provide the fiscal committees with an estimate of what the fiscal effect would be from implementing statewide time-for-task standards for specified services.*

The 1983 Budget Act required the department to include in its report on time-for-task standards an estimate of what the fiscal effect of such standards would be on the IHSS program. The department did not provide the estimate because the report did not propose specific standards upon which to base such an estimate. The department has advised us that it has collected data that can be used to provide a gross estimate of the fiscal effect of establishing statewide standards for those services for which it believes such standards are appropriate. We believe that such an estimate would be useful to the Legislature in determining the extent to which the implementation of statewide time-for-task standards will result in costs or savings to the program.

For this reason, we recommend that, prior to budget hearings, the department provide the fiscal committees with an estimate of the effect that implementing statewide time-for-task standards for specified IHSS services would have on program costs. These services include meal preparation, meal cleanup, laundry, food shopping, other shopping and errands, bed baths, bathing, dressing, and oral hygiene and grooming. The department's estimate should assume that statewide standards are set at (1) the unweighted average of the weekly hours assessed for individuals across all counties included in the study, (2) 150 percent of the average for weekly assessed hours or the highest of the county averages for weekly assessed hours, whichever is less, and (3) 25 percent of the average or the lowest of the county averages for weekly assessed hours, whichever is greater. The department should further assume that counties in which average weekly assessed hours are greater than these assumed standards would be required to reduce their assessments to these standards while counties in which average weekly assessed hours currently are less than these standards would retain their current average.

#### **Uniform Needs Assessment Process**

*We recommend that, prior to the budget hearings, the department report to the fiscal committees concerning (1) the time-frame for implementing a statewide uniform needs assessment process, (2) specific progress made to date in establishing a uniform needs assessment process, and (3) the extent to which further action is necessary to ensure that clients with similar needs receive a similar number of service hours.*

Social workers determine the extent to which a client needs services provided by the IHSS program. Social workers determine the need for services by assessing the client's level of impairment. The policies and standards for determining the client's level of impairment vary greatly among counties.

In its report on time-for-task standards, the DSS proposes to make the needs assessment process more uniform by (1) clearly defining the services to be provided by IHSS and (2) establishing rigorous definitions of need to be applied statewide. In addition, the department anticipates expanding the statewide payrolling system to provide a case management data base for the counties. The department asserts that these changes to the program, coupled with statewide time-for-task standards, will allow the department to ascertain the extent to which IHSS clients are receiving appropriate levels of service.

Because the legislature has not been informed of the manner in which the DSS will implement its proposed changes, we are unable to evaluate the extent to which these changes will improve the management of the program. Therefore, we recommend that, prior to the budget hearings, the department advise the fiscal committees concerning (1) the time-frame for implementing a statewide uniform assessment process, (2) specific progress made to date in establishing a uniform needs assessment process, and (3) the extent to which further action is necessary to ensure that clients with similar needs receive like hours of service.

**SOCIAL SERVICES PROGRAMS—Continued****ACCESS ASSISTANCE FOR THE DEAF****Review of the Deaf Access Program**

*We recommend that, prior to the budget hearings, the Department of Social Services submit to the fiscal committees the following:*

- 1. A plan for including in the 1984-85 request for contract proposal (RFP) specific definitions and standards for specified aspects of the Deaf Access program.*
- 2. A report concerning progress in promulgating required regulations and the establishment of service regions.*
- 3. A plan to ensure that centers recoup the costs of interpreter services provided to public and private agencies.*
- 4. A plan for assessing basic program goals and objectives.*

The Deaf Access program, established by Ch 1193/80 (AB 2980), provides funds for social services to deaf and hearing-impaired persons. The budget proposes \$2,165,000 in General Fund support for the Deaf Access program in 1984-85. Chapter 1193 requires the Legislative Analyst to review the Deaf Access program, including the department's supervision of the program. In a separate report, we evaluate both the Deaf Access program and the department's administration of it. The recommendations listed above are contained in that report and are based on the following findings:

- When contracting with deaf access centers, the department has failed to adequately define (1) categories of services to be provided to clients, (2) staffing, and (3) workload measures.*
- The department has failed to (1) issue regulations which define deafness and (2) adequately define statewide service regions, as required by current law.*
- The program lacks adequate fiscal controls to ensure that interpreter services are reimbursed. Without adequate controls, the state is absorbing the costs of these services.*
- The department has not established reasonable means by which program performance can be evaluated. Without adequate performance measures and valid evaluation techniques, it is not possible to determine the long-term effects of the various centers on the lives of clients.*

**ADOPTIONS PROGRAM**

The Department of Social Services (DSS) administers a statewide program of services to parents who wish to place children for adoption and to persons who wish to adopt children. Adoption services are provided through three state district offices, 28 county adoption agencies, and a variety of private agencies.

There are three components to the Adoptions program: (1) the Relinquishment Adoption program, which provides adoption services to children in foster care; (2) the Independent Adoptions program, which provides adoption services to birth parents and adoptive parents when both agree on placement and do not need the extensive assistance of an adoption agency; and (3) the Intercountry Adoptions program, which places children from foreign countries for adoption in the United States.

The Adoptions program is supported primarily from the General Fund. The General Fund pays for the cost of case work activities provided by the state and county agencies, and reimburses private adoption agencies for

placing children who are hard to place due to their physical, mental, or emotional handicaps or other factors.

### Budget Proposes Increased Funding for the Adoption Program in 1984-85

The budget proposes total spending of \$30,235,000 for the three adoption programs in 1984-85. This is an increase of \$5,762,000, or 24 percent, over estimated expenditures in 1983-84. Of the amount proposed for 1984-85, \$5,807,000 is budgeted in Item 5180-001 for the department's costs of (1) administering the Adoptions program and (2) providing direct adoption services through the three state district offices.

The remaining amount (\$24,428,000) is proposed for local assistance (Item 5180-151). It would be used to reimburse (1) county adoption agencies (\$24,311,000) and (2) private adoption agencies for relinquishment adoption services provided to children in foster care (\$117,000). Table 12 shows that proposed local assistance expenditures for the Adoptions program in 1984-85 are \$5.6 million, or 30 percent, above estimated expenditures for 1983-84. The table shows that most of the increase is due to anticipated caseload growth in the Relinquishment Adoption program, which is expected to result from various changes in child welfare services made by Ch 978/82 (SB 14).

**Table 12**  
**Adoptions Program—Local Assistance**  
**Proposed Budget Changes**  
**All Funds**  
**(in thousands)**

	<i>Adjustments</i>	<i>Totals</i>
1983-84 Revised Expenditures .....		\$18,779
1. Baseline Adjustments		
a. Relinquishment adoptions caseload increases due to Ch 978/82 (SB 14)		
(1) Increased costs of adoptions assessments .....	\$164	
(2) Increase casework for children assessed but not served in 1983-84 ..	<u>4,968</u>	
Subtotal .....		\$5,132
b. Other adjustments .....		\$33
c. Cost-of-living increase (2.0 percent) .....		<u>\$484</u>
Total baseline adjustments .....		\$5,649
2. Proposed Budget for 1984-85 .....		\$24,428

### Chapter 978, Statutes of 1982, Will Affect the Relinquishment Adoption Program

Chapter 978, Statutes of 1982 (SB 14), made various changes in child welfare services that will affect the Relinquishment Adoption program. These changes were designed to reduce the number of children who remain inappropriately in foster care by ensuring that as many of the children in long-term foster care placement as possible are placed in adoptive homes. Specifically, this measure requires that:

- *An assessment be made of the adoption potential of all children who have been in foster care for more than one year.* Chapter 978 requires that the staffs of the public adoption agencies and the child welfare services programs conduct a joint assessment to determine the adoptability of all children who have been in foster care for more than one year. While prior law required yearly assessments, as a practical matter, these reviews were often perfunctory. As Table 12 shows,

**SOCIAL SERVICES PROGRAMS—Continued**

the budget proposes an increase of \$164,000 to pay for these assessments.

- *The juvenile court conduct a hearing (referred to as a permanency planning hearing) in order to determine the best long-term plan for children who have been in foster care for more than a year and who cannot be safely returned to their parents.* Prior law required an annual juvenile court hearing for each case involving a child in foster care. It did not, however, require the court to determine a long-term plan for the child.
- *The juvenile court give first consideration to adoption as the most desirable permanent plan for any child who cannot be returned to his or her parents.* Prior law did not specify that adoption should be given the highest priority by the court in considering the best plan for a child's future.

**Adoption Caseload is Projected to Increase in 1984-85***We recommend approval.*

The department estimates that the adoption caseload will increase in 1984-85 as a result of Chapter 978. Specifically, DSS anticipates that county adoption agencies will provide various adoption services to 5,850 children in 1984-85. This is an increase of 1,340 children, or 30 percent, above the number of children that the department estimates will receive adoption services in the current year. The department advises that this increase represents the backlog of children who will be assessed for adoption by county agencies in the current year, as required by SB 14, but who will not receive adoption services in 1983-84. Table 12 shows that the budget proposes an increase of \$4,968,000 to reimburse counties for the costs of providing adoption services to these children in 1984-85.

*Budget Proposal Will Result in General Fund Savings in the Long Run.*

The department estimates that of the additional 1,340 children who will receive adoption services in 1984-85 as a result of the proposed increase in funding, 610, or 46 percent, will ultimately be placed in adoptive homes. Based on information provided by the department, we estimate that these 610 adoptions will result in long term General Fund savings of \$20.0 million, on the assumption that the children would otherwise be in foster care facilities. Thus, the proposed increase will result in a *net* General Fund savings of \$15.0 million (\$5.0 million in increased costs offset by \$20.0 million in savings). These savings reflect the General Fund share of the foster care grant and social services costs that will be avoided as a result of these children being placed in adoption.

Because the proposed increase in funds will result in an increase in the number of children placed in adoption, we recommend approval. We are concerned, however, about the implications of the department's projection that only 46 percent of the 1,340 children estimated to be accepted for adoptive study in 1984-85 as a result of SB 14 will be placed in adoptive homes. This means that the remaining 730 children will remain in long-term foster care indefinitely, *despite the fact that all of these children were determined to be adoptable as a result of the adoption assessment required by SB 14.*

We believe that a substantially higher percentage of these children could be placed in adoptive homes. We base this conclusion on our review of the 29 public adoption agencies' performance in 1981-82—the last year

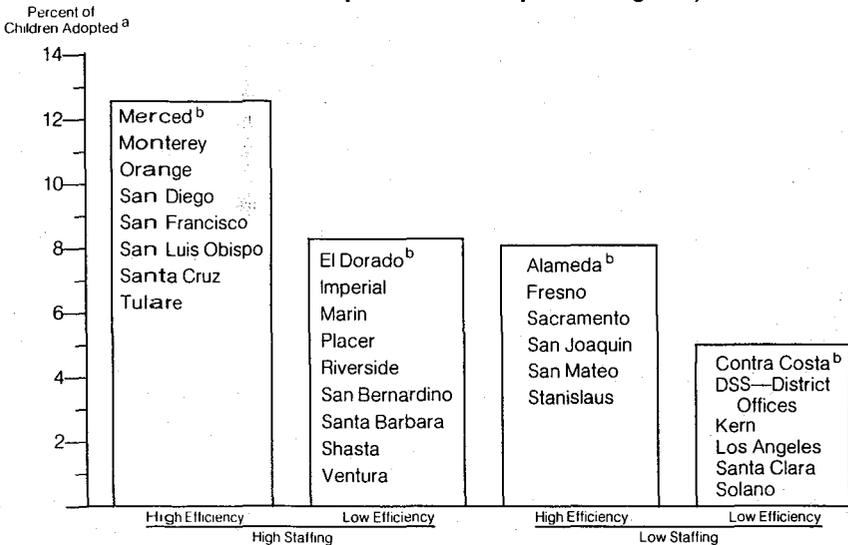
for which data was available at the time this analysis was prepared.

**Review of Public Adoption  
Agencies Performance in 1981-82**

In order to compare the performance of each of the 29 public adoption agencies in 1981-82, we developed a performance indicator for the Relinquishment Adoption program. The performance indicator measures the extent to which each agency was successful in placing *potentially adoptable* children in adoptive homes. Specifically, the performance indicator reflects the number of adoptive placements made by each agency in 1981-82, divided by the total number of dependent children under the age of 16 in foster care in the counties served by the adoption agency. We chose this measurement of agency performance because:

- The majority of the foster care children who are placed through the Relinquishment Adoption program are dependents under 16 years of age. Thus, the performance measure reflects each agency's success in providing service to the potentially adoptable children in foster care in the county(ies) served by the agency.
- The measure provides the basis for comparing the performance of agencies that serve foster care populations of differing size.

**Chart 5  
Efficiency and Staffing Levels Affect Public Adoption Agencies' Performance—Relinquishment Adoption Program, 1981-82**



<sup>a</sup> Percentages reflect the Legislative Analyst's estimate of the number of successful adoptive placements made by the agencies in each group divided by the number of dependent children under the age of 16 years old in the county or counties served by the agencies.

<sup>b</sup> Adoption agencies are listed in alphabetical order.

## **SOCIAL SERVICES PROGRAMS—Continued**

### **Adoption Agency Performance is Affected by Staffing and Efficiency Levels**

Chart 5 shows the performance of the public adoption agencies in 1981–82. The chart groups the agencies into two major categories: (1) agencies with higher-than-average staffing levels and (2) agencies with lower-than-average staffing levels. These groups are further divided into agencies with higher-than-average efficiency levels (that is, number of adoptions per full-time equivalent (FTE) adoption worker) and agencies with lower-than-average efficiency levels.

The chart shows that those agencies with both high staffing levels and high efficiency levels placed significantly more children for adoption, as a percent of the potentially adoptable children they served, than did any of the other three groups of agencies. Specifically, the eight agencies in the highest performance category placed in adoptive homes an average of 13 percent of the foster care children under the age of 16.

It is important to note that this 13 percent placement rate is *not* comparable to the 46 percent rate anticipated by the department with respect to the increased adoption caseloads resulting from SB 14. The 13 percent rate achieved by the high staffing, high efficiency agencies in 1981–82 reflects the number of *potentially* adoptable children who were placed. In contrast the 46 percent rate projected by the department reflects the placement rate for children who have been *assessed as adoptable and who are expected to be accepted for adoptive study by adoption agencies in 1984–85*.

### **High Staffing Does Not Guarantee Good Performance**

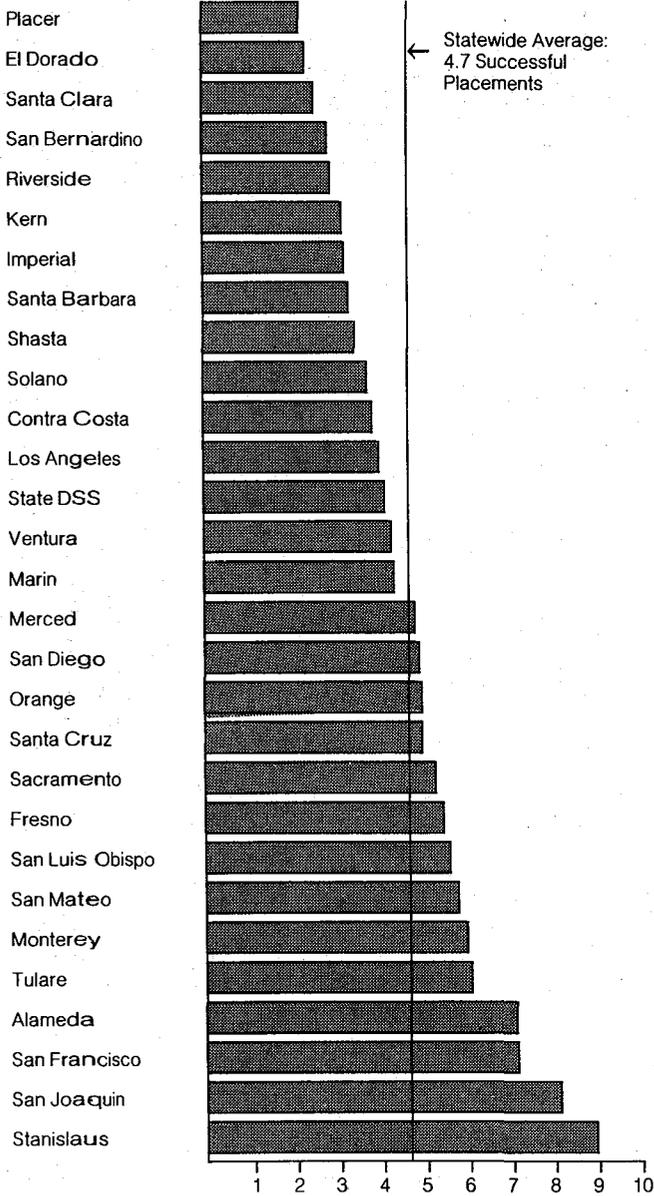
The chart clearly shows that high staffing levels alone do not guarantee good performance. For example, agencies with high staffing levels, but low efficiency levels, performed only slightly better (8.4 percent placement rate) than agencies with low staffing levels and high efficiency levels (8.2 percent placement rate). Based on 1981–82 performance data, we conclude that merely increasing the number of staff available to agencies with high staffing, but low efficiency levels, would not be a cost-effective means of ensuring an increase in the number of adoptive placements they arrange in 1984–85. Rather, the *efficiency* of these agencies would have to be increased if their overall performance is to be improved.

### **Efficiency of Adoption Agencies Varies Widely**

Chart 6 compares the efficiency of each of the 29 public adoption agencies in 1981–82. The chart shows that there was a wide variation among the adoption agencies in the efficiency with which children were placed in adoptive homes in 1981–82. Specifically, the placement rate ranged from 2.2 placements per adoption social worker per year (Placer) to 8.9 placements per worker per year (Stanislaus). The statewide average was 4.7 placements per adoption social worker. Given Placer County's low efficiency, it is probable that providing one additional adoption worker to that county would not have resulted in nearly as many additional adoptions as would result from providing the additional position to Stanislaus County. Conversely, the Placer County adoption agency could more than double the number of adoptions it arranges without a staff increase *if the agency simply brought its efficiency up to the statewide average*.

**Chart 6**  
**Efficiency of the 29 Public Adoption Agencies Varies Widely—**  
**Relinquishment Adoption Program, 1981-82**

Public  
Adoption Agency



← Statewide Average:  
 4.7 Successful  
 Placements

Successful Placements Per Adoption Worker FTE <sup>a</sup>

<sup>a</sup> Based on Legislative Analyst's estimate of the number of placements made by each agency in which the child remained in the home of the adoptive parents for at least six months

**SOCIAL SERVICES PROGRAMS—Continued****Efficiency of the Adoption Agencies Can be Improved**

*We recommend that the Legislature adopt Budget Bill language requiring the department to submit a plan for allocating funds to county adoption agencies for the Relinquishment Adoption program that (1) places a high priority on funding the more-efficient agencies, (2) sets efficiency goals for the less-efficient agencies, and (3) establishes statewide goals for the number of children to be placed in adoptive homes in 1984-85.*

In the past, the department has allocated funds to county adoption agencies using a formula that resulted in individual counties receiving approximately the same funding level each year, regardless of their performance. This funding mechanism provides no incentive for the counties to improve the efficiency of their adoption agencies. As a result, the maximum number of children may not be placed in adoptive homes each year.

We have identified two ways in which the department could ensure that the funds available for the Relinquishment Adoption program in 1984-85 are used to maximize the number of children who are placed in adoptive homes:

1. *The Department Could Ensure that the Most Efficient Agencies Receive Adequate Funding.* Our review indicates that six of the most efficient agencies in the state had staffing levels that were 17 percent below the statewide average staffing level. (These are the agencies in the high-efficiency, low-staffing level group on Chart 5). Providing these agencies with staffing levels comparable to those of the agencies in the high-efficiency, high-staffing group would give them an opportunity to place even more children in adoptive homes and should, therefore, be given a high priority. At the same time, however, it is important to ensure that the performance of the high-efficiency, high-staffing agencies is not undermined by any change in the funding mechanism.

2. *The Department Could Take Steps to Ensure that the Least Efficient Agencies Become More Efficient.* One way to accomplish this would be to set an efficiency goal for any agency that falls below the statewide average of adoptions per adoption worker. If the department established reasonable goals (based on adoptions per FTE), and if the agencies were required to agree to meet the goals prior to receiving their adoption funds allocation, we believe the less efficient agencies would have a greater incentive to use the funds made available to them more effectively.

The department has advised us that several factors may explain why some agencies make significantly fewer placements per adoption worker than other counties. Specifically, the department stated that differences in (1) local judicial systems, (2) the number of hard-to-place children in an agency's caseload, and (3) the availability of adoptive homes may affect individual agencies' efficiency as measured by placements per FTE. However, the department has been unable to provide any data which indicates that the least efficient agencies are, *in fact*, adversely affected by these factors.

We recognize that the factors cited by the department may explain part of the disparity illustrated by Chart 6. We therefore agree that the department should take each of these factors into account in setting efficiency goals for the least efficient agencies. At the same time, the department, in cooperation with the affected agencies, should prepare corrective ac-

tion plans designed to improve these agencies' efficiency. These plans might include proposals to improve the agencies' court liaison or adoptive parent recruiting activities.

In addition, the department could set statewide goals for the number of children to be placed through the Relinquishment Adoption program in 1984-85 and succeeding years. Statewide goals would give the Legislature a basis for assessing the department's success in improving the efficiency and performance of the Relinquishment Adoption program.

In order to improve the performance of the Adoptions program, we recommend adoption of Budget Bill language which requires the department to submit a plan to the Legislature that (1) gives high priority to funding the more efficient adoptions agencies, (2) sets efficiency goals for the less efficient agencies, and (3) establishes statewide goals for the number of children to be placed in adoptive homes in 1984-85. The following Budget Bill language is consistent with this recommendation:

"The Department of Social Services shall submit to the chairpersons of the fiscal committees of each house and the Chairperson of the Joint Legislative Budget Committee, no later than 30 days before such allocations are made, a plan for allocating to the public adoption agencies the funds appropriated under this item for the Relinquishment Adoption program. The amount of the allocation shall be based on each public adoption agency's caseload, but shall be allocated in the following manner:

"1. Caseload-based allocations shall be made first to those agencies that have maintained high levels of efficiency, as measured by the number of placements per adoption worker FTE during the most recent one-year period for which information is available at the time the plan is submitted. An agency shall be considered to have maintained a high level of efficiency if its placements to FTE ratio is at or above the statewide average.

"2. Caseload-based allocations shall be made second to those agencies that have performed at efficiency levels that are less than the statewide average. Funds shall only be allocated to these agencies, however, on the condition that each of the agencies agrees to meet an efficiency goal established by the department. For each agency, the goal shall be expressed in terms of either (a) the number of placements that the agency shall make per adoption worker FTE or (b) a percentage by which the agency will increase its placements per FTE during 1984-85. In establishing this efficiency goal, the department shall consider whether the agency's low-efficiency level is due to (a) unusual characteristics of the local judicial system, (b) the number of hard-to-place children in the agency's caseload, or (c) a lack of availability of adoptive homes in the agencies' jurisdiction. If the department determines that the reason for an agency's low-efficiency level is either the local judicial system or a lack of availability of adoptive homes, the department shall develop, in cooperation with the affected agency, a corrective action plan to address these problems and shall submit such plans to the Legislature by December 1, 1984.

In addition to the allocation plan, the department shall submit a report to the Legislature by December 1, 1984, which identifies a statewide goal for the number of children to be placed in the Relinquishment Adoption program during 1984-85 and the resulting backlog of children who are expected to be under adoptive study and receiving adoption services, but not yet placed in adoptive homes by the end of 1984-85."

**SOCIAL SERVICES PROGRAMS—Continued****Effect of the COLA Cap on the Adoptions Program**

The 1981 Budget Act limited the state's share of COLAs provided by county boards of supervisors to county welfare departments and adoption agencies to the amounts provided in the Budget Act (6 percent), unless such increases were offset by "permanent productivity increases." The Legislature extended this policy through the Budget Acts of 1982 and 1983. Because no state funds were provided for COLAs for county welfare departments and adoption agencies in either the 1982 or 1983 Budget Acts, the effect of this policy is to limit to 6 percent the COLAs for which state funds will be provided, unless the costs of the COLAs are offset by permanent productivity increases.

*DSS Has Not Complied With the Legislatively Established COLA Cap.* The DSS estimates that the average General Fund cost of a county adoption agency social worker is \$61,100 in 1983-84. This is an increase of \$14,715, or 32 percent, over the General Fund cost of an adoption worker in 1980-81. Such an increase would be consistent with the COLA cap established by the Legislature *only* if the county adoption agencies have increased their productivity by 26 percent (32 percent COLA increase less 6 percent COLA cap = 26 percent).

The department advises us that it is unable to measure productivity in the adoptions program and therefore has never determined whether the increased costs of adoption workers have, in fact, been offset by permanent productivity increases. In the absence of documentation that adequate productivity increases have been achieved by the county adoption agencies, it would appear that the department has paid out funds for COLAs in excess of the 6 percent, contrary to the policy established by the Legislature in the last three Budget Acts.

The department's failure to observe the COLA cap established by the Legislature may have caused a reduction in the number of children receiving adoption services, and presumably, in the number of children being placed for adoption. This is because cost increases that are not offset by productivity increases can *only* result in reduced program activity.

Conversely, if the department had complied with the COLA cap established for the adoption program, more children would have been placed in adoptive homes since 1980-81. This is because any county that had granted COLAs in excess of 6 percent and had failed to achieve the required productivity increases would have been required to pay for the excess costs of the COLAs from local funding sources. This, in turn, would have increased the total funds available to the county adoption agency, the number of adoption workers employed by the agency, and therefore the number of children placed.

**Budget May Include Funds to Pay for County COLAs in Excess of the COLA Cap**

*We recommend that prior to the budget hearings, the department advise the fiscal committees of the extent to which COLAs granted by county adoption agencies in excess of the 6 percent COLA cap have been offset by productivity increases. We withhold recommendation on \$4,583,000, which we estimate is the portion of the proposed General Fund expenditure for 1984-85 that is attributable to excess county COLA, pending receipt of the department's findings.*

The budget proposes total reimbursements to county adoption agencies of \$24,308,000 in 1984-85. We estimate that of this amount, \$4,583,000 reflects the cost of COLAs granted by the counties in excess of 6 percent since 1980-81. The department has not attempted to determine the extent to which this cost has been offset by permanent productivity increases. Therefore we are unable to advise the Legislature at this time what portion of the \$4,583,000 represents costs that should, under the provisions of the Budget Acts of 1981, 1982, and 1983, be paid by county adoption agencies and what portion represents costs that should be paid by the General Fund.

While the department maintains that it is unable to measure productivity in the adoptions program, we believe such a measurement is possible. One such measure might be the number of successful placements per FTE, which we discussed in our review of the performance of the adoption program in 1981-82. While the data necessary to determine successful placements per FTE for 1982-83 and 1983-84 are not currently available, we have determined that the statewide average for successful placements per FTE declined from 5.1 in 1980-81 to 4.7 in 1981-82, a decrease of 8 percent. In the same period, the average annual cost of an adoption worker FTE rose from \$46,395 to \$52,503, which is an increase of 13 percent, or 7 percentage points, more than the COLA cap. Thus, on the basis of statewide average performance, the costs of the excess COLAs granted by counties for 1981-82 do not appear to have been offset by productivity increases.

With respect to some individual county adoption agencies, however, the results are quite different. For example, the Los Angeles County Adoption Agency placed 3.5 children per FTE in 1980-81 and 4.0 children per FTE in 1981-82, a productivity increase of 15 percent. At the same time, the annual cost of an adoption worker in Los Angeles County increased by approximately 12 percent, or 6 percentage points, more than the COLA cap. Thus, the Los Angeles County Adoption Agency achieved productivity increases in 1981-82 that were more than sufficient to offset the costs of the excess COLA granted by the county.

We recognize that placements per FTE is not the only possible measurement of adoption agency productivity. For many years, the DSS has collected detailed data on adoption caseload changes. We believe that the department could use this data to determine the extent to which the \$4,583,000 proposed in the budget to pay for the costs of county COLAs that exceed 6 percent has been offset by permanent productivity increases. Therefore we recommend that prior to the budget hearings, the department advise the fiscal committees of the extent to which the General Fund costs of COLAs granted by county adoption agencies in excess of the 6 percent COLA cap have been offset by productivity increases. Since we cannot at this time determine how much of the costs of excess county COLAs should be paid by the state and how much should be paid by the counties, we also withhold recommendation on \$4,583,000 requested from the General Fund for the local assistance portion of the adoptions program, pending receipt of the department's findings.

**Department of Social Services  
COMMUNITY CARE LICENSING**

Item 5180-161 from the General Fund and Social Welfare Federal Fund

Budget p. HW 180

Requested 1984-85 .....	\$7,665,000 <sup>a</sup>
Estimated 1983-84.....	7,515,000
Actual 1982-83 .....	6,309,000
Requested increase \$150,000 (+2.0 percent)	
Total recommended reduction Item 5180-161-001 .....	501,000
Total recommended reduction Item 5180-181-001 (c) .....	(\$10,000)

<sup>a</sup> Includes \$150,000 in Item 5180-181-001 (c) to provide a 2 percent cost-of-living increase.

**1984-85 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
5180-161-001—Community Care Licensing		General	\$7,515,000
5180-161-866—Community Care Licensing		Federal	(2,707,000)
5180-181-001(c)—Community Care Licensing—COLA		General	150,000
5180-181-866(f)—Community Care Licensing—COLA		Federal	(54,000)
Total			<u>\$7,665,000</u>

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. **Overbudgeting. Reduce by \$501,000.** Recommend General Fund reduction of \$501,000 to correct for overbudgeting.

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**GENERAL PROGRAM STATEMENT**

This item contains the General Fund appropriation needed to cover the state's cost of contracting with counties to license foster family homes and family day care homes. The Department of Social Services (DSS) also directly licenses foster family homes and family day care homes, as well as other community care facilities through its 11 district licensing offices. Funds for direct state licensing activities are proposed in Item 5180-001-001, departmental support.

Foster family homes are licensed to provide 24-hour residential care to children in foster care. In order to qualify for a license, the homes must be the residence of the foster parent(s) and must provide services to no more than six children. Family day care homes are licensed to provide day care services to up to 12 children in the provider's own home. The DSS estimates counties will license 12,600 foster family homes and 19,200 family day care homes in 1984-85.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$7,665,000 from the General Fund to reimburse counties for licensing activities in 1984-85. This amount includes \$150,000 proposed in Item 5180-181-001 to provide cost-of-living

increases in 1984-85. The cost-of-living increase is the only increase proposed for county licensing of foster family and family day care homes.

## **ANALYSIS AND RECOMMENDATIONS**

### **LEGISLATIVE FOLLOW-UP**

#### **Changes in the Family Day Care Licensing Program**

Chapter 323, Statutes of 1983, the companion measure to the 1983 Budget Act, made major changes in the Family Day Care Licensing program. Beginning in 1983-84, the measure requires:

- The department, or counties under contract with the department, to visit all family day care homes prior to approving a request for license renewal. (Family day care licenses must be renewed every three years.) Prior law provided for such visits only to those homes that had been cited for a major violation of licensing standards during the term of the license covering the home. The DSS estimates that this change resulted in a 25 percent increase in the workload of the Family Day Care Licensing program.
- The department to provide (1) ongoing training to licensing staff and law enforcement agencies, (2) consumer education for parents of children in family day care, and (3) an orientation program for prospective family day care providers. The department allocated \$300,000 for these programs in 1983-84 and proposes spending the same amount in 1984-85. Funds for this purpose are proposed under Item 5180-001-001, departmental support.

#### ***Funds for Family Day Care Licensing Were Reduced By the Governor.***

The Legislature approved an appropriation of \$10,210,000 for family day care licensing in 1983-84. This amount included \$7,210,000 for the county costs and \$3,000,000 for the department's direct costs of family day care licensing. The Governor reduced these amounts to \$4.8 million and \$2.2 million, respectively.

The Governor's reductions were based on the department's July 1983 estimate of the costs of the Family Day Care Licensing program. The July estimate was based on:

- A workload standard of 228 family day care homes per county licensing evaluator. Our review of the workload standard indicates that it accurately reflects the amount of time required for an evaluator to perform the increased number of unannounced visits to family day care homes required by Chapter 323.
- An estimated caseload of 21,440 county-licensed and 9,770 state-licensed family day care homes. This estimate was based on the most current data available to the department in July 1983.

***Changes in Caseload Estimates for 1983-84.*** Based on more recent data, the department has revised its estimate of the number of family day care homes that will be licensed in 1983-84. Specifically, the department's current estimate anticipates a county-licensed caseload of 19,200 homes and a state-licensed caseload of 12,380 homes in 1983-84. This is a reduction of 2,240 homes, or approximately 10 percent, in county caseloads and an increase of 2,610, or 27 percent, in state caseloads. These changes are attributable to (1) transfers of licensing caseloads from the counties to the state district offices (counties can return the responsibility for family day care licensing to the state at any time), (2) an increase in the rate of growth in state caseloads, and (3) a leveling-off in the growth of county

**COMMUNITY CARE LICENSING—Continued**

caseloads. As a result of these trends, the department estimates that county caseloads will be the same in 1984–85 as in 1983–84 (19,200 homes). The state caseloads, however, are estimated to increase from 12,380 to 14,568 homes, which represents an increase of 50 percent over the number of homes that the department estimated would be licensed by the state in its July estimate.

***Budget Proposal Does Not Reflect the Change in Caseload Estimate.*** Despite these changes in estimated caseloads, the budget proposes to continue funding the state and county components of the Family Day Care Licensing program in 1984–85 at the levels estimated for 1983–84 by the department in July 1983, adjusted only for a 2-percent cost-of-living increase. The department advises that it did not adjust the budget proposal to reflect the changes in its caseload estimate because this program has not been budgeted on the basis of caseload since the enactment of Ch 102/81. (Chapter 102, the companion measure to the 1981 Budget Act, made substantial reductions in the number of family day care home inspection visits required by state law.)

We have several concerns with the department's decision not to budget for the Family Day Care Home Licensing program on the basis of projected caseload:

- The provisions of Chapter 102 that affected this program have been repealed. Specifically, Ch 323/83 restored the Family Day Care Licensing program to pre-Chapter 102 levels. Prior to the enactment of Chapter 102, this program had been budgeted on a caseload basis for several years.
- The department's conclusion is inconsistent with the Governor's rationale for vetoing funds appropriated for family day care licensing in the 1983 Budget Act. Specifically, the Governor based the amount of funds deleted from the Budget Act on the department's estimate of 1983–84 licensing *caseloads* and the number of state and county staff required to handle that caseload.
- By continuing funding for the state and county components of this program at the 1983–84 levels, without regard to projected caseload, the budget provides (1) more money than necessary to support county licensing activities and (2) less money than necessary to support state licensing activities. We discuss the effect of the budget proposal on the *state* licensing of Family Day Care Homes under our analysis of Item 5180-001-001, departmental support. In that analysis, we recommend that the department report to the fiscal committees, prior to the budget hearings, on how it plans to accommodate the projected 50 percent increase in state family day care caseloads within the amounts proposed in the budget.

**Overbudgeting of County Licensing Program**

***We recommend a General Fund reduction of \$501,000 in county contracts to license family day care homes to reflect the department's reduced estimate of the number of homes that will be licensed by counties in 1984–85.***

The budget proposes expenditures of \$4,896,000 from the General Fund to pay those counties that license family day care homes under a contract with DSS. This is an increase of \$96,000, or 2 percent, over estimated expenditures for county licensing of family day care homes in 1983–84.

Based on the department's (1) workload standard of 228 licensed homes per evaluator and (2) current estimate that counties will license 19,200 homes in 1984-85, we estimate that county costs for the Family Day Care Licensing program in 1984-85 will be \$4,299,000, which is \$501,000 less than the amount proposed in the budget. Accordingly, we recommend a General Fund reduction in Item 5180-161 of \$501,000. Approval of this reduction would allow a reduction of \$10,000 in Item 5180-181-001(c) which contains funds for cost-of-living increases proposed for various DSS programs.

**Transfer of Family Day Care Licensing to the Department of Consumer Affairs**

*The Supplemental Report of the 1983 Budget Act* requires our office to address several specific issues regarding the feasibility of transferring responsibility for licensing family day care homes from the DSS to the Department of Consumer Affairs. We discuss this issue under our analysis of Item 5180-001-001, departmental support.

**Department of Social Services  
COST-OF-LIVING ADJUSTMENTS**

Item 5180-181 from the General Fund and Social Welfare Federal Fund

Budget p. HW 183

Requested 1984-85 .....	\$77,443,000
Total recommended reduction .....	74,000
Recommended transfer from Item 5180-141-001 .....	10,900,000
Recommendation pending .....	5,143,000

**1984-85 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
5180-181-001	Cost-of-living adjustments	General	\$77,443,000
5180-181-866	Cost-of-living adjustments	Federal	(58,685,000)

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. County Administration COLA. Recommend that \$10.9 million in Item 5180-141-001 be transferred to Item 5180-181-001 to provide a cost-of-living adjustment (COLA) for county administration consistent with COLAs provided to state employees. 1314
2. IHSS provider COLAs. Withhold recommendation on \$5,143,000 for IHSS program provider COLAs, pending receipt of revised estimates during the May revision of expenditures. 1316
3. COLA limitations in Social Services and Community Care Licensing. Recommend adoption of Budget Bill language limiting state participation in COLAs provided to county employees in the Social Services and Community Care Licensing Programs. 1316
4. *Conforming Recommendations. Reduce Item 5180-181-001* 1317

**COST-OF-LIVING ADJUSTMENTS—Continued**

by \$74,000 and Item 5180-181-866 by \$71,000. Recommend proposed cost-of-living increases be reduced to reflect recommended reductions in funding for basic program costs, for a General Fund savings of \$74,000 and a federal funds savings of \$71,000.

**GENERAL PROGRAM STATEMENT**

This item contains the General Fund appropriation to provide cost-of-living adjustments (COLAs) to various welfare and social services programs.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes a General Fund appropriation totaling \$77,443,000 for cost-of-living increases for various local assistance programs administered by the Department of Social Services. Table 1 shows the fiscal effect of the cost-of-living increases proposed for each of these programs.

**Table 1**  
**Department of Social Services**  
**Proposed Cost-of-Living Increases**  
**General Fund**  
**1984-85**  
**(in thousands)**

Program (Proposed Cost-of-Living Adjustment)	Proposed Baseline Funding	Cost-of- Living Increase	Percent Increase in Expenditures	Total Expenditures
AFDC cash grants (2 percent) .....	\$1,529,922	\$32,723	2.1%	\$1,562,645
SSI/SSP cash grants <sup>a</sup> (2 percent) .....	1,065,827	35,297	3.3	1,101,124
Special Adult Programs (0 percent) .....	138	—	—	138
County Administration (0 percent) .....	129,114	—	—	129,114
Social Services (2 percent) .....	195,777	9,273	4.7	205,050
Other County Social Services (2 percent)	(16,820)	(3,236)	(19.2)	(20,056)
In-Home Supportive Services .....	(144,024)	(5,469)	(3.8)	(149,493)
Other Social Services .....	(34,933)	(568)	(1.6)	(35,501)
Community Care Licensing (2 percent) .....	7,514	150	2.0	7,664
Totals .....	<u>\$2,928,292</u>	<u>\$77,443</u>	<u>2.6%</u>	<u>\$3,005,735</u>

<sup>a</sup> The SSI/SSP increase in maximum payments is effective January 1, 1985.

As Table 1 indicates, the proposed cost-of-living increases would increase General Fund expenditures for these programs during 1984-85 from \$2.9 billion to \$3.0 billion, an increase of 2.6 percent. The increase reflects proposed cost-of-living increases in public assistance programs ranging from zero to 2.0 percent. Because of factors unique to individual programs, however, the percentage increase in *General Fund* expenditures may exceed the proposed COLA (expressed in percentage terms). For example:

- The percentage increase in SSI/SSP *expenditures* (3.3 percent) is greater than the percentage increase in *maximum* SSI/SSP grants (2.0 percent) because the state cost-of-living adjustment is given both to recipients who are eligible only for state payments (SSP), as well as to those who are eligible for both SSI and SSP payments.
- The percentage increase in social services *expenditures* (4.7 percent) is greater than the 2 percent COLA proposed in the budget because

**Table 2**  
**Department of Social Services**  
**Proposed Cost-of-Living Increases**  
**All Funds**  
**1984-85**  
**(in thousands)**

<i>Program</i>	<i>Cost-of-Living Increases</i>						<i>Total Funding</i>
	<i>Baseline Funding</i>	<i>General Fund</i>	<i>Federal Funds</i>	<i>County Funds</i>	<i>Total Cost-Of-Living Increase</i>	<i>Percent General Funds</i>	
AFDC cash grants.....	\$3,332,655	\$32,723	\$36,806	\$3,732	\$73,261	44.7%	\$3,405,916
SSI, SSP cash grants							
Proposed funding sources.....	2,143,901	35,297	204	—	35,501	99.4	2,179,402
Actual funding sources <sup>a</sup> .....	(2,143,901)	—	(38,245)	—	(38,245)	—	(2,182,146)
Special Adult Program.....	190	—	—	—	—	—	190
County Administration.....	648,066	—	20,615	16,952	37,567	—	685,633
Refugee Cash Assistance.....	63,290	—	431	—	431	—	63,721
Social Services.....	631,642	9,273	575	1,629	11,477	80.8	643,119
Other County Social Services.....	(241,604)	(3,236)	(575)	(1,021)	(4,832)	(67.0)	(246,436)
In-Home Supportive Services.....	(308,354)	(5,469)	—	(608)	(6,077)	(90.0)	(314,431)
Other Social Services.....	(81,684)	(568)	—	—	(568)	(100.0)	(82,252)
Community Care Licensing.....	10,222	150	54	—	204	73.5	10,426
Totals.....	\$6,829,966	\$77,443	\$58,685	\$22,313	\$158,441	48.9%	\$6,988,407

<sup>a</sup> Because federal funds for the SSI/SSP program are not appropriated by this bill, the anticipated increase in federal funds of \$38,245,000 to support a cost-of-living increase is reflected as a reduction in the General Fund requirement for baseline funding. As a result, the total cost of providing a 2 percent COLA to SSI/SSP grants (\$35.3 million, refugees excluded) is included in Item 5180-181-001 (a) as a General Fund cost.

**COST-OF-LIVING ADJUSTMENTS—Continued**

the federal government does *not* provide funds for a COLA on all federally funded social services. Thus, the state and counties pay for a disproportionate share of the costs of providing COLAs for social services programs.

Table 2 shows that the budget proposes total expenditures of \$6,988,407,000 for welfare programs. Of this amount, \$158,441,000 is proposed for cost-of-living increases.

**ANALYSIS AND RECOMMENDATIONS****Cost-of-Living Adjustments for Public Assistance Recipients**

State law requires that recipients of assistance under the SSI/SSP and AFDC programs receive an annual cost-of-living increase in their grants. The AFDC increase is effective July 1, and the SSI/SSP increase is effective the following January 1. Under existing law, the COLA required in 1984-85 is equal to the percentage change in the California Necessities Index (CNI) from December 1982 to December 1983.

The Commission on State Finance estimated in January 1984 that the COLA required by existing law will be 5.5 percent. This would result in General Fund costs of \$186,927,000 (\$97,066,000 for the SSI/SSP program and \$89,861,000 for the AFDC program). The budget, however, proposes to suspend the statutory provision requiring a COLA based on the CNI and instead proposes that AFDC recipients and SSI/SSP recipients be given a 2 percent COLA in 1984-85.

**Limits on the State's Share of County Salary Increases Should Be Retained**

*We recommend that:*

1. *\$10.9 million from the General Fund be transferred from Item 5180-141-001 to Item 5180-181-001 to fund a COLA for county administration in 1984-85, in lieu of past-year salary increases that exceeded what the state agreed to fund.*
2. *The Legislature adopt Budget Bill language limiting the extent to which the state will share in the cost of salary increases granted by the counties.*
3. *The Legislature establish the 1984-85 COLA limits for county administration based on the increases provided for state employees in the 1984 Budget Act.*

The budget proposes to remove existing limitations on the state's share of county costs. These limitations were imposed in prior years in order to cap the percentage increase in county welfare department salaries that the state would fund at the percentage increase granted to state employees. The budget requests a \$17.7 million augmentation from the General Fund in 1984-85 for the purpose of funding prospectively county salary increases in excess of the cap. This includes \$10.9 million in Item 5180-141-001 for the administration of the AFDC and Food Stamp programs and \$6.8 million in Item 4260-101-001 for the administration of the Medi-Cal program. The budget proposes no funds for county-granted salary increases in 1984-85.

Under current law, the federal government pays 50 percent of the costs of administering the AFDC and Food Stamp programs. The state and

counties each pay 25 percent. Since 1981-82, however, the Legislature has placed limits on the state's share of the costs attributable to COLAs granted by counties to their welfare department employees, as follows:

- *The 1981 Budget Act* provided funds to cover the state's share of costs resulting from COLAs up to 6 percent. In addition, the Budget Act stated that counties would be responsible for funding the entire non-federal share of COLAs that exceeded 6 percent limit.
- *The 1982 Budget Act* provided no funds for county salary increases and included language limiting the state's share of county-granted COLAs.
- *The 1983 Budget Act*, as passed by the Legislature, contained funds for the state's share of a 3 percent COLA for county salaries. In addition, it allowed counties that granted COLAs less than 3 percent to apply the difference to COLAs not funded in the previous two years. This provision became moot, however, when the Governor, citing lower inflation in 1983 and the state's "severe fiscal constraint," vetoed the COLA funds.

***Budget Proposal is Flawed.*** Based on our analysis, we conclude that there are several serious flaws with the budget proposal to lift the cap on the state's share of county-granted COLAs.

- ***Cost of the proposal is Underfunded.*** We estimate that the budget underestimates the cost of rescinding the limit on the state's share of cost for county-granted COLAs. Approval of the proposal would cost the General Fund \$13.2 million. This is \$2.3 million more than the budget requests in 1984-85.
- ***Proposal Rewards High-Cost Counties.*** The proposal treats counties unequally. It provides additional funds to those counties that chose to grant larger cost-of-living increases than what the last three Budget Acts funded while offering nothing to those counties that followed the state's lead and stayed within the Legislature's COLA limits.
- ***The Proposal is based on a Faulty Premise.*** The budget asserts that COLA limitations have increased "the potential for General Fund overpayments, higher quality control error rates, and federal AFDC and Food Stamp sanctions." We believe this premise is incorrect for the following reasons. First, there has been no consistent trend in error rates since enactment of the controls on salaries and benefits. Secondly, we are unable to identify in counties that granted large COLAs a consistent pattern of staff reductions and therefore increased cases per eligibility workers that could threaten to increase error rates.

***LAO Recommendation.*** For these reasons, we recommend that the Legislature reject the budget proposal to share in the cost of county-granted COLAs that exceed the limits established by the Legislature. Instead, we recommend that:

- The funds proposed in Item 5180-141-001 to fund prior year COLAs be transferred to Item 5180-181-001 to provide a COLA in 1984-85 for county administration up to a limit established by the Legislature.
- The Legislature adopt the same language controlling the distribution of the COLA as it included in the 1983 Budget Act.
- The Legislature fix the maximum COLA for which the state will provide funding at a level comparable to the percentage salary increases granted to state employees.

**COST-OF-LIVING ADJUSTMENTS—Continued**

This course of action would offer several advantages over what the budget proposes.

1. *It allows all counties additional funding for salary increases.*
2. *State participation in salaries will increase uniformly throughout the state.*
3. *It prevents the Legislature from being criticized for funding salary increases paid to county employees that are larger than the salary increases that it provides to its state employees.*

In addition, our recommendation would permit counties that increase salaries by a percentage less than the limit established in the Budget Act to apply the difference to unfunded salary increases remaining from past years.

We discuss the details of this recommendation under Item 5180-141-001, County Welfare Department Administration. In that discussion, we present Budget Bill language to provide for the limits on county salary and benefit increases, as recommended.

**IHSS Provider COLA**

*We withhold recommendation on \$5,143,000 in Item 5180-181-001 requested to fund a 2 percent cost-of-living increase for IHSS providers, pending the May revision of expenditures.*

The budget proposes \$5,143,000 in General Fund support for a 2.0 percent COLA to IHSS providers in 1984-85. In estimating the amount of the COLA, the department assumed that program costs would total \$289,910,500 in the budget year. The budget, however, proposes that the IHSS program be funded at a level totaling \$308,354,000. This is \$18.4 million more than the base on which the COLA was calculated. Calculating the COLA on the increased base results in additional General Fund costs of \$332,000. The department informs us that this error will be corrected during the May revision of expenditures. Therefore, we withhold recommendation on \$5,143,000 budgeted in Item 5180-181-001 (c) to finance a 2.0 percent COLA for IHSS providers, pending the May revision of expenditures.

**Cost-of-Living Increases for Social Services and Community Care Licensing Programs**

*We recommend that the Legislature adopt Budget Bill Language and supplemental report language requiring that the General Fund appropriations for Social Services and Community Care Licensing programs not be used by counties for cost-of-living increases in excess of the amount authorized for such increases by the Legislature.*

The 1983 Budget Act contained language limiting the state's share of cost-of-living increases provided by counties to workers in Social Services and Community Care Licensing programs. The language limited the state's share of cost-of-living increases to the amounts appropriated by the act. Similar limitations were included in the Budget Acts of 1981 and 1982.

The 1984 Budget Bill does not contain language similar to that included in the 1983 Budget Act. Our analysis indicates, however, that the legislatively established policy of limiting General Fund support for cost-of-living increases to a specified amount should be continued in 1984-85 for two reasons. First, in the absence of such a limit, the various counties, rather than the Legislature, will determine the General Fund costs of

these programs in future years. Second, it avoids the situation where the state pays for salary increases to county employees that exceed the increases the state is willing to provide to its own employees. In order to retain legislative control over program appropriations, we recommend that the Legislature adopt the following Budget Bill language, which is identical to that in the 1983 Budget Act. We further recommend that the following supplemental report language be adopted to make county COLAs that exceed the amounts authorized in the Budget Act the *permanent* fiscal obligation of the affected counties, unless (1) they are offset by permanent productivity increases or (2) the counties grant COLAs in subsequent years that are *less* than the COLAs approved by the Legislature.

***Budget Bill Language:***

"Notwithstanding any other provision of law, none of the funds appropriated by Item 5180-151-001 or 5180-161-001, or Categories (b) and (c) of Item 5180-181-001 for Programs 20 and 30 shall be used to provide a cost-of-living increase to counties for Social Services and Community Care Licensing programs in excess of the amount specifically authorized for these purposes by the Legislature unless the excess costs are offset by permanent productivity increases."

***Supplemental Report Language:***

"Social services and community care licensing cost-of-living increases—The department's 1985-86 request for General Fund support for county Social Services and Community Care Licensing programs shall not include the cost of 1984-85 cost-of-living increases for personal and nonpersonal services that exceeds the percentage increase authorized by the 1984 Budget Act, unless such General Fund costs resulted from increases in county productivity. The department shall notify the counties that the state will not pay for excess cost-of-living increases, unless funded by productivity increases, and that the increases granted in excess of the percentage approved by the Legislature shall be a permanent county fiscal obligation, unless the affected counties grant cost-of-living increases in 1985-86, or a subsequent year, that are less than the cost-of-living increases authorized by the Legislature. The department shall maintain documentation which indicates that county cost-of-living increases which exceed the amount of state reimbursement shall be excluded from the 1985-86 funding requests made in January and May of 1985."

**Other Recommended Reductions**

*We recommend that cost-of-living increases budgeted in Item 5180-181-001 be reduced by \$74,000 and cost-of-living increases budgeted in Item 5180-181-866 be reduced by \$71,000 to reflect our recommended reductions in the baseline costs of these programs.*

In our analysis of AFDC Payments for Children program (Item 5180-101-001) and Community Care Licensing program (Item 5180-161-001), we have recommended reductions that reduce the General Fund cost of these programs by \$6,529,000. Because the proposed cost-of-living increases are based on percentage adjustments applied to program costs, any reduction in program costs will reduce the dollar amount needed to fund COLAs proposed in the budget.

We therefore recommend the following reductions:

- Reduce Item 5180-181-001 (d) by \$64,000 to reflect the reduced Gen-

**COST-OF-LIVING ADJUSTMENTS—Continued**

- eral Fund cost for COLAs for AFDC grants.
- Reduce Item 5180-181-866 (d) by \$71,000 to reflect the reduced federal fund cost for AFDC grant COLAs.
- Reduce Item 5180-181-001 (c) by \$10,000 to reflect the reduced General Fund cost of COLAs for the Community Care Licensing program.

**DEPARTMENT OF SOCIAL SERVICES—REAPPROPRIATION**

Item 5180-490 from the General Fund

Budget p. HW 179

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This item reappropriates funds from Ch 1398/82 for child abuse prevention programs. The act appropriated \$10 million from the General Fund for use in 1982-83 and 1983-84. Of the total appropriation, \$1 million was for "innovative child centered" child abuse prevention demonstration projects conducted by the Department of Social Services and \$9 million was for allocation to counties for ongoing child abuse prevention programs.

The department estimates that \$2.6 million of the \$9 million appropriated for ongoing programs will be unexpended at the end of 1983-84. The department advises that this amount will be unexpended due to delays in implementing the programs for which the money was appropriated. The budget proposes to reappropriate the unexpended portion of the Chapter 1398 funds for use in 1984-85. In addition, the budget proposes to appropriate \$6.4 million in General Fund monies for the child abuse prevention programs created by Chapter 1398. Thus, the budget proposes total spending for these programs in 1984-85 of \$9 million. We discuss the proposed funding for child abuse prevention programs under our analysis of Item 5180-151-001—social services programs, local assistance.

**Health and Welfare Agency**

**CALIFORNIA HEALTH FACILITIES COMMISSION**

Item 5190 from the California Health Facilities Commission Fund

Budget p. HW 194

Requested 1984-85 .....	\$3,880,000
Estimated 1983-84.....	3,674,000
Actual 1982-83 .....	3,211,000
Requested increase (excluding amount for salary increases) \$206,000 (+5.6 percent)	
Total recommended reduction .....	None

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS***Analysis  
page*

1. Reduce Fee Assessments. Recommend that the Legislature adopt Budget Bill language directing the commission to calculate its health facilities fees based on (a) the most recent expenditure and revenue information available and (b) the need to maintain a reserve of \$200,000 in order to reduce the commission's excess contingency reserves.

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**GENERAL PROGRAM STATEMENT**

The California Health Facilities Commission (CHFC), established in 1972, collects patient and financial data from the 592 hospitals and 1,191 long-term care facilities in the state and summarizes the data in reports to government agencies and the public. The purpose of the commission's activities are to:

1. Encourage economy and efficiency in the provision of health care services.
2. Enable public agencies that purchase health care services to do so in an informed manner.
3. Encourage both public and private payors to establish fair and reasonable reimbursement rates for health care services.
4. Inform the public about cost, availability, and other aspects of health care services.

The commission's responsibilities also include establishing standards of effectiveness for health facilities and forecasting hospital operating and capital expenditures for each of the state's health service areas. Health systems agencies use these forecasts to develop area health plans.

During 1983-84, a total of 83.8 staff positions are authorized for the commission, in addition to 9 nonsalaried commissioners.

Statutory authorization for the commission and its functions expires on January 1, 1986.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$3,880,000 from the California Health Facilities Commission Fund to support commission activities in 1984-85. This is an increase of \$206,000, or 5.6 percent, above estimated current-year expenditures. This increase will grow by the amount of any salary and staff benefit increases approved by the Legislature for the budget year.

The proposed \$206,000 increase is due primarily to an increase in staff and operating expenses and equipment for on-site audits of hospitals to ensure the accuracy of data received from these hospitals. Table 1 summarizes the proposed changes in the operating budget of the commission.

The budget requests \$217,000 and 2.4 positions to support five new commission activities. The commission proposes to:

- Conduct on-site hospital audits of disclosure reports (\$95,000). These audits were recommended by the Auditor General as a method for improving the accuracy of data collected from health facilities.
- Review patient discharge data (\$58,000).
- Study disclosure report data processing alternatives (\$30,000).
- Increase temporary help to process penalty appeals (\$11,000).
- Modify the document display area of the commission's offices (\$23,000).

Three of these activities were initiated administratively during 1983-84, at an estimated cost of \$51,000.

**CALIFORNIA HEALTH FACILITIES COMMISSION—Continued**

Table 1

**California Health Facilities Commission  
Proposed Budget Changes  
California Health Facilities Commission Fund**

1983 Budget Act .....	\$3,548,000
Baseline adjustments, 1983-84:	
1. 1983-84 salary increase .....	82,000
2. Early start-up of program change proposals.....	51,000
3. Miscellaneous adjustments.....	-7,000
Adjusted base budget, 1983-84 .....	<u>\$3,674,000</u>
Baseline adjustments, 1984-85:	
1. Merit salary adjustment for 1984-85 .....	45,000
2. Full-year cost of 1983-84 salary increase .....	34,000
3. Governor's 3 percent staff reduction .....	-11,000
4. Other baseline adjustments.....	-16,000
Program change proposals	
1. On-site audits of disclosure reports.....	65,000
2. On-site reviews of patient discharge data.....	58,000
3. Study of disclosure report data processing alternatives.....	30,000
4. Temporary help to process penalty appeals.....	4,000
5. Remodel document display area .....	9,000
Increased reimbursements .....	-13,000
Miscellaneous adjustments .....	<u>1,000</u>
Proposed budget, 1984-85.....	<u>\$3,880,000</u>

**ANALYSIS AND RECOMMENDATIONS****Reduce Fee Assessments**

*We recommend that the Legislature adopt Budget Bill language directing the commission to (1) limit its contingency reserve to \$200,000 when calculating its fee assessments and (2) update the expenditure and revenue data used in the calculations, in order to reduce excessive contingency reserves.*

The commission is funded entirely from the California Health Facilities Commission Fund, which was established by Ch 1241/71 solely for the purpose of funding commission activity. The budget indicates that \$4,110,000 will be available to the fund in 1984-85. This amount consists of a carry-over reserve from 1983-84 plus health facility fees and other revenue that will be received in 1984-85. The \$4,110,000 exceeds the commission's proposed 1984-85 expenditures by \$230,000. The \$230,000 reserve could be used to (1) fund additional expenditures authorized by the Legislature, such as employee compensation increases, and (2) cover any revenue shortfalls.

**Actual Reserves Exceed Budgeted Reserves.** During the last four years the commission's actual reserve has averaged almost 15 percent of budgeted expenditures and has exceeded the amount estimated in the budget by an average of \$266,000. Table 2 compares the actual and budgeted contingency reserves for 1980-81 through 1984-85.

**Table 2**  
**California Health Facilities Commission Fund**  
**Reserve at Year End**  
**1980-81 through 1984-85**

	<i>Budget</i>	<i>Actual</i>	<i>Excess Reserve</i>	<i>Actual Reserve As a Percent of Budgeted Expenditures</i>
1980-81.....	\$32,000	\$203,000	\$171,000	8.4%
1981-82.....	73,000	285,000	212,000	10.3
1982-83.....	500,000	780,000	280,000	24.6
1983-84 (estimated).....	200,000	600,000	400,000	16.3
1984-85 (proposed).....	230,000	—	—	—

In the current year, the commission expects to end the year with a reserve of \$600,000, which is \$400,000 more than the budgeted reserve. Commission staff advise that the higher-than-anticipated reserve is due to (1) a larger-than-projected carry-over from 1982-83, (2) reductions in expenditures due to the Governor's freeze on hiring and certain operating expenses, and (3) higher-than-estimated revenue from penalties, investments, and sale of documents.

In addition, the commission already estimates that 1983-84 and 1984-85 revenue will exceed the amount shown in the 1984-85 budget document, due to greater-than-anticipated document sales. The commission anticipates 1984-85 document sales will generate \$11,000 more than the amount budgeted as reimbursements.

**Fee Assessments Based on Outdated Budget Projections.** The commission calculates its annual health facility fee assessment based on projections of (1) gross annual health facility operating expenditures, (2) support costs for the commission, (3) miscellaneous revenues, and (4) reserves available from prior years. Although the commission performs the fee calculations in April, it does not use the most recent data as the basis for these calculations. Instead, it uses projections of support costs and revenues developed in the previous November for use in the Governor's Budget, with only minor adjustments.

Between November and April of any year, numerous changes occur that affect support costs and revenues. If the commission were to update the projections immediately prior to performing the fee calculations, it could consider excess carry-overs, increased document sales, and any other expenditure and revenue adjustments before setting the fees. This would also help the commission avoid building up excess reserves as it has done in each of the last four years.

**1984-85 Budgeted Reserve Too High.** We believe the commission needs to plan for a reserve. Our analysis indicates, however, that \$200,000, rather than the \$230,000, would be sufficient for this purpose in 1984-85. A \$200,000 reserve, which is equal to 5 percent of proposed expenditures, would allow sufficient funds to cover unanticipated revenue shortfalls of up to \$25,000 and still leave \$175,000 for other contingencies, such as any employee compensation adjustments adopted by the Legislature. Accordingly, we recommend adoption of Budget Bill language requiring the commission to (1) limit its reserve to \$200,000 when calculating its fee assessments and (2) update the expenditure and revenue data immediately prior to performing the fee calculations. The following Budget Bill language would accomplish this:

**CALIFORNIA HEALTH FACILITIES COMMISSION—Continued**

“In adopting its assessment fee rates for hospitals and long-term care facilities, the commission shall update its expenditure and revenue projections based on the most recent information available and provide for a contingency reserve not to exceed \$200,000.”

The portion of the language limiting the reserve to \$200,000 is identical to language contained in the 1983 Budget Act but not included in the 1984 Budget Bill.

**Youth and Adult Correctional Agency  
DEPARTMENT OF CORRECTIONS**

Item 5240 from the General  
Fund and Inmate Welfare  
Fund

Budget p. YAC 1

Requested 1984-85 .....	\$715,590,000
Estimated 1983-84.....	604,239,000
Actual 1982-83 .....	496,199,000
Requested increase (excluding amount for salary increases) \$111,351,000 (+18.4 percent)	
Total recommended reduction .....	11,404,000
Recommendation pending .....	59,639,000

**1984-85 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
5240-001-001	—Department Operations	General	\$693,281,000
5240-001-917	—Inmate Welfare Fund	Revolving	11,790,000
5240-101-001	—Local Assistance	General	10,519,000
5240-001-890	—Department Operations	Federal	(199,000)
Reimbursements			(12,444)
Total			\$715,590,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

- |   | <i>Analysis<br/>page</i> |
|---|--------------------------|
| 1. Funding for Inmate Population Growth. Withhold recommendation, pending analysis of population proposal contained in the May Revision.                                      | 1328                     |
| 2. Current-Year Deficiency Request. Recommend department report prior to hearings on its need for a current-year deficiency appropriation.                                    | 1329                     |
| 3. <i>Community Work Furlough Facilities. Reduce Item 5240-001-001 (General Fund) by \$5,309,000.</i> Recommend deletion of overbudgeted funds.                               | 1330                     |
| 4. <i>Records Positions. Reduce Item 5240-001-001 (General Fund) by \$281,000.</i> Recommend deletion of 11 positions that are not justified by workload.                     | 1331                     |
| 5. <i>Search and Escort Staffing. Reduce Item 5240-001-001 (General Fund) by \$2,290,000.</i> Recommend deletion of 71 search and escort positions to reduce system-wide dis- | 1331                     |