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 Program (SSI/SSP). 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. The budget proposes total expenditures by the department of $9.3 billion in 1988-89. This is an increase of $817 million, or 9.6 percent, above estimated current-year expenditures. Table 1 identifies total expenditures from all funds for programs administered by DSS for the past, current, and budget years.

Table 1
Department of Social Services
Expenditures and Revenues, by Program
All Funds
1986-87 through 1988-89
(dollars in thousands)

Program	*Actual 1986-87*	*Est. 1987-88*	*Prop. 1988-89*	*Change from 1987-88 Amount*	*Change from 1987-88 Percent*
Departmental Support	$218,677	$238,500	$234,158	−$4,342	−1.8%
AFDC [a]	4,221,376	4,415,231	4,709,873	294,642	6.7
SSI/SSP [b]	1,665,013	1,856,441	2,024,651	168,210	9.1
Special adult	2,477	2,858	3,160	302	10.6
County Welfare Department Administration [a]	701,152	792,016	840,192	48,176	6.1
Refugee	47,762	46,643	49,983	3,340	7.2
Social Services [a]	934,380	1,138,361	1,443,910	305,549	26.4
Community Care Licensing	11,112	13,774	14,719	945	6.9
Totals	$7,801,949	$8,503,824	$9,320,646	$816,822	9.6%
Funding Sources					
General Fund	*$4,248,447*	*$4,792,386*	*$5,371,318*	*$578,932*	*12.1%*
Federal funds [b]	*3,077,173*	*3,189,194*	*3,397,869*	*208,675*	*6.5*
County funds	*467,963*	*499,030*	*529,372*	*30,342*	*6.1*
Reimbursements	*8,333*	*17,268*	*19,846*	*2,578*	*14.9*
State Children's Trust Fund	*327*	*5,946*	*2,241*	*−3,705*	*−62.3*
Special Deposit Fund	—	—	—	—	—
Foster Family Home Insurance Fund	*−294*	—	—	—	—

[a] Includes county funds.
[b] Excludes SSI federal funds.

Table 2 shows the *General Fund* expenditures for cash grant and social services programs administered by DSS. The budget requests a total of $5.4 billion from the General Fund for these programs in 1988-89. This is an increase of $579 million, or 12 percent, over estimated current-year expenditures.

DEPARTMENT OF SOCIAL SERVICES—Continued

Table 2
Department of Social Services
General Fund Expenditures
1986-87 through 1988-89
(dollars in thousands)

Program	Actual 1986-87	Est. 1987-88	Prop.[a] 1988-89	Change from 1987-88 Amount	Change from 1987-88 Percent
Departmental support	$76,884	$87,753	$80,807	−$6,946	−7.9%
AFDC	1,984,750	2,131,385	2,259,608	128,223	6.0
SSI/SSP	1,655,958	1,845,729	2,013,405	167,676	9.1
Special adult	2,402	2,783	3,085	302	10.9
County welfare department administration	135,489	150,879	163,524	12,645	8.4
Social services	385,779	565,072	841,495	276,423	48.9
Community care licensing	7,185	8,785	9,394	609	6.9
Totals	$4,248,447	$4,792,386	$5,371,318	$578,932	12.1%

[a] Includes proposed cost-of-living-adjustments.

OVERVIEW OF ANALYST'S RECOMMENDATIONS

We are recommending a net reduction of $42 million from the amount proposed for expenditure from all funds. This amount consists of $29.2 million from the General Fund and $11.5 million in federal funds. In addition, we are withholding recommendation on $7.1 billion in proposed expenditures, pending receipt of additional information in May when the Department of Finance submits the May revision of expenditures and revenues to the Legislature. Our recommendations are summarized in Table 3.

Table 3
Department of Social Services
Summary of Legislative Analyst's Recommended Changes
1988-89
(dollars in thousands)

Program	General Fund	Federal Funds	All Funds[a]	Recommendations Pending (all funds)
Department support	−$112	−$238	−$350	—
AFDC	—	—	—	$4,503,677
SSI/SSP	—	—	—	2,024,651
Special adults	—	—	—	—
Refugees	—	—	—	—
County administration	—	—	—	615,620
Social services	−5,200	—	−5,200	—
Community care licensing	—	—	—	—
Cost-of-living adjustments	−23,900	−11,300	−36,400	—
Totals	−$29,212	−$11,538	−$41,950	$7,143,948

[a] Includes county funds which are not shown separately.

Department of Social Services
DEPARTMENTAL SUPPORT

Item 5180-001 from all funds Budget p. HW 169

Requested 1988-89	$234,158,000
Estimated 1987-88	238,500,000
Actual 1986-87	218,677,000
Requested decrease (excluding amount for salary increases) $4,342,000 (−1.8 percent)	
Total recommended reduction	350,000

1988–89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-001-001—Support	General	$80,807,000
5180-001-890—Support	Federal	144,183,000
Reimbursements	—	9,120,000
Welfare and Institutions Code Section 18969—Appropriation	State Children's Trust	48,000
Total		$234,158,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. ***Child Support Intercept. Reduce Item 5180-001-001 by $112,000 and Item 5180-001-890 by $238,000.*** Recommend reducing proposed contract with the Employment Development Department (EDD) for child support intercept in the Disability Insurance (DI) program to reflect revised implementation schedule. 651
2. Technical Assistance for the Greater Avenues for Independence (GAIN) program. Recommend that the Legislature adopt Budget Bill language allocating $100,000 ($50,000 from Section 22, $50,000 from federal funds) for continued support of a contract with EDD to provide technical assistance on labor market information for the GAIN program. 651

GENERAL PROGRAM STATEMENT

The Department of Social Services (DSS) administers income maintenance, food stamp, and social services programs. It also is responsible for (1) licensing and evaluating nonmedical community care facilities and (2) determining the medical/vocational eligibility of persons applying for benefits under the Disability Insurance program, Supplemental Security Income/State Supplementary Program (SSI/SSP), and Medi-Cal/medically needy program.

The department has 3,634.4 personnel-years in the current year to administer these programs.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of $234 million from all funds, including reimbursements, for support of the department in 1988-89. This is $4.3 million, or 1.8 percent, less than estimated current-year expendi-

DEPARTMENTAL SUPPORT—Continued

tures. Of the total amount requested, $90 million is from the General Fund and reimbursements. This is a decrease of $6.1 million, or 6.4 percent, from estimated current-year expenditures.

Table 1 identifies the department's expenditures by program and funding source for the past, current, and budget years.

Table 1
Department of Social Services
Budget Summary
1986-87 through 1988-89
(dollars in thousands)

Program	*Actual 1986-87*	*Est. 1987-88*	*Prop. 1988-89*	*Change from 1987-88 Amount*	*Change from 1987-88 Percent*
AFDC-FG&U	$15,828	$17,038	$17,065	$27	0.2%
AFDC-FC	4,433	4,216	4,122	−94	−2.2
Child support	7,997	9,020	10,225	1,205	13.4
SSI/SSP	689	666	675	9	1.4
Special adult	225	281	286	5	1.8
Food stamps	20,311	21,234	22,009	775	3.6
Refugee programs					
Cash assistance	3,024	2,876	2,673	−203	−7.1
Social services	2,173	2,087	2,153	66	3.2
Targeted assistance	389	484	484	—	—
Child welfare services	3,729	4,131	3,547	−584	−14.1
County services block grant	1,069	851	884	33	3.9
IHSS	2,188	2,151	2,201	50	2.3
Specialized adult services	284	282	288	6	2.1
Employment services	4,834	6,757	7,254	497	7.4
Adoptions	7,070	6,969	8,142	1,173	16.8
Child abuse prevention	2,042	2,118	2,066	−52	−2.5
Community care licensing	31,291	32,208	34,996	2,788	8.7
Disability evaluation	99,424	107,919	108,236	317	0.3
Administration	11,677	17,212	6,852	−10,360	−60.2
Totals	$218,677	$238,500	$234,158	−$4,342	−1.8%
Funding Sources					
General Fund	*$76,884*	*$87,753*	*$80,807*	*−$6,946*	*−7.9%*
Federal funds	*133,754*	*142,380*	*144,183*	*1,803*	*1.3*
Reimbursements	*8,331*	*8,286*	*9,120*	*834*	*10.1*
State Children's Trust Fund	*2*	*81*	*48*	*−33*	*−40.7*
Foster Family Home Insurance Fund	*−294*	—	—	—	—

Proposed General Fund Changes

Table 2 shows the changes in the department's support expenditures that are proposed for 1988-89. Several of the individual changes are discussed later in this analysis.

Table 2
Department of Social Services
Departmental Support
Proposed 1988-89 Budget Changes
(dollars in thousands)

	General Fund	*Other Funds* [a]	*Total Funds*
1987-88 expenditures (revised)	$87,753	$150,747	$138,500
Workload Adjustments			
Community care licensing—caseload increase	$2,297	−$263	$2,034
Elimination of one-time costs—disaster relief	−11,200	—	−11,200
Expiration of Ch 1163/86—adult protective services pilot program	−52	−81	−133
Sunset of Foster Family Home and Family Small Home Insurance Fund	−388	−215	−603
Foster care rates—audits and appeals	172	133	305
Other	−1,839	−1,078	−2,917
Subtotals, workload adjustments	(−$11,010)	(−$1,504)	(−$12,514)
Cost Adjustments			
Employee compensation	$1,026	$1,555	$2,581
Operating expenses and equipment	494	1,996	2,490
Subtotals, cost adjustments	($1,520)	($3,551)	($5,071)
Program Adjustments			
Greater Avenues for Independence	$554	$1,149	$1,703
Adoptions district office augmentation	770	193	963
Community care licensing legislation	733	8	741
County automation and fraud prevention activities	226	364	590
Systematic Immigration Verification for Entitlement Systems	—	95	95
Implementation of adult protective services pilot program (Ch 1163/85)	49	—	49
Child support enforcement	163	346	509
Disability evaluation program reduction	—	−1,753	−1,753
Child welfare training program (Ch 1310/87)	20	—	20
Food stamps expedited services (Ch 1293/87)	19	18	37
Other	10	137	147
Subtotals, program adjustments	($2,544)	($557)	($3,101)
1988-89 expenditures (proposed)	$80,807	$153,351	$234,158
Change from 1987-88			
Amount	−$6,946	$2,604	−$4,342
Percent	−7.9%	1.7%	−1.8%

[a] Includes federal funds, special funds, and reimbursements.

Proposed Position Changes

The budget requests authorization for 3,849.9 positions in 1988-89. This is a net increase of 76.7 positions, or 2.0 percent. The single largest increase—76.7 positions—is to compensate for current staffing shortages and a projected workload increase in the Community Care Licensing Division. All of the decrease—69.5 positions—is due to a technical correction which reflects more accurately the amount of federal funds that are available for the Disability Evaluation Division. Table 3 displays the position changes for 1988-89.

DEPARTMENTAL SUPPORT—Continued

Table 3
Department of Social Services
Proposed Position Changes
1988-89

Program	*Existing Positions*	*Reductions*	*Additions*	*Total Proposed Positions*	*Net Changes Amount*	*Net Changes Percent*
AFDC—FG/U	284.3	—	5.6	289.9	5.6	2.0%
AFDC—FC	85.8	—	3.0	88.8	3.0	3.5
Child support	75.3	—	7.3	82.6	7.3	9.7
SSI/SSP	12.6	—	—	12.6	—	—
Special adult	4.2	—	—	4.2	—	—
Food stamps	298.6	—	7.9	306.5	7.9	2.6
Refugee programs						
Cash assistance	49.7	—	0.6	50.3	0.6	1.2
Social services	30.5	—	—	30.5	—	—
Targeted assistance	8.9	—	0.6	9.5	0.6	6.7
Child welfare services	72.5	—	—	72.5	—	—
County services block grant	20.5	—	1.0	21.5	1.0	4.9
IHSS	42.2	—	0.3	42.5	0.3	0.7
Specialized adult services	6.0	—	—	6.0	—	—
Employment programs						
WIN	8.4	—	—	8.4	—	—
GAIN	57.8	—	20.0	77.8	20.0	34.6
Adoptions	148.9	—	20.6	169.5	20.6	13.8
Child abuse prevention	37.0	—	1.0	38.0	1.0	2.7
Community care licensing	707.2	—	76.7	783.9	76.7	10.8
Disability evaluation	1,699.1	−69.5	—	1,629.6	−69.5	−4.1
Administration	123.7	—	1.6	125.3	1.6	1.3
Totals	3,773.2	−69.5	146.2	3,849.9	76.7	2.0%

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following major program changes that are not discussed elsewhere in this analysis:

- An increase of $1.7 million ($0.6 million General Fund) for the extension of 18.5 limited-term positions and addition of 1.5 new limited-term positions to oversee the continuing implementation of the GAIN program.
- An increase of $963,000 ($770,000 General Fund) for 20 positions in the Relinquishment Adoptions program to reduce backlogs.
- An increase of $2.0 million ($2.3 million General Fund augmentation; $0.3 million federal funds reduction) for the Community Care Licensing Division due to workload increases.
- An increase of $258,000 ($83,000 General Fund) for continued development and maintenance of the Statewide Automated Child Support System.
- An increase of $741,000 ($733,000 General Fund) for the Community Care Licensing Division to meet legislative mandates, including the collection of licensing fees and timely performance of post-licensing visits.
- An increase of $305,000 ($172,000 General Fund) to reduce a backlog that has accumulated in foster care rate appeals hearings and to

resolve rate audit disputes regarding foster care group homes.

- An increase of $162,000 ($10,000 General Fund) in contract funding for the expansion of services provided by the California Parent Locator Service.
- A decrease of $1.7 million (federal funds) to reflect a decrease in the estimated workload of the Disability Evaluation Division.

Revised Implementation Schedule for Child Support Intercept Reduces Cost in the Budget Year

We recommend a reduction of $350,000 ($112,000 General Fund, $238,000 federal funds) to more accurately reflect the department's contract with the Employment Development Department to intercept Disability Insurance checks from claimants delinquent in paying child support. (Reduce Item 5180-001-001 by $112,000 and Item 5180-001-890 by $238,000.)

Since 1983, the Department of Social Services (DSS) has contracted with the Employment Development Department (EDD) to intercept Unemployment Insurance (UI) checks from claimants who are delinquent in paying child support. The department estimates that EDD collects $12 million annually in child support payments from UI claimants through this intercept system. The DSS uses these payments to (1) offset grant payments to AFDC recipients, (2) pay child support directly to non-AFDC families, and (3) provide child support collection incentive payments to county district attorneys.

Pending legislation, AB 1766, would require EDD and DSS to establish a similar child support intercept system in the Disability Insurance (DI) program. The budget assumes enactment of this measure and proposes $601,000 to implement the DI child support intercept program in 1988-89. Both EDD and DSS advise that this amount assumes an implementation date of July 1, 1988. However, the departments have recently revised their implementation schedule to reflect the fact that the DI program will not be fully automated and capable of intercepting DI checks until November 1988.

With a revised implementation date of November 1988, the EDD estimates that its costs to operate DI child support intercept will be $250,000 in 1988-89, a reduction of $350,000 from the amount proposed in the budget. Therefore, we recommend a reduction of $350,000 ($112,000 General Fund and $238,000 federal funds) to more accurately reflect EDD's revised schedule for implementing a child support intercept system in the DI program.

Technical Assistance on Labor Market Information for the GAIN Program Should Be Continued

We recommend that the Legislature adopt Budget Bill language allocating $100,000 ($50,000 from Section 22 of the 1988 Budget Bill and $50,000 from federal IV-A funds) to support continuation of a contract between DSS and EDD for the purpose of providing technical assistance to GAIN counties on labor market issues.

The 1987 Budget Act required the EDD to provide technical assistance to GAIN counties in order to improve the quality of labor market analyses that counties use to design and implement their GAIN programs. Specifically, the 1987 Budget Act allocated $100,000 from Section 22 to support two EDD staff persons dedicated to providing technical assis-

DEPARTMENTAL SUPPORT—Continued

tance to GAIN counties in designing labor market assessments for GAIN. Both DSS and EDD advise that this arrangement has been successful in improving the labor market information used for GAIN planning purposes. The EDD staff have visited several counties to provide technical assistance and have reviewed the labor market assessments in each county's GAIN implementation plan.

Because quality labor market information is an essential factor to the success of the GAIN program, we recommend that the Legislature adopt Budget Bill language continuing the current arrangement between DSS and EDD. The following language is consistent with this recommendation:

> Of the amount appropriated in Section 22 of this act, $50,000 is for the support of an interagency contract between the Department of Social Services (DSS) and the Employment Development Department (EDD). This amount shall be matched with $50,000 in federal Title IV-A funds in this item. The interagency contract should identify the nature and scope of the activities provided with these funds. It is the intent of the Legislature that this contract support the cost of two staff persons dedicated to providing technical assistance to county welfare departments in designing labor market assessments, conducting surveys, assessing client training needs, and other areas in which EDD has expertise. It is also the intent of the Legislature that DSS notify EDD whenever a county plan appears to be severely deficient in the extent to which labor market or client assessments actually identify potential job opportunities or client needs.

Department of Social Services
AID TO FAMILIES WITH DEPENDENT CHILDREN

Item 5180-101 from the General Fund and the Federal Trust Fund — Budget p. HW 159

Requested 1988-89	$4,503,677,000 [a]
Estimated 1987-88	4,222,624,000
Actual 1986-87	4,033,525,000
Requested increase $281,053,000 (+6.7 percent)	
Recommendation pending	4,503,677,000

[a] Includes $223,199,000 in Item 5180-181-001 and Item 5180-181-890 to provide a 5.2 percent cost-of-living adjustment, effective July 1, 1988.

1988–89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-101-001—Payments for children	General	$2,152,899,000
5180-101-890—Payments for children	Federal	2,127,579,000
5180-181-001 (a)—Cost-of-living adjustment	General	106,709,000
5180-181-890—Cost-of-living-adjustment	Federal	116,490,000
Total		$4,503,677,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	Analysis page
1. Aid to Families with Dependent Children (AFDC)—Longitudinal Data Base. Recommend that prior to budget hearings, the department provide the Legislature with a plan, including a proposed time frame, for developing a longitudinal data base on AFDC recipients.	658
2. AFDC Estimate. Withhold recommendation on $4.5 billion ($2.2 billion General Fund) pending review of revised estimates in May.	660

GENERAL PROGRAM STATEMENT

The Aid to Families with Dependent Children (AFDC) program provides cash grants to certain families and children whose income is not adequate to provide for their basic needs. Specifically, the program provides grants to needy families and children who meet the following criteria.

AFDC-FG. Families are eligible for grants under the AFDC-Family Group (AFDC-FG) program if they have a child who is financially needy due to the *death, incapacity, or continued absence* of one or both parents. In the current year, an average of 521,500 families will receive grants each month through this program.

AFDC-U. Families are eligible for grants under the AFDC-Unemployed Parent (AFDC-U) program if they have a child who is financially needy due to the *unemployment* of one or both parents. In the current year, an average of 74,600 families will receive grants each month through this program.

AFDC-FC. Children are eligible for grants under the AFDC-Foster Care (AFDC-FC) program if they are living with a licensed or certified foster care provider under a court order or a voluntary agreement between the child's parent(s) and a county welfare or probation department. In the current year, an average of 44,533 children will receive grants each month through this program.

In addition, the Adoption Assistance program provides cash grants to parents who adopt children who have special needs. In the current year, an average of 5,326 children will receive assistance each month through this program.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of $4.5 billion ($2.3 billion from the General Fund and $2.2 billion in federal funds) for AFDC cash grants in 1988-89. This amount includes $106.7 million in Item 5180-181-001 and an additional $116.5 million requested in Item 5180-181-890 to provide a 5.2 percent cost-of-living adjustment (COLA), effective July 1, 1988 to AFDC-FG and AFDC-U grants. The budget does not propose to provide a COLA in the rates paid to foster care providers. The total General Fund request for AFDC grants represents an increase of $281 million, or 6.7 percent, above estimated 1987-88 expenditures.

Table 1
Expenditures for AFDC Grants by Category of Recipient
1986-87 through 1988-89
(dollars in thousands)

	Actual 1986-87				*Estimated 1987-88*				*Proposed 1988-89* [a]			
Recipient Category	*General*	*Federal*	*County*	*Total*	*General*	*Federal*	*County*	*Total*	*General*	*Federal*	*County*	*Total*
Family group	$1,445,869	$1,654,137	$178,535	$3,278,541	$1,523,370	$1,678,560	$181,458	$3,383,388	$1,602,059	$1,803,077	$193,214	$3,598,350
Unemployed parent	304,154	347,965	37,557	689,676	315,519	347,668	37,546	700,733	319,099	359,138	38,480	716,717
Foster care [b]	278,213	94,022	14,602	386,837	336,675	115,669	18,002	470,346	384,512	134,316	20,522	539,350
Adoptions program	12,701	3,974	—	16,675	16,435	5,742	—	22,177	20,562	7,691	—	28,253
Child support incentive payments to counties	13,291	21,416	−34,707	—	17,323	25,473	−42,796	—	16,392	27,490	−43,882	—
Child support collections	−69,478	−72,739	−8,138	−150,355	−77,937	−81,873	−9,185	−168,995	−83,016	−87,643	−9,833	−180,492
Subtotals	$1,984,750	$2,048,775	$187,849	$4,221,374	$2,131,385	$2,091,239	$185,025	$4,407,649	$2,259,608	$2,244,069	$198,501	$4,702,178
AFDC cash grants to refugees												
Time-expired	(150,722)	(173,778)	(18,176)	(342,676)	(171,866)	(198,155)	(20,726)	(390,747)	(195,249)	(225,115)	(23,545)	(443,909)
Time-eligible	—	(85,626)	—	(85,626)	—	(81,424)	—	(81,424)	—	(86,956)	—	(86,956)
Totals	$1,984,750	$2,048,775	$187,849	$4,221,374	$2,131,385	$2,091,239	$185,025	$4,407,649	$2,259,608	$2,244,069	$198,501	$4,702,178

[a] Includes 5.2 percent cost-of-living adjustment effective July 1, 1988.
[b] Does not include reimbursements from the State Department of Education for severely emotionally disturbed (SED) children.

As shown in Table 1, total expenditures from *all funds* for AFDC cash grants are budgeted at $4.7 billion in 1988-89. This is $295 million, or 6.7 percent, above estimated current-year expenditures.

The AFDC-FG program accounts for $3.6 billion (all funds), or 74 percent, of total estimated grant costs under the three major AFDC

Table 2
Department of Social Services
Proposed 1988-89 Budget Changes for AFDC Grant
(dollars in thousands)

	General Fund	*All Funds*
1987 Budget Act	$2,077,521	$4,371,208
Adjustments to Appropriation		
Caseload increase		
AFDC-FG&U	$6,462	$6,432
AFDC-FC		
Foster family home	6,235	9,498
Group home	8,371	17,156
SED children	6,760	11,145
Other	−686	−6,716
Subtotals, caseload increase	($27,142)	($37,515)
Court cases	−$2,568	−$5,744
Ch 1353/87 (homeless assistance)	7,265	16,100
Child support collections	−7,289	−15,584
Refugee program audit	22,942	—
Other adjustments	6,372	4,154
Total adjustment to appropriation	$53,864	$36,441
1987-88 expenditures (revised)	$2,131,385	$4,407,649
1988-89 Adjustments		
Statutory 1988-89 COLA	$106,709	$236,069
Caseload increase		
AFDC-FG&U	34,209	76,893
AFDC-FC		
Foster home	16,895	29,268
Group home	31,636	43,383
SED children	5,236	5,512
Other	−5,930	−9,159
Subtotals, caseload increase	($82,046)	($145,897)
Ch 1353/87 (homeless assistance)	$10,165	$22,534
Court cases	−1,953	−4,321
Increased grant savings		
Minimum wage	−10,675	−24,091
Income & Eligibility Verification System (IEVS)	−240	−531
GAIN	−34,384	−75,695
Subtotals, grant savings	($45,299)	($100,317)
Increased child support collections	−$5,079	−$11,497
Reduced child support incentive payments	−931	—
Other adjustments	−17,435	6,164
Total adjustments	$128,223	$294,529
1988-89 expenditures (proposed)	$2,259,608	$4,702,178
Change from 1987 Budget Act:		
Amount	$182,087	$330,970
Percent	8.8%	7.6%
Change from 1987-88 estimated expenditure:		
Amount	$128,223	$294,529
Percent	6.0%	6.7%

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

programs (excluding child support collections). The Unemployed Parent program accounts for 15 percent of the total and the Foster Care program accounts for 11 percent.

Table 2 shows the factors resulting in the net increase of $295 million from all funds proposed for the AFDC program in 1988-89. As the table shows, the largest cost *increases* projected for the budget year include:

- A $236 million ($107 million General Fund) increase to provide a 5.2 percent COLA for AFDC-FG and AFDC-U grants beginning July 1, 1988.
- A $77 million ($34 million General Fund) increase for an anticipated caseload growth of 2.4 percent and 0.5 percent, respectively, in the AFDC-FG and AFDC-U programs.
- A $69 million ($48 million General Fund) increase for an anticipated 13 percent increase in the AFDC-FC caseload.
- A $23 million ($10 million General Fund) increase to provide short-term housing assistance to AFDC recipients pursuant to Ch 1353/87.

These increases are partially offset by *reductions* attributable to:

- Grant savings of $76 million ($34 million General Fund) that the department estimates will result from implementation of the Greater Avenues for Independence (GAIN) program.
- Grant savings of $24 million ($11 million General Fund) resulting from the increase in the minimum wage that will take effect on July 1, 1988.
- Increased child support collections of $12 million ($5 million General Fund).

The $295 million increase proposed for 1988-89 represents a 6.7 percent increase over the department's revised estimate of expenditures in the current year. The level of expenditures proposed in the budget, however, is $331 million, or 7.6 percent, above the amount appropriated by the 1987 Budget Act.

Increases in Current-Year AFDC Grant Costs. The department estimates that General Fund expenditures in the current year will exceed the amount appropriated in the 1987 Budget Act by $36 million ($54 million General Fund). The main factors contributing to this net increase include (1) $31 million ($21 million General Fund) for higher-than-anticipated increases in foster care caseloads, (2) $16 million ($7.3 million General Fund) to begin providing housing assistance to homeless AFDC families on February 1, 1988, (3) a one-time General Fund cost of $23 million due to a federal audit of the refugee program, and (4) $16 million ($7.3 million General Fund) in increased revenues from higher-than-anticipated child support collections.

Caseloads and Grants

Caseload Growth. Table 3 shows that in 1988-89, the Department of Social Services (DSS) expects AFDC caseloads to increase by 41,991 persons, or 2.4 percent, from the revised estimate of caseloads in 1987-88. As the table shows, this increase reflects an addition of 33,660 persons, or 2.4 percent, to the AFDC-FG program, an increase of 1,650 persons, or 0.5 percent, to the AFDC-U program, and an increase of 5,717 children, or 12.8 percent, to the AFDC-FC program.

Table 3
Department of Social Services
Aid to Families with Dependent Children
Average Number of Persons Receiving Assistance Per Month
1986-87 through 1988-89

Program	*Actual 1986-87*	*Est. 1987-88*	*Prop. 1988-89*	*Change From 1987-88 Amount*	*Change From 1987-88 Percent*
AFDC-family group	1,348,033	1,387,560	1,421,220	33,660	2.4%
AFDC-unemployed parent	342,001	342,000	343,650	1,650	0.5
AFDC-foster care	39,565	44,533	50,250	5,717	12.8
Adoption assistance	4,343	5,326	6,290	964	18.1
Refugees [a]					
—Time-eligible	(4,300)	(4,133)	(7,742)	(3,609)	87.3
—Time-expired	(168,000)	(185,600)	(200,425)	(14,825)	8.0
Totals	1,733,942	1,779,419	1,821,410	41,991	2.4%

[a] Grants to refugees who have been in the United States less than 31 months (time-eligible) are funded entirely by the federal government. Time-expired refugees—those who have been in the United States longer than 31 months—may qualify for and receive AFDC grants supported by the normal sharing ratio. These figures do not reflect a recent reduction in the number of months of federally funded time eligibility from 31 to 24 months.

COLA Overbudgeted. Existing law requires that AFDC payment levels be adjusted, effective July 1, 1988, based on the change in the California Necessities Index (CNI) during calendar year 1987. The Commission on State Finance is required to calculate the CNI. When the department prepared its budget in December 1987, the commission had not yet received the data necessary to calculate the percent change in the CNI—which is based on December-to-December changes in inflation indexes reported for Los Angeles and San Francisco. The 5.2 percent increase proposed in the budget was based on the Department of Finance's November estimate of what this change would be. The commission's staff now advises that the data for December 1987 shows that the CNI actually increased by 4.7 percent.

Table 4 displays the AFDC grants for 1987-88 and for 1988-89. The 1988-89 grant levels shown on the table reflect the 4.7 percent COLA that will take effect on July 1, 1988. The 4.7 percent COLA will result in grant levels that are $1 to $5 per month lower than the grants that would have been provided under the 5.2 percent COLA estimated in the budget. In our analysis of the COLA item (please see Item 5180-181-001), we recommend a reduction of $24 million ($12 million General Fund) to reflect the lower cost that will result from the 4.7 percent COLA.

Table 4
Maximum AFDC-FG and AFDC-U Grant Levels
1987-88 and 1988-89

Family Size	*1987-88*	*1988-89* [a]	*Difference*
1	$311	$326	$15
2	511	535	24
3	633	663	30
4	753	788	35
5	859	899	40

[a] Includes a 4.7 percent COLA, effective July 1, 1988.

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

ANALYSIS AND RECOMMENDATIONS

The Department Needs to Develop a Data Base Which Will Help to Explain the Dynamics of the AFDC Caseload

We recommend that prior to budget hearings, the department provide the fiscal committees with a plan, including a proposed time frame, for developing a longitudinal data base on the AFDC caseload.

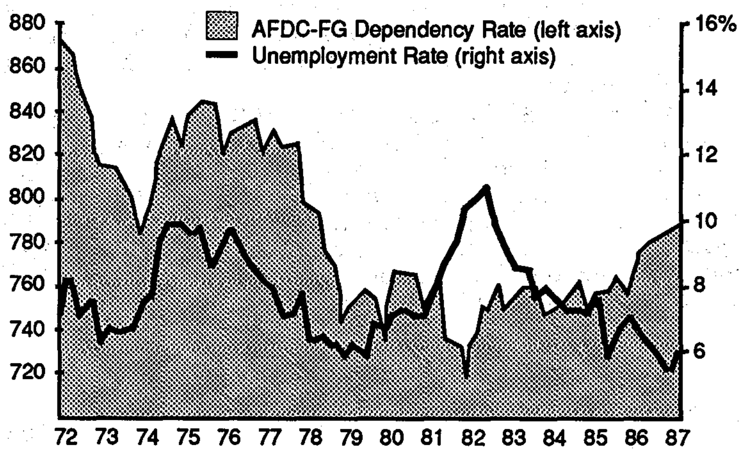
Currently, the department maintains cross-sectional data on the AFDC caseload. That is, it tracks monthly caseload and grant totals and conducts studies of the number of people on aid at a given point in time and their characteristics. These data are useful for some purposes. For example, they provide a reasonably reliable basis for forecasting AFDC grant costs. Cross-sectional data do *not* provide good information, however, on (1) why people are on aid, (2) how long they remain on aid, and (3) why they leave aid. In order to address these important questions about the dynamics of the AFDC caseload, the department would need to develop a longitudinal data base which would track the aid history of individual AFDC recipients. We believe that the department could construct such a data base using its existing data processing systems.

The department's estimate of AFDC caseloads for 1988-89 raises two significant policy questions which illustrate the need for longitudinal data.

Chart 1

AFDC-FG Dependency Rate Number of AFDC-FG Cases per 10,000 Females Aged 15-44

1972 through 1987[a]



[a] Data shown are for fiscal year (FY) beginning in year specified. FY 87 data are for the first quarter only.

Why is the AFDC-FG Dependency Rate Growing? Chart 1 displays the AFDC-FG dependency rate—the number of AFDC-FG cases compared to the state's population of women between the ages of 15 and 44—over a 15-year period (1972 through 1987). The number of AFDC-FG cases per 10,000 females in this age bracket is a good indicator of the welfare dependency rate because more than 95 percent of AFDC-FG households are headed by women 15-44 years of age.

The chart shows that the AFDC-FG dependency rate has increased steadily over the past several years. During this same period, California's unemployment rate has steadily declined. Obviously, there are many economic and noneconomic factors which could be affecting welfare dependency rates. We also recognize that the unemployment rate is only one measure of the economy and does not necessarily reflect the employment opportunities available to AFDC recipients. Nevertheless, the chart is noteworthy because it shows that the relationship between welfare dependency and unemployment has changed over time.

The incongruity between the AFDC-FG dependency rate and the unemployment rate appears to have emerged immediately following the implementation of federal eligibility changes in 1981 and 1982, which reduced the amount of income an individual could earn and still remain eligible for aid. The department advises that the number of AFDC-FG cases with outside income has dropped significantly over these years, indicating that the AFDC-FG caseload has become more isolated from the mainstream labor market than it was in the past. This could have important implications for the GAIN program's efforts to assist AFDC recipients to enter the labor market and reduce welfare dependency, as well as for AFDC costs in the long-term.

Why is the AFDC-U Dependency Rate Decreasing More Slowly Than the Unemployment Rate? Chart 2 shows the AFDC-U dependency rate—the number of AFDC-U cases compared to the state's population of men between the ages of 18 and 59—over a 15-year period (1972 through 1987). We have compared the AFDC-U caseload to this population group because more than 85 percent of AFDC-U households are headed by men 18-59 years of age. The chart shows that the AFDC-U dependency rate has been declining in recent years. The chart also shows that the trends in the AFDC-U dependency rate tend to follow unemployment trends. However, the chart shows that, in recent years, the AFDC-U dependency has not decreased as dramatically as has the unemployment rate. This may be because some individuals in the AFDC-U caseload have not been able to take advantage of the improved employment situation for various reasons. Again, this phenomenon could have significant implications for the GAIN program.

We believe that the department should begin to address these issues by developing a longitudinal data base which would track the aid experience of AFDC recipients over time. In order to understand what is happening with the AFDC caseload, we believe that the department should analyze the aid experience of AFDC recipients in conjunction with factors including, but not limited to, the following:

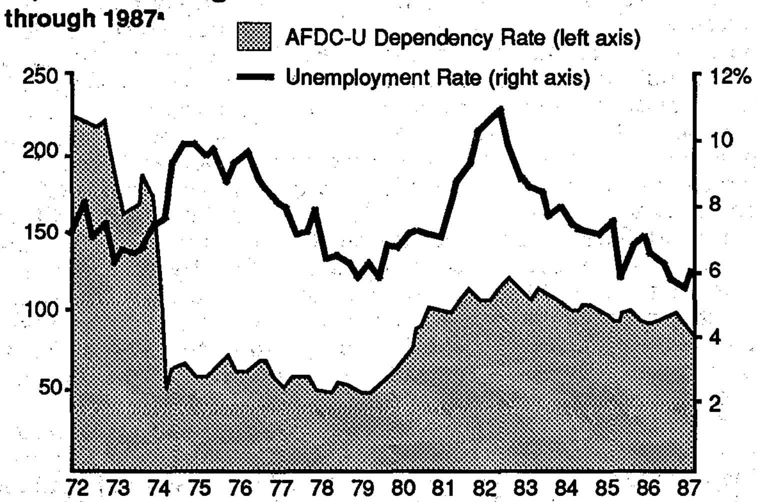
- Unemployment Insurance (UI) and employment experience.
- Characteristics of AFDC recipients.
- Prevailing wage rates and earnings of AFDC recipients.
- Regional economic variations.

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Therefore, we recommend that prior to budget hearings, the department provide the fiscal committees with a plan, including a proposed time frame, for developing a longitudinal data base on the AFDC caseload.

Chart 2

AFDC-U Dependency Rate Number of AFDC-U Cases per 10,000 Males Aged 18-59 1972 through 1987[a]



[a] Data shown are for fiscal year (FY) beginning in year specified. FY 87 data are for the first quarter only.

AFDC Estimate

We withhold recommendation on $4.5 billion ($2.3 billion General Fund and $2.2 billion federal funds) requested for AFDC grant payments pending receipt of revised estimates of costs to be submitted in May.

The proposed expenditures for AFDC grants in 1988-89 are based on actual caseloads and costs in 1986-87, updated to reflect the department's caseload and cost projections through 1988-89. In May, the department will present revised estimates of AFDC costs based on actual caseload grant costs through December 1987. Because the revised estimate of AFDC costs will be based on more recent and accurate information, we believe it will provide the Legislature with a more reliable basis for budgeting 1988-89 expenditures. Therefore, we withhold recommendation on the amount requested for AFDC grant costs pending review of the May estimate.

Our review of the department's AFDC estimates indicates that the projections for 1988-89 appear to more accurately reflect actual trends than the projections which have been provided in previous budgets. We have several specific concerns regarding the estimates, however, which we believe the department should address when it prepares its revised estimate in May.

The AFDC-FG Estimate is Based on Only Nine Months of Actual Data. The budget proposes total expenditures of $3.6 billion (including the cost of the proposed 5.2 percent COLA) in 1988-89 for cash grants to AFDC-FG recipients. The amount proposed for AFDC-FG assumes an average monthly caseload of 534,000 cases. This represents an increase of 2.6 percent above the number of cases estimated for the current year.

The AFDC-FG estimate is based on caseload data for the nine-month period, October 1986 through June 1987. The department advises that it based its estimate on this period because the data for July through October 1986 showed a sharp increase in caseload. Since it could not explain this increase, the department decided to limit the base period to nine months. We estimate that applying the department's estimating methodology to a 12-month base period would result in an increase in estimated AFDC-FG costs of $93 million, while a 36-month base period would result in an increase of $57 million. The additional months of actual data which the department will have available for its May estimate may help to explain whether the sharp increase between July and October 1986 was a one-time anomaly or part of a new trend.

The AFDC-U Estimate Does Not Reflect the Impact of the Immigration Reform and Control Act (IRCA) on the State-Only AFDC-U Caseload. The budget proposes $717 million for cash grants to AFDC-U recipients. This amount assumes an average monthly caseload of 75,100 AFDC-U cases in 1988-89, which represents 343,600 persons on aid. The department expects this caseload to grow slightly during the budget year (by less than 1 percent).

IRCA is a recently enacted federal program which allows aliens residing in this country illegally to apply for legal residency if they meet certain criteria. IRCA prohibits recently legalized individuals from receiving federally funded AFDC. However, under state law, these individuals would qualify for the state-only AFDC-U program. Under the state-only AFDC-U program, eligibility is limited to three months. The administration anticipates that as a result of IRCA, a large number of recently legalized individuals will qualify for cash assistance under the state-only AFDC-U program. Specifically, Section 23.50 of the 1988 Budget Bill proposes $7.4 million in federal State Legalization Impact Assistance Grant (SLIAG) funds for the AFDC-U program to support these individuals. However, the DSS budget does not reflect any increase in the AFDC-U caseload resulting from this anticipated increase due to IRCA. We were unable to assess what impact IRCA would have on AFDC caseloads because, at the time this analysis was prepared, the department was unable to provide us with an estimate. (Please see our review of the administration's IRCA proposal in *The 1988-89 Budget: Perspectives and Issues.*)

The AFDC-U Estimate Also Does Not Reflect the Impact of Recent Reductions in Federal Funds for Refugees. The costs proposed in this item include costs to provide AFDC grants to refugees who are eligible for AFDC programs—most refugees on AFDC are in the AFDC-U program since they are typically in intact families. Currently, the federal government will pay 100 percent of the costs to provide AFDC grants to refugees who have been in the county less than 31 months (referred to as time-eligible refugees). The costs to provide AFDC to time-expired refugees are supported by federal, state, and county funds according to the normal sharing ratio for AFDC grants. The federal government

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

recently notified DSS that, effective February 1988, federal funding reductions will result in reducing from 31 months to 24 months the period for which refugees are time-eligible (supported 100 percent by federal funds). As a result of this change, fewer refugees will qualify for 100 percent federal funding. Consequently, the state and the counties will be required to share the AFDC costs for a greater percentage of the refugee caseload than is proposed in the budget. According to DSS' preliminary calculations, this change will result in increased General Fund costs in this item of approximately $3.5 million in 1987-88 and approximately $8 million in 1988-89. We expect the department to reflect this change in its May estimate.

Department Should Evaluate New Homeless Assistance Program. The budget includes $36 million ($17 million General Fund, $19 million federal funds) for a new homeless assistance program. Chapter 1353, Statutes of 1987, provides short-term assistance for homeless AFDC families by providing funds for (1) temporary shelter and (2) security and utility deposits to aid families in obtaining permanent shelter. The measure makes implementation of this program conditional upon the state receiving federal funds for a share of the costs. The department advises that the federal government has approved California's plan to implement a homeless assistance program on a one-year basis. We believe that the department should use this one-year period to evaluate the program's effectiveness. In *The 1988-89 Budget: Perspectives and Issues,* we recommend that DSS report to the fiscal committees on its plans to evaluate the effectiveness of the homeless assistance program in reducing homelessness among AFDC families.

Estimate of GAIN "Grant Avoidance" Savings Lacks Credibility. The 1988-89 budget anticipates that the GAIN program will result in AFDC grant savings of $169 million ($76 million General Fund). Of this amount, $90 million in savings ($41 million General Fund) is due to individuals finding jobs as a result of education and training services provided under the program. The remaining $79 million ($36 million General Fund) is due to "grant avoidance"—savings resulting from people who do not apply for aid or who terminate aid rather than participate in the program.

The department's estimate of grant avoidance savings is based on its assumption that 6 percent of mandatory GAIN participants will (1) never apply for aid or (2) terminate aid during the year. According to the department, these families have other sources of income on which they can depend in lieu of collecting AFDC benefits. For example, the department believes that families receiving income that is not reported for tax purposes would be discouraged from applying for grants due to GAIN participation requirements.

We believe that the department's arguments are not sufficiently convincing to warrant a reduction in anticipated AFDC grant expenditures of $79 million. First, the department could not provide data to demonstrate that *any* grant avoidance will take place.

Second, the department could not provide data substantiating its assumption that 6 percent of all mandatory program participants will never apply for aid or terminate during the budget year. The department advises that its estimate represents an educated guess of the actual figure. The department further indicates that it does not expect to obtain actual data in the near future to substantiate an estimate. We believe the only possibility of obtaining actual data on grant avoidance is through the study of the GAIN program currently being coordinated by the Manpower Demonstration Research Corporation. At the earliest, however, these data will not be available until 1990.

Without data to buttress its assertions, the estimate of grant avoidance included in the 1988-89 budget is without foundation. Programs such as the Employment Preparation Program (EPP) and Experimental Work Experience Program (EWEP), operated by San Diego County, have demonstrated that by requiring participation in job search and training programs, the GAIN program will reduce the level of AFDC expenditures. (The EPP and EWEP required certain AFDC applicants to participate in job search and work experience activities.)

We think that the 1988-89 estimate of savings due to people finding jobs as a result of GAIN that is derived from the San Diego experience has a solid analytical foundation. However, the department's assertion that, in addition, 6 percent of the mandatory caseload will voluntarily terminate or be discouraged from applying for aid has never been demonstrated. We believe that when it prepares its May estimate, the department should reconsider its decision to include grant avoidance savings.

AFDC-FC Estimate

The budget proposes total expenditures of $539.4 million in 1988-89 for the AFDC-Foster Care (AFDC-FC) program. This amount includes $384.5 million from the General Fund, $134.3 million in federal funds, and $20.5 million in county funds. The expenditure proposal assumes that there will be an average of 50,250 children in foster care in 1988-89. This is 5,717, or 13 percent, more children than the caseload anticipated in the current year.

The Foster Care Estimate Does Not Take Into Account the State's Shortage of Family Homes. The department's estimate of the number of children placed in family homes assumes that this caseload will continue to grow at the same rate as in recent years—about 14 percent. Our analysis of the supply of family homes in the state, however, indicates that available homes will soon be filled to capacity (we discuss the family home shortage in more detail in our analysis of the Community Care Licensing budget—Item 5180-161). If this occurs, social workers will have to place children in emergency shelters and group homes rather than family homes. As a result, we would expect the rate of growth of family home caseloads to decrease and that of group homes to increase. We believe that the department should attempt to take into account the state's shortage of family homes when it prepares its revised estimates of foster care caseloads.

The Department's Estimate of the AFDC-FC Savings That Will Result From a Proposed Increase in Funding For the Adoptions Program is Unrealistic. The budget proposes General Fund augmentations of $5.4 million and $1.0 million, respectively, for county adoption agencies and state district adoptions offices. (We discuss these augmentations in more detail in our analyses of the social services programs budget—Item 5180-151—and the department's support budget—Item 5180-001.) The department projects that the augmentations will result in savings of $9.3 million ($6.0 million General Fund, $3.0 million federal funds, and $0.3 million county funds) in foster care expenditures during 1988-89.

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

The department's projection of foster care savings assumes that the increase in adoptions funding will enable county and state adoptions agencies to place 1,174 additional foster care children in adoptive homes in 1988-89. Adoptive placements result in savings to the foster care program because foster care payments cease as soon as adoptive placement occurs. Our analysis indicates that the estimate of the foster care savings that will result from the adoptions augmentation is unrealistic for four reasons:

- The estimate assumes that an augmentation that will fund a 23 percent increase in adoptions staff will generate a 48 percent increase in adoption placements. This assumption implies that the new staff that is funded through the augmentation will place more children, on average, than the existing staff. The department has not provided any evidence to support this assumption.
- The estimate assumes that all of the additional adoptions will occur in the first three months of the year, saving nine months of foster care grant payments. It is more likely that adoptive placements, hence savings, would occur evenly over the course of the year.
- The estimate does not take into account the increase of adoption assistance payments (cash payments to parents who adopt hard-to-place children) that is likely to result from the anticipated increase in adoptions.
- The estimate exaggerates the savings from adoptions by using an unrealistic average foster care payment rate to calculate savings.

After adjusting for these factors, we estimate that the foster care savings resulting from increased adoptions would be $1.3 million instead of the $9.3 million projected in the budget. We believe that the department should include a more realistic estimate of the 1988-89 savings in its May estimate.

Department of Social Services

STATE SUPPLEMENTARY PROGRAM FOR THE AGED, BLIND, AND DISABLED

Item 5180-111 from the General Fund and the Federal Trust Fund — Budget p. HW 161

Requested 1988-89	$2,024,651,000[a]
Estimated 1987-88	1,856,441,000
Actual 1986-87	1,665,013,000
Requested increase $168,210,000 (+9.1 percent)	
Total recommended reduction	None
Recommendation pending	2,024,651,000

[a] This amount includes $140,734,000 proposed in Item 5180-181-001 to provide a 5.2 percent cost-of-living increase, effective January 1, 1989.

1988–89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-111-001—Payments to aged, blind, and disabled	General	$1,873,005,000
5180-111-890—Payments to aged, blind, and disabled refugees	Federal	10,911,000
5180-181-001—Payments to aged, blind, and disabled—COLA	General	140,400,000
5180-181-890—Payments to aged, blind, and disabled refugees—COLA	Federal	335,000
Total		$2,024,651,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	Analysis page
1. Withhold recommendation on $2 billion from the General Fund pending review of revised estimates in May.	669

GENERAL PROGRAM STATEMENT

The Supplemental Security Income/State Supplementary Program (SSI/SSP) provides cash assistance to eligible aged, blind, and disabled persons. A person may be eligible for the SSI/SSP program if he or she is elderly, blind, or disabled and meets the income and resource criteria established by the federal government.

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.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of $2 billion from the General Fund for the state's share of the SSI/SSP program in 1988-89. The budget also includes $11 million in federal funds to reimburse the state for the

Table 1
SSI/SSP Expenditures
1986-87 through 1988-89
(dollars in thousands)

Category of Recipient	*Actual 1986-87*	*Est. 1987-88*	*Prop. 1988-89* [a]	*Percent Change From 1987-88*
Aged	$1,153,103	$1,022,898	$1,090,994	6.7%
Blind	84,923	107,434	114,718	6.8
Disabled	1,750,107	2,179,451	2,411,024	10.6
Totals	$2,988,133	$3,309,783	$3,616,736	9.3%
Funding Sources				
Included in Budget Bill:				
General Fund	*$1,655,958*	*$1,845,729*	*$2,013,405*	*9.1%*
Federal funds (reimbursements for refugees)	*9,055*	*10,712*	*11,246*	*5.0*
Subtotals, Budget Bill	*($1,665,013)*	*($1,856,441)*	*($2,024,651)*	*(9.1%)*
Not Included in Budget Bill:				
SSI grants	*$1,323,120*	*$1,453,342*	*$1,592,085*	*9.5%*

[a] Includes 5.2 percent SSI/SSP COLA, effective January 1, 1989.

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

grant costs of refugees and $335,000 for the federal share of a state cost-of-living adjustment (COLA) granted to refugees. The total proposed appropriations are an increase of $168 million, or 9.1 percent, above estimated current-year expenditures.

The budget also assumes that federal expenditures for SSI grant costs will be $1.6 billion. This is an increase of $139 million, or 9.5 percent, above estimated federal expenditures in the current year. The combined state and federal expenditure anticipated by the budget for the SSI/SSP program is $3.6 billion, which is an increase of $307 million, or 9.3 percent, above estimated current-year expenditures.

Table 1 shows SSI/SSP expenditures by category of recipient and by funding source, for the years 1986-87 through 1988-89.

Table 2 shows the factors resulting in the net increase of $307 million in all funds for the SSI/SSP program in 1988-89. As the table shows, the largest cost *increases* projected for the budget year are attributable to:

- A $166 million ($91 million General Fund) increase to fund an estimated 4.9 percent caseload growth.
- A $140 million General Fund increase to provide a 5.2 percent COLA for SSI/SSP grants, beginning January 1, 1989.
- A $71 million General Fund increase to fund the full-year cost in 1988-89 of the 2.6 percent COLA provided for SSI/SSP grants on January 1, 1988.

These increases are partially offset by a decrease of $136 million in General Fund costs resulting from COLAs in the federal SSI program and social security benefits. These increases are counted as increased beneficiary income and thus reduce the state share of grant costs.

Table 2
SSI/SSP Budget Changes
1988-89
(dollars in thousands)

	General Fund	*All Funds*[a]
1987 Budget Act	$1,832.3	$3,271.4
1987-88 Adjustments to Appropriations		
Unanticipated caseload increase	$21.1	$36.1
Increase in 1/88 federal COLA[b]	−5.1	3.5
Baseline change for 1/88 state COLA	−1.2	−1.2
Federal reimbursement for refugees	−1.4	—
Total deficiency	$13.4	$38.4
1988-89 Adjustments		
Increase in caseload	$91.0	$165.8
Full-year costs of 1/88 state COLA	71.1	71.1
Full-year costs of 1/88 federal COLA[b]	−77.0	−49.9
1/89 federal COLA (3.8 percent)[b]	−58.8	−23.4
1/89 state COLA (5.2 percent)	140.4	140.7
Increased costs for recipients in institutes for mental disease.	1.2	2.6
Federal reimbursement for refugees	−0.2	—
1988-89 expenditures (proposed)	$2,013.4	$3,616.7
Change from 1987-88:		
Amount	$167.7	$306.9
Percent	9.1%	9.3%

[a] Includes federal SSI payments not appropriated in the state budget as well as General Fund amounts.

ANALYSIS AND RECOMMENDATIONS

Eligibility Requirements

The SSA administers the SSI program. In addition, the SSA will administer a state's SSP program if it is requested to do so by the state. When the SSA administers a state's SSP program, as it does in California, federal eligibility requirements are used to determine an applicant's eligibility for both the SSI and SSP programs.

To be eligible for the SSI/SSP program, individuals must fall into one of three categories—aged, blind, or disabled. In addition, their income and resources cannot exceed certain specified limits.

With one exception, the eligibility requirements for the SSI/SSP program are essentially unchanged from the current year. The federal Deficit Reduction Act of 1984 (DEFRA) increased the limit for personal and real property by $100 for individuals and $150 for couples for each year of a five-year period beginning January 1, 1985. Under this provision, the resource limits for (1) individuals are $1,900 in 1988 and $2,000 in 1989 and (2) couples are $2,850 in 1988 and $3,000 in 1989.

General Fund Deficiency of $13.4 Million in 1987-88

The budget anticipates that expenditures for SSI/SSP during 1987-88 will exceed available funds by $38.4 million ($13.4 million General Fund), or 1.2 percent. As Table 2 shows, the deficiency is primarily attributable to:

- A $36 million ($21 million General Fund) increase due to a 1.1 percent increase in caseload above the level assumed in the Budget Act.
- A $3.5 million increase ($5.1 million *decrease* in General Fund costs) because the federal COLA that was applied to SSI grants and social security benefits on January 1, 1988 was higher than anticipated. The higher-than-anticipated federal COLA resulted in a shift of costs from the state to the federal government.

Grant Levels and Cost-of-Living Adjustments

The maximum grant amount received by an SSI/SSP recipient varies according to the recipient's eligibility category. For example, in 1988 an aged or disabled individual can receive up to $575 per month, while a blind individual can receive up to $643. The actual amount of the grant depends on the individual's other income. In addition to categorical differences, grant levels vary according to the recipient's living situation. The majority of SSI/SSP recipients reside in independent living arrangements.

Federal and State COLA Requirements. Cost-of-living increases for the SSI/SSP grant are governed by both federal and state law. As regards federal law, the SSA amendments of 1983 require California to maintain its SSP grants at or above the July 1983 level. This means that for aged or disabled individuals—who represent the largest groups of recipients—the state must provide at least $157 per month in addition to the SSI grant

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

provided by the federal government. The SSP grant levels proposed in the budget exceed those required by federal law.

State COLA Overbudgeted. Existing state law requires that the total SSI/SSP payment levels be adjusted, effective January 1, 1989, based on the change in the California Necessities Index (CNI) during calendar year 1987. The Commission on State Finance is required to calculate the CNI, which is based on December-to-December changes in inflation indexes reported for Los Angeles and San Francisco. When the department prepared its budget in December 1987, the commission had not yet received the data necessary to calculate the percent change in the CNI. The 5.2 percent increase proposed in the budget was based on the Department of Finance's November estimate of what this change would be. The commission's staff now advises that the data for December 1987 shows that the CNI actually increased by 4.7 percent.

Table 3 displays the SSI/SSP grants for 1988 and for 1989 using the 4.7 percent COLA that is required by existing law. As the table shows, the COLA that will take effect on January 1, 1989 will result in grant levels to individuals that are $27 to $59 higher than the grants in 1988. In our analysis of the COLA item (please see Item 5180-181-001), we recommend a reduction of $13.5 million from the General Fund to reflect the lower cost that will result from the 4.7 percent COLA for SSI/SSP.

Table 3
Maximum Monthly SSI/SSP Grant Levels
Calendar Years
1988 and 1989

Category of Recipient [b]	*1988*	*1989* [a]	*Difference*
Aged or disabled			
Individual:			
Total grant	$575	$602	$27
SSI	354	368	14
SSP	221	234	13
Couple:			
Total grant	1,066	1,116	50
SSI	532	552	20
SSP	534	564	30
Blind			
Individual:			
Total grant	643	673	30
SSI	354	368	14
SSP	289	305	16
Couple:			
Total grant	1,253	1,312	59
SSI	532	552	20
SSP	721	760	39
Aged or disabled individual			
Nonmedical board and care:			
Total grant	648	678	30
SSI	354	368	14
SSP	294	310	16

[a] Assumes a 4.7 percent increase in SSI/SSP grants and a 3.8 percent increase in SSI grants, effective January 1, 1989.

[b] Unless noted, recipients are in independent living arrangements.

Potential Supplemental Rates for Board and Care Facilities. As Table 3 shows, the highest grant level is provided to recipients who reside in nonmedical board and care facilities. In 1988, an individual in such a facility can receive up to $648 per month. During the most recent period for which we have data—December 1985 through November 1986—General Fund payments to these facilities totaled $200.9 million, or approximately 13 percent, of total SSP grants to all recipients for the same period.

Maximum grants for board and care facilities may increase, depending upon the Legislature's action on the 1988-89 Budget Bill and legislation to establish supplemental rates for those facilities. Chapter 1127, Statutes of 1985, required the Health and Welfare Agency (HWA) to submit an implementation plan to the Legislature by December 1, 1986 that would establish supplemental payments based on three levels of care in the board and care facilities that serve elderly persons. Based on the plan submitted by the HWA, we estimate that implementation of legislation establishing the supplemental rates would result in General Fund costs of approximately $8.7 million in 1988-89. Legislation has been introduced (SB 50) to implement the supplemental rates to the extent that funds are appropriated by the Budget Act. The budget, however, does not propose funding for the increased rates. The state SSP program will bear the full cost of any supplemental rates, because no additional federal SSI funds will be available for this purpose.

Estimates Will Be Updated In May

We withhold recommendation on $2.0 billion from the General Fund requested for SSI/SSP grant costs, pending review of revised SSI/SSP expenditure estimates to be submitted in May.

The proposed expenditures for the SSI/SSP program are based on actual caseload and cost data through July 1987. The department will present revised estimates in May, which will be based on program costs through February 1988. Because the revised estimates will be based on more recent experience, the estimates will provide the Legislature with a more reliable basis for budgeting 1988-89 expenditures.

The May revision will also give the department an opportunity to improve its estimate by addressing several specific concerns that we have identified in our review of the estimate detail that the department submitted in support of the budget. We discuss these concerns below.

Basic Caseload Estimate May Be Too Low

The budget proposal assumes an average monthly SSI/SSP caseload of 777,217, which is an increase of 4.9 percent, above estimated current-year caseloads. Table 4 compares the projected caseload in each recipient category for 1987-88 and 1988-89.

Table 4
SSI/SSP
Average Monthly Caseload
1986-87 through 1988-89

Eligibility Category	*Actual 1986-87*	*Est. 1987-88*	*Prop. 1988-89*	*Percent Change From 1987-88*
Aged	272,443	281,317	289,567	2.9%
Blind	20,062	20,683	21,333	3.1
Disabled	413,488	438,875	466,317	6.3
Totals	705,993	740,875	777,217	4.9%

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

Compared to the most recent actual experience, a caseload increase of 4.9 percent would represent a *reduction* in the rate of growth of the SSI/SSP caseload. For example, Table 5 shows that the number of recipients increased by 5.5 percent between the first six months of 1986-87 and the same period in 1987-88. Although this is only a difference of six-tenths of a percentage point above the 4.9 percent increase projected by the department, the higher growth rate would result in an additional General Fund cost of approximately $22 million.

Table 5
SSI/SSP
Actual Change in Average SSI/SSP Caseload
July through December
1986-87 and 1987-88

	July-December		*Percent Change From*
Eligibility Category	*1986-87*	*1987-88*	*1986-87*
Aged	270,149	280,499	3.8%
Blind	19,847	20,467	3.1
Disabled	406,850	433,917	6.7
Totals	696,846	734,883	5.5%

Upward Trend in Disabled Caseload. The accelerating growth in the SSI/SSP caseload during the past year represents a change from prior years. For example, the disabled caseload declined from 1981 through 1983. In the spring of 1984, the caseload began to increase slightly and since July 1986 it has shot upwards. During the first six months of 1987-88, the disabled caseload was 6.7 percent higher than in the same period in 1986-87. The comparable increase in the prior year was only 4.3 percent. The department, however, projects a 6.3 percent increase in the disabled caseload between 1987-88 and 1988-89.

Our review indicates that the disabled caseload initially began to increase in 1984 when the federal Secretary of Health and Human Services imposed a moratorium on periodic reviews (referred to as "continuing disability reviews (CDRs)") of disabled SSI/SSP recipients. These reviews were conducted to determine continued eligibility for benefits and resulted in terminations for some recipients. Although CDRs resumed in May 1986, the growth in the disabled caseload has not slowed.

Although we are not certain of the factors that are causing the growth in this population, we believe that it is in part the result of changes that Congress made to the SSI eligibility standards when it authorized the resumption of CDRs in late 1985. The new standards made it more difficult to terminate disabled persons from aid and broadened the eligibility criteria for mentally ill SSI/SSP applicants. If the new standards are, in fact, the major reason for the higher-than-anticipated increases in the disabled caseload, then the recent trend of increasing rates of growth in this caseload will most likely continue.

Upward Trend in Aged Caseload. Since March 1985, the number of aged recipients also has been growing at a steadily increasing rate. During the first six months of 1987-88, the aged caseload was 3.8 percent higher than in the same period in 1986-87. The department, however, projects a 2.9 percent increase in the aged caseload between 1987-88 and 1988-89.

Estimate Does Not Account for the Increase in the Minimum Wage

As a result of the increase in the minimum wage to $4.25 per hour on July 1, 1988, the income of some employed SSI/SSP recipients will increase. To the extent that this occurs, it will result in reduced grant costs for these individuals. The department's estimate does not take this factor into account.

Our analysis indicates that there is at least one methodology that the department could use to estimate the decrease in SSI/SSP costs that will result from the increase in the minimum wage. The department collects information on the number of SSI/SSP recipients with income and on the amount of income they earn. The Employment Development Department (EDD) has a data base that may be used to tie the amount of monthly income for a sample of the total California population to average hourly income. By applying the EDD data on hourly income to the DSS data on SSI/SSP recipients' monthly income, we believe that the department may be able to estimate the number of SSI/SSP recipients currently earning below $4.25 per hour. This would allow the department to project the increase in earnings of these recipients and the resulting reduction in their SSI/SSP grants.

Estimate Does Not Accurately Account for the General Fund Savings That Will Result From the Federal SSI and Social Security COLAs

As a result of annual federal COLAs to SSI grants and social security benefits, state costs for SSP grants decrease. This is because (1) the COLAs for SSI grants offset the General Fund costs of the state COLA that is provided for the whole SSI/SSP grant and (2) the COLAs for social security benefits increase beneficiary income resulting in reduced costs for SSI/SSP.

The department's estimate does not accurately account for these General Fund savings because the computer model that it uses to estimate the impact of the federal COLAs on state grant costs is inaccurate. The model was developed in the 1970s and the department recognizes that it is outdated. This was particularly evident in the department's May 1987 estimate for the 1987-88 SSI/SSP costs, which provided an inaccurate estimate of the cost of the SSI/SSP program for reasons that could not be explained by the caseload estimate or other identifiable factors. The department is updating the computer model and should have the revised model ready in time for the May estimates.

Estimate Does Not Account for Federal Reductions in the Refugee Program

The federal government pays the full amount of grant costs for certain refugees, offsetting General Fund costs for their grants. The department's budget proposal ignores the impact of federal reductions in the refugee program which reduce from 31 to 24 months the period for which the federal government will pay the full cost of cash assistance provided to refugees after they enter this country. As a result of these changes, fewer refugees will be supported by federal funds and the state will be

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

required to pay the grant costs of a greater percentage of the refugee caseload than is proposed in the budget. The department should be able to reflect the decreased amount of available federal funds in its May revision.

Department of Social Services
SPECIAL ADULT PROGRAMS

Item 5180-121 from the General Fund and the Federal Trust Fund — Budget p. HW 162

Requested 1988-89	$3,160,000
Estimated 1987-88	2,858,000
Actual 1986-87	2,477,000
Requested increase $302,000 (+10.6 percent)	
Total recommended reduction	None

1988–89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-121-001—Special Adult programs	General	$3,085,000
5180-121-890—Special Adult programs	Federal	75,000
Total		$3,160,000

GENERAL PROGRAM STATEMENT

The Special Adult programs consist of three distinct program elements designed to fund the emergency and special needs of Supplemental Security Income/State Supplementary Program (SSI/SSP) recipients. These elements are the (1) Special Circumstances program, which provides financial assistance for emergency needs, (2) Special Benefits program, which provides a monthly food allowance for guide dogs belonging to blind SSI/SSP recipients, and (3) Temporary Assistance for Repatriated Americans program, which provides assistance to needy U.S. citizens returning from foreign countries.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes a General Fund appropriation of $3.1 million for the Special Adult programs in 1988-89. This is $302,000, or 11 percent, more than estimated General Fund expenditures for this program in the current year. This increase results primarily from projected expenditure growth in the Special Circumstances program.

The budget also proposes $75,000 in federal funds to provide cash assistance to repatriated Americans. This is the same amount as is estimated for the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The department proposes to increase expenditures for Special Adult programs in the budget year based on caseload growth in 1985-86 and 1986-87. Our analysis indicates that the proposed increase is appropriate.

Department of Social Services
REFUGEE CASH ASSISTANCE PROGRAMS

Item 5180-131 from the Federal Trust Fund — Budget p. HW 164

Requested 1988-89	$49,983,000[a]
Estimated 1987-88	46,643,000
Actual 1986-87	47,762,000
Requested increase $3,340,000 (+7.2 percent)	
Total recommended reduction	None

[a] Includes $1,231,000 proposed in Item 5180-181-890 as a 5.2 percent cost-of-living increase.

1988–89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-131-890—Refugee programs—Local assistance	Federal	$48,752,000
5180-181-890—Refugee programs—Local assistance—COLA	Federal	1,231,000
Total		$49,983,000

GENERAL PROGRAM STATEMENT

This item appropriates federal funds that pay for the costs of cash grants and medical assistance provided to refugees and Cuban/Haitian entrants who are eligible for assistance and who have been in this country for less than 31 months. Refugees who have been in this country for more than 31 months and who meet applicable eligibility tests, may receive assistance under the Aid to Families with Dependent Children (AFDC), Supplemental Security Income/State Supplementary Program (SSI/SSP), Medi-Cal, and county general assistance (GA) programs.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes expenditures of $49,983,000 in federal funds to refugees and entrants in 1988-89 for cash and medical assistance provided through the Refugee Cash Assistance program. This is an increase of $3.3 million, or 7.2 percent, above estimated current-year expenditures.

The $3.3 million increase consists primarily of (1) a $1.8 million increase in medical assistance costs and (2) a $1.2 million increase proposed in Item 5180-181-890 as a 5.2 percent cost-of-living adjustment (COLA) per the requirements of existing law. As discussed in our review of the COLA item (please see Item 5180-181), the amount proposed for the COLA is overbudgeted because it is based on an estimated 5.2 percent increase in the California Necessities Index (CNI). More recent data indicate that the CNI actually increased by 4.7 percent.

REFUGEE CASH ASSISTANCE PROGRAMS—Continued

The amount proposed in this item does not reflect the impact of recent reductions in federal funds for refugees. As discussed in our review of the AFDC program (please see Item 5180-101), the federal government has reduced from 31 to 24 months the period for which it will pay the full cost of assistance provided to refugees. After 24 months, refugees who meet eligibility tests may receive assistance through the AFDC, SSI/SSP, Medi-Cal, and GA programs, which are funded by a combination of federal, state, and county funds.

We anticipate that the department will adjust both the COLA amount and the federal time-eligibility period when it submits its May estimate.

Department of Social Services
COUNTY ADMINISTRATION OF WELFARE PROGRAMS

Item 5180-141 from the General Fund and the Federal Trust Fund — Budget p. HW 163

Requested 1988-89	$615,620,000[a]
Estimated 1987-88	578,573,000
Actual 1986-87	508,546,000
Requested increase $37,047,000 (+6.4 percent)	
Total recommended reduction	None
Recommendation pending	615,620,000

[a] Includes $20,094,000 proposed in Item 5180-181-890 to provide a 4.8 percent cost-of-living adjustment.

1988–89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-141-001—County administration	General	$163,524,000
5180-141-890—County administration	Federal	432,002,000
5180-181-890—Cost-of-living adjustment	Federal	20,094,000
Total		$615,620,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS — *Analysis page*

1. County Administration Budget. Withhold recommendation on $616 million ($164 million General Fund, $452 million federal funds) pending review of revised estimates in May. 677

GENERAL PROGRAM STATEMENT

This item contains funds to cover the state and federal share of the costs incurred by counties in administering (1) the Aid to Families with Dependent Children (AFDC) program, (2) the Food Stamp program, (3) the Child Support Enforcement program, (4) special benefits for aged, blind, and disabled adults, (5) the Refugee Cash Assistance program, and (6) the Adoption Assistance program. In addition, this item supports the cost of training county eligibility staff.

Table 1
County Welfare Department Administration
Budget Summary
1986-87 through 1988-89
(dollars in thousands)

	Actual 1986-87				*Estimated 1987-88*				*Proposed 1988-89*			
Program	*State*	*Federal*	*County*	*Total*	*State*	*Federal*	*County*	*Total*	*State*	*Federal*	*County*	*Total*
1. AFDC administration	$102,988	$200,302	$117,376	$420,666	$112,450	$231,629	$127,257	$471,336	$121,425	$243,429	$131,553	$496,407
2. Nonassistance food stamps	27,609	61,986	27,930	117,525	33,398	77,607	33,163	144,168	36,522	84,463	36,374	157,359
3. Child support enforcement	—	101,075	44,802	145,877	—	108,336	49,961	158,297	—	113,409	53,360	166,769
4. Special adult programs	2,007	—	74	2,081	2,292	—	108	2,400	2,656	—	124	2,780
5. Refugee cash assistance	—	4,401	—	4,401	—	4,410	—	4,410	—	4,689	—	4,689
6. Adoption assistance	33	17	—	50	39	21	—	60	38	22	2	62
7. Staff development	2,543	5,276	2,733	10,552	2,700	5,691	2,954	11,345	2,883	6,084	3,159	12,126
8. Local mandates	309	—	−309	—	—	—	—	—	—	—	—	—
Totals	$135,489	$373,057	$192,606	$701,152	$150,879	$427,694	$213,443	$792,016	$163,524	$452,096 [a]	$224,572 [a]	$840,192

[a] Proposed federal and county amounts include funds for an estimated 4.8 percent COLA for county welfare department employees, effective during 1988-89.

COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of $164 million from the General Fund as the state's share of the costs that counties will incur in administering welfare programs during 1988-89. This is an increase of $13 million, or 8.4 percent, over estimated current-year General Fund expenditures for this purpose. The $164 million includes $7.5 million to fund increased General Fund costs resulting from the estimated 4.7 percent cost-of-living adjustment (COLA) granted by the counties to their employees during *1987-88*. In accordance with the policy established by the Legislature in recent Budget Acts, counties will pay for any COLAs granted to county employees in the budget year using county and federal funds. The state will fund its share of these costs starting in *1989-90*.

Table 2
County Administration of Welfare Programs
Proposed 1988-89 Budget Changes
All Funds
(dollars in thousands)

	General Fund	*All Funds*
1987-88 expenditures (revised)	$150,879	$792,016
Adjustments To Ongoing Costs Or Savings		
AFDC administration		
Basic caseload costs	$4,267	$16,842 [a]
Court cases/legislation	−17	−70
GAIN savings	−3,250	−13,295
Income and Eligibility Verification System (IEVS)	−143	−574
Statewide Automated Welfare System (SAWS)	95	383
Audit exceptions	2,894	—
Other	−491	−2,039
Subtotals, AFDC	($3,355)	($1,247)
Nonassistance food stamps administration		
Basic caseload costs	$1,246	$5,180
IEVS	164	325
SAWS	23	94
Other	52	386
Subtotals, food stamps	($1,485)	($5,985)
Other programs		
Basic caseload costs	$299	$1,966
Child support enforcement	—	−197
Subtotals, other programs	($299)	($1,769)
New Costs		
Retroactive COLA (4.7 percent)	$7,506	$1,118
Estimated COLA for 1988-89 (4.8 percent)	— [b]	38,057
Subtotals, new costs	($7,506)	($39,175)
1988-89 expenditures (proposed)	$163,524	$840,192
Change from 1987-88:		
Amount	$12,645	$48,176
Percent	8.4%	6.1%

[a] Includes basic costs for time-eligible refugees.

[b] The state will not share in the costs of COLAs granted to welfare department employees for 1988-89 until 1989-90.

The budget proposes total expenditures of $840 million for county administration of welfare programs during 1988-89, as shown in Table 1. This is an increase of $48 million, or 6.1 percent, over estimated current-year expenditures.

Table 2 shows the budget adjustments that account for the net increase in county administration expenditures proposed for 1988-89. Significant changes include:

- A $17 million ($4.3 million General Fund) increase to fund administration costs related to estimated increases in AFDC caseloads (basic costs).
- A $13 million ($3.2 million General Fund) increase in estimated administrative savings resulting from reductions in the AFDC caseload due to GAIN.
- A $1.1 million ($7.5 million General Fund) increase to fund the estimated 4.7 percent retroactive COLA for 1987-88.
- A $38 million increase in federal and county funds (no General Fund monies) to provide a 4.8 percent COLA estimated for 1988-89. The General Fund share of the ongoing costs of this COLA will be covered in the state budget beginning in 1989-90.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on $616 million ($164 million General Fund and $452 million federal funds) requested for county administration of welfare programs pending receipt of revised estimates of county costs to be submitted in May.

The proposed expenditures for county administration of welfare programs in 1988-89 are based on 1987-88 budgeted costs updated to reflect the department's caseload estimates for 1988-89. In May, the department will present revised estimates of county costs based on actual county costs in 1987-88. For example, the May estimates will reflect the actual amount of COLAs counties provided to their employees during the current year, whereas the proposed expenditures are based on estimated county COLAs. In addition, the May estimate will incorporate changes reflected in approved county cost control plans for 1988-89 and the department's updated caseload data for county-administered programs.

The department's budget proposal has not been updated to reflect the impact of recent federal reductions in the refugee program which reduced from 31 months to 24 months the period for which the federal government will pay the full cost of cash assistance provided to refugees after they enter this country. As a result of these changes, fewer refugees will be supported by 100 percent federal funds and more refugees will be supported by a mix of federal, state, and county funds. Consequently, the state and counties will be required to share the administrative costs for a greater percentage of the refugee caseload than is proposed in the budget. We anticipate that the department will be able to include an estimate of these additional state and county costs in the May estimate.

Because the revised estimate of county costs will be based on more recent and accurate information, the estimate will provide the Legislature with a more reliable basis for budgeting 1988-89 expenditures. Therefore, we withhold recommendation on the amount requested for county administration of welfare programs pending review of the May estimate.

COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued

No Basis for GAIN Administrative Savings Resulting From Grant Avoidance

As discussed in our analysis of Item 5180-101, the Department of Social Services estimates that the GAIN program will result in AFDC grant savings for two reasons: (1) savings due to individuals finding jobs as a result of education and training services provided under the program and (2) savings that result because individuals terminate aid or choose not to apply for aid at all in order to avoid participating in GAIN (the department refers to these savings as "grant avoidance savings").

The budget estimates that these grant savings will translate into administrative savings of $23 million ($6 million General Fund, $11 million federal funds, and $6 million county funds) because they will reduce the number of AFDC cases that counties have to administer. The department estimates that, of these administrative savings, $7.2 million ($1.8 million General Fund, $3.6 million federal funds, and $1.8 million county funds) will be due to "grant avoidance." The department's estimate of administrative savings due to grant avoidance is based on a percentage of its AFDC caseload estimate. Therefore, the exact amount of savings assumed in the budget will change when the department submits revised caseload estimates in May.

In our analysis of the AFDC budget (please see Item 5180-101), we conclude that the department has not provided any evidence to support its assumption that the GAIN program will generate grant avoidance savings. Therefore, when we review the May Revision of Expenditures, we will reexamine the projected grant avoidance savings to ensure that they reflect a more accurate estimate of county administrative costs.

Department of Social Services
SOCIAL SERVICES PROGRAMS

Item 5180-151 from the General Fund and the Federal Trust Fund — Budget p. HW 164

Requested 1988-89	$1,323,611,000
Estimated 1987-88	1,025,199,000
Actual 1986-87	846,871,000
Requested increase $298,412,000 (+29.1 percent)	
Total recommended reduction	5,200,000

1988–89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-151-001—Social services programs—local assistance	General	$826,574,000
5180-151-890—Social services programs—local assistance	Federal	488,590,000
5180-181-001—Social services programs—local assistance COLA	General	921,000

5180-181-890—Social services programs—local assistance COLA	Federal	2,302,000
Reimbursements	—	3,031,000
Welfare and Institutions Code Section 18969, Appropriation	State Children's Trust	2,193,000
Total		$1,323,611,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Child Welfare Services (CWS)—Workload Measurement Study. Recommend that the Legislature adopt supplemental report language requiring the department to develop workload standards for the four CWS programs by December 1, 1990 using a specified sample of counties. 684
2. Office of Child Abuse Prevention (OCAP)—Funding. Recommend that, prior to budget hearings, the department advise the fiscal committees of its plans to reduce funding for child abuse primary prevention training centers. 686
3. Adoptions—Allocation of Funds. Recommend approval of the requested ($5,373,000) augmentation. Also recommend that the Legislature adopt Budget Bill language directing the department to allocate $1,024,000 of the augmentation to provide a COLA to county adoption agencies and $4,349,000 to counties based on performance and need. 688
4. ***In-Home Supportive Services (IHSS)—Workers' Compensation. Reduce Item 5180-151-001 by $5.6 Million.*** Recommend a reduction in General Fund support to reflect a decrease in the rate of growth in IHSS workers' compensation costs. 696
5. IHSS—Minimum Wage Estimate. Recommend that the department advise the fiscal committees of its plan to incorporate additional factors in its estimate of the effect of the minimum wage increase on the IHSS program with particular attention to the reduction in service hours which results. 697
6. ***IHSS—Contract Costs. Reduce Item 5180-151-001 by $1.9 Million.*** Recommend a reduction in General Fund support to reflect a lower-than-anticipated cost for the IHSS Case Management Information and Payrolling System contract. 698
7. IHSS—Welfare Staff Mode. Recommend that the department advise the fiscal committees on options for evaluating the costs and quality of services provided by the welfare staff mode. 698
8. Greater Avenues for Independence (GAIN) Program—Current-Year Expenditures. Recommend that, prior to budget hearings, the department report to the fiscal committees on its estimate of the amount of unspent funds, budgeted in the current year, that could be available for reappropriation. 704
9. GAIN—Additional Adult Education Funds. Recommend that, prior to budget hearings, the department report to the fiscal committees, on the amount of additional adult education funds available for GAIN that are not currently reflected in the budget. 705

SOCIAL SERVICES PROGRAMS—Continued

10. GAIN—Education Attrition. Recommend that, prior to budget hearings, the department advise the fiscal committees of counties' actual experience regarding participants' rate of attrition from the education component of GAIN. 706
11. GAIN—Cost Containment. Recommend that prior to budget hearings, the department report to the fiscal committees on its plan for developing a system for containing the costs of the GAIN program. 706
12. GAIN—Budget Assumptions. Recommend that, prior to budget hearings, the department report to the fiscal committees on specified issues regarding GAIN funding needs, including (a) maximizing existing resources, (b) development of interagency agreements with various departments, (c) grant diversion, and (d) job development. 708
13. ***GAIN—Reimbursement from the Employment Development Department (EDD). Increase Item 5180-151-001 by $3 Million.*** Recommend increased General Fund support for GAIN to correct double-counting the amount of reimbursements available from EDD to offset GAIN costs. 710
14. ***GAIN—Cooperative Agencies Resources for Education (CARE) Funds for Supportive Services. Reduce Item 5180-151-001 by $700,000.*** Recommend decreased General Fund support for GAIN supportive services because CARE resources can be used for this purpose. 710

GENERAL PROGRAM STATEMENT

The Department of Social Services (DSS) administers various programs that provide services, rather than cash, to eligible persons who need governmental assistance. The six major programs providing these services are (1) Other County Social Services (OCSS), (2) Specialized Adult Services, (3) Employment Services, (4) Adoptions, (5) Refugee programs, and (6) Child Abuse Prevention.

Federal funding for social services is provided pursuant to Titles IV-A, IV-B, IV-C, 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 services each year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes $1.3 billion in expenditures from state ($828 million General Fund, $2.2 million State Children's Trust Fund, and $3 million reimbursements) and federal funds ($491 million) to support social services programs in 1988-89. In addition, the budget anticipates that counties will spend $106 million from county funds for these programs. Thus, the budget anticipates that spending for social services programs in 1988-89 will total $1.4 billion. Table 1 displays program expenditures and funding sources for these programs in the past, current, and budget years.

Table 1
Department of Social Services
Social Services Programs
Expenditures from All Funds
1986-87 through 1988-89 [a]
(dollars in thousands)

Program	Actual 1986-87	Est. 1987-88	Prop. 1988-89 [b]	Change From 1987-88 Amount	Change From 1987-88 Percent
Other County Social Services	$343,474	$420,484	$473,005	$52,521	12.5%
Child welfare services	(272,399)	(342,877)	(391,865)	(48,988)	14.3
County services block grant	(71,075)	(77,607)	(81,140)	(3,533)	4.6
Specialized Adult Services	420,281	502,275	608,003	105,728	21.0
In-home supportive services	(414,586)	(496,579)	(602,307)	(105,728)	21.3
Maternity home care	(2,253)	(2,254)	(2,254)	(—)	—
Access assistance for deaf	(3,442)	(3,442)	(3,442)	(—)	—
Employment Services	85,250	117,299	267,815	150,516	128.3
GAIN [c]	(43,790)	(93,100)	(259,400)	(166,300)	178.6
Demonstration programs	(38,007)	(21,694)	(6,310)	(−15,384)	−70.9
JTPA child care	(3,453)	(400)	(—)	(−400)	[d]
State child care	(—)	(2,105)	(2,105)	(—)	—
Adoptions	19,141	21,345	26,698	5,353	25.1
Refugee Assistance	42,697	38,431	32,146	−6,285	−16.4
Social services	(27,971)	(23,880)	(17,613)	(−6,267)	−26.2
Targeted assistance	(14,696)	(14,533)	(14,533)	(—)	—
Refugee demonstration program support services	(30)	(18)	(—)	(−18)	[d]
Child Abuse Prevention	23,536	24,527	22,243	−2,284	−9.3
Totals	$934,379	$1,124,361	$1,429,910	$305,549	27.2%
Funding Sources [b]					
General Fund	*$385,778*	*$551,072*	*$827,495*	*$276,423*	*50.2%*
Federal funds	*460,768*	*465,462*	*490,892*	*25,430*	*5.5*
County funds	*87,508*	*100,562*	*106,299*	*5,737*	*5.7*
State Children's Trust Fund	*325*	*5,865*	*2,193*	*−3,672*	*−62.6*
Reimbursements	—	*1,400*	*3,031*	*1,631*	*116.5*

[a] Includes actual 1986-87 and anticipated 1987-88 and 1988-89 county expenditures.
[b] Includes funds for 1988-89 COLAs ($921,000 from the General Fund, $2.3 million from federal funds, and $15.6 million in county funds). Also included in these amounts is the General Fund share of the COLAs that counties granted their child welfare service workers in 1987-88.
[c] Excludes General Fund expenditures of $44 million for GAIN from Control Section 22 and other funds for GAIN appropriated in other items in the Budget Bill. Table 11 in our analysis of the GAIN program in this item displays all the funds appropriated in the Budget Bill for GAIN.
[d] Not a meaningful figure.

Significant Budget Changes

Table 2 shows that the proposed level of expenditures from all funds for social services in 1988-89 represents an increase of $306 million, or 27 percent, above estimated current-year expenditures. It also shows the various changes in funding for social services programs that are proposed in the budget year. The most significant of these changes are as follows:

- $166 million ($137 million General Fund) increase in the cost of the Greater Avenues for Independence (GAIN) program, which will be in the third-year of a scheduled six-year phase in.
- A $63 million General Fund increase for increased payments to In-Home Supportive Services (IHSS) service providers resulting from the increase in the minimum wage, which is expected to boost average payments to providers from $3.72 to $4.25 per hour.

SOCIAL SERVICES PROGRAMS—Continued

- A $47 million ($41 million General Fund) increase in the IHSS program due to increased caseloads and hours of service provided to recipients.
- A $32 million ($20 million General Fund) increase due to anticipated growth in caseloads under the Child Welfare Services (CWS) program.
- A $4.3 million (all funds) increase for cost-of-living adjustments (COLAs) that counties granted to CWS workers in 1987-88. This increase consists of (1) an increase of $12.2 million in General Fund costs that results because, consistent with the state's "retroactive" COLA policy, the state did not share in the 1987-88 costs of these COLAs during 1987-88, but will begin providing its share of these costs in 1988-89, (2) a reduction of $10.1 million in county costs, also due to the "retroactive" COLA policy, and (3) an increase of $2.2 million in the federal costs associated with the 1987-88 COLA due to caseload increases.
- A $18 million increase in federal and county funds for the costs of the COLAs granted to county CWS social workers in 1988-89. Under the "retroactive" COLA policy, the state share of these costs will be provided beginning with the 1989-90 budget.
- A $14 million reduction in the Work Incentive (WIN) program due to the change over from the WIN program to the GAIN program in the remaining WIN counties.

Table 2
Department of Social Services
Proposed 1988-89 Budget Changes
Social Services Programs
1987-88 and 1988-89
(dollars in thousands)

	General Fund	*All Funds*
1987-88 expenditures (Budget Act)	$539,340	$1,125,418
1987-88 Adjustments to Appropriations:		
Reduction in federal emergency assistance funds	$11,910	—
Reduction in federal refugee funding	—	−$1,933
Child abuse challenge grant	—	861
Other adjustments	−178	15
Subtotals, expenditure reduction	($11,732)	(−$1,057)
1987-88 expenditures (revised)	$551,072	$1,124,361
1988-89 Adjustments:		
Other county social services (OCSS):		
Child Welfare Services (CWS) caseload increase	$19,828	$32,301
CWS prior-year COLA costs	12,207	4,309
Severely emotionally disturbed children caseload increase	645	987
Reduction in CWS appeals	−51	−22
Implementation of new child welfare training program	530	530
Reduction in federal funds for independent living	—	−7,034
In-Home Supportive Services (IHSS) administration—caseload increase	3,026	3,026
Adult Protective Services (APS) demonstration projects	266	507
Subtotals, OCSS	($36,451)	($34,604)

IHSS:		
Increased provider wages due to minimum wage increase.	$63,009	$63,009
Increased caseload and hours of service	41,236	47,262
Increased workers' compensation costs	3,046	3,046
Increased costs for payrolling contracts	1,239	1,239
Settlement of *Miller v. Woods* court case	−7,800	−8,667
Sunset of Santa Cruz demonstration project	−1,023	−1,137
Other IHSS program changes	3,800	55
Subtotals, IHSS	($103,507)	($104,807)
Employment services:		
Work Incentive (WIN) program phase-out	−$6,634	−$13,938
JTPA child care termination	—	−400
Reduction in other employment programs	−628	−1,446
Third-year phase-in costs for GAIN	136,567	166,300
Subtotals, employment services	($129,305)	($150,516)
Adoptions:		
Increased staff to reduce backlogs	$3,815	$5,373
Other	−26	−20
Subtotals, adoptions	($3,789)	($5,353)
Refugee programs:		
Reduced carryover	—	−$6,285
Subtotals, refugees	—	(−$6,285)
Child abuse prevention:		
Reduction—federal grants program	$2,850	−$1,062
Redirection to new child welfare training program	−400	−550
Reduction—State Children's Trust Fund program	—	−672
Subtotals, child abuse prevention	($2,450)	(−$2,284)
Proposed COLAs:		
IHSS statutory maximum	$921	$921
CWS (4.8 percent)	—[a]	17,917
Subtotals, COLAs	($921)	($18,838)
1988-89 expenditures (proposed)	$827,495	$1,429,910
Change from 1987-88		
Amount	$276,423	$305,549
Percent	50.2%	27.2%

[a] The state share of the COLAs that counties grant to their child welfare services workers during 1988-89 will be included in the base funding for the program beginning with the 1989-90 budget.

The proposed increase of $306 million from all funds consists of (1) a General Fund increase of $276 million, or 50 percent, (2) a federal fund increase of $25 million, or 5.5 percent, (3) an increase in county funds of $5.7 million, or 5.7 percent, (4) a decrease of $3.7 million, or 63 percent, from the State Children's Trust Fund, and (5) a $1.6 million, or 117 percent, increase in reimbursements. The General Fund bears a larger share of the increase in the cost of social services programs than federal and county funds for the following reasons:

- ***County Share Limited.*** Because the county share of costs for several of these programs is limited, increased costs are borne by the General Fund. For example, state law limits the increase in the counties' share of CWS program costs to the percentage COLA provided in the program. In addition, the counties do not share in the costs of the GAIN program, which are anticipated to increase by 179 percent in 1988-89. As a result, the General Fund will support most of these increased costs for the GAIN program.

SOCIAL SERVICES PROGRAMS—Continued

- *Limited Federal Funds.* For the most part, the amount of federal funds made available to California for social services programs is not based on the cost of the programs, but on federal appropriation levels and the state's share of the nation's population (or other demographic measures). Thus, although expenditures for the program supported by Title XX (IHSS) are budgeted to grow by 21 percent in 1988-89, California's Title XX allocation for federal fiscal year (FFY) 1989, is expected to be less than 1 percent more than the state's allocation for FFY 1988.

ANALYSIS AND RECOMMENDATIONS

OTHER COUNTY SOCIAL SERVICES

Proposed Funding for Other County Social Services. The budget proposes total spending of $473 million for the Other County Social Services (OCSS) program in 1988-89, which is 13 percent more than estimated expenditures in 1987-88. This amount consists of $69 million in federal funds (Titles IV-A, IV-B, and IV-E), $320 million in General Fund support, and $84 million in county funds.

Of the amount requested for OCSS, $392 million is proposed for the CWS program. The balance of the OCSS request—$81 million—is proposed for the County Services Block Grant (CSBG).

County Services Block Grant. The County Services Block Grant (CSBG) program includes IHSS administration, out-of-home care, and protective services for adults, information and referral, staff development, and 13 optional programs.

Child Welfare Services. The Child Welfare Services (CWS) program provides services to abused and neglected children and children in foster care and their families. The program has four separate elements.

- The Emergency Response (ER) program requires counties to provide immediate social worker response to allegations of child abuse and neglect.
- The Family Maintenance (FM) program requires counties to provide ongoing services to children (and their families) who have been identified through the ER program as victims, or potential victims, of abuse or neglect.
- The Family Reunification (FR) program requires counties to provide services to children in foster care who have been temporarily removed from their families because of abuse or neglect.
- The Permanent Placement (PP) program requires counties to provide case management and placement services to children in foster care who cannot be safely returned to their families.

CWS Workload Standards Need Revision

We recommend that the Legislature adopt supplemental report language (1) requiring the department to report by December 1, 1989 on its timetable for a CWS workload standards study, (2) specifying that the study be based on a selection of counties that the department has identified as performing required tasks in an efficient manner and demonstrating high levels of compliance with program requirements, and (3) requiring the department to submit its proposed workload standards by December 1, 1990.

The *Supplemental Report of the 1987 Budget Act* required the DSS to submit to the Legislature two reports regarding the Child Welfare Services (CWS) program: (1) a report on the statewide and county-specific results of the 1986 CWS Case Review and a description of corrective action efforts, and (2) a plan for the review of the program workload standards currently used to budget the four CWS programs.

Good County Management Important in Ensuring Compliance. In the first report, the department reviewed the extent to which counties comply with CWS program requirements and the factors which influence the degree of compliance. The department found that the following factors do *not* have an effect on a county's ability to comply with CWS program requirements:

- Social worker caseload.
- Supervisor-to-staff ratios.
- Expenditures per case.
- Support (overhead) costs per case.

Instead, the department found that *good management practices* strongly influence a county's ability to comply with CWS program requirements. For instance, the report states that counties which passed compliance reviews generally have well-defined, organized systems in place which are characterized by factors such as color-coded forms, accessible state regulations, ongoing quality control efforts, and regular training.

Department Proposes Schedule for Workload Study. The department's second report addresses the Legislature's concern regarding the validity of the workload standards currently used by the department in preparing the CWS budget. The department found that the current workload standards for the four CWS components no longer reflect actual county practice or the characteristics of the caseloads currently served by the program. The report concludes that there is a need for a comprehensive review and revision of the CWS workload standards. The department proposes to conduct a work measurement study to set new workload standards by December 1, 1990.

Workload Study Should Focus on Counties With the Best Performance Records. The final workload standards adopted by the department will be strongly influenced by the counties it selects to comprise its sample for the workload measurement study. Obviously, the study would yield quite different results if it measures workload in efficiently-run counties rather than in less well-organized environments. We therefore recommend that the Legislature direct the department to construct its sample by using those counties which it identified as having demonstrated high levels of compliance with program requirements and an ability to perform the required tasks in an efficient manner. We also recommend that the department submit to the Legislature a timetable for the study by December 1, 1989 and a final report by December 1, 1990—these timelines are the same as those proposed by the department in its report on the workload standards. The following supplemental report language is consistent with these recommendations:

> The department shall submit to the Legislature by December 1, 1989 a timetable for a CWS workload standards study. In performing this study, the department shall construct a sample which is comprised of counties that it has identified as having demonstrated high levels of

SOCIAL SERVICES PROGRAMS—Continued

compliance with program requirements and an ability to perform the required tasks in an efficient manner. The department shall complete this study and submit its proposed workload standards to the Legislature by December 1, 1990.

OFFICE OF CHILD ABUSE PREVENTION

The Office of Child Abuse Prevention (OCAP) administers a large number of child abuse prevention and intervention programs throughout the state. Most of these programs were established and funded initially by specific legislation. In subsequent years, funding has been provided by the various Budget Acts.

Department Proposes Substantial Reduction for Training Centers

We recommend that the department report at budget hearings on the effects of its plans to reduce funding for child abuse primary prevention training centers.

Chapter 1638, Statutes of 1984, established child abuse primary prevention programs in schools throughout California. The purpose of these programs is to provide training and education to children, parents, and school staff in order to reduce child abuse and neglect.

The budget proposes $9.8 million to support these programs in 1988-89 reflecting a reduction of $400,000, or 3.9 percent, from estimated current-year expenditures. As shown in Table 3, $9.5 million is proposed to be distributed to 84 primary prevention providers serving 131 areas throughout the state (providers receive contracts ranging from $10,000 to $650,000). The remaining amount, $300,000, is proposed to maintain two training centers, one in northern California and one in southern California. This is a reduction of $400,000, or 57 percent, from the $700,000 estimated to be expended on the centers during the current year. The two training centers provide information, training, and technical assistance to the 84 service providers.

Table 3
Department of Social Services
Child Abuse Primary Prevention Program Expenditures
1985-86 through 1988-89
(dollars in thousands)

	1985-86	*1986-87*	*1987-88*	*1988-89*
Northern training center	$344	$400	$350	Unallocated [a]
Southern training center	400	300	350	Unallocated [a]
Subtotals, training centers	($744)	($700)	($700)	($300)
Primary prevention services	$5,933	$9,171	$9,500	$9,500
Totals	$6,677	$9,871	$10,200	$9,800

[a] The department has not specified how it will allocate the $300,000 between the two centers in 1988-89.

The budget proposes to redirect this $400,000 reduction to fund the Child Welfare Training program created by Chapter 1310, Statutes of 1987. The Child Welfare Training program provides training to social workers in detecting and investigating reports of child abuse and neglect.

The department's proposal to reduce funding for the training centers concerns us because it has been the Legislature's policy to fully fund the two training centers since Ch 1638/84 was initially enacted. At the time that this analysis was prepared, the department could not provide details on what activities would be decreased or eliminated under the budget proposal, or why these activities no longer need to be funded at their current level. We believe that the Legislature will need this information in order to determine the appropriate funding level for the training centers in 1988-89. We therefore recommend that the department report at budget hearings on the effects of its plans to reduce funding for the training centers.

ADOPTIONS PROGRAMS

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. Adoptions services are provided through five state district offices, 28 county adoption agencies, and a variety of private agencies.

There are two components to the Adoptions program: (1) the Relinquishment Adoptions program, which provides adoption services to children in foster care, and (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.

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

Budget Proposes Increased Funding for the Relinquishment Adoptions Program in 1988-89

As shown in Table 4, the budget proposes total spending of $35 million for the two adoptions programs in 1988-89. This is an increase of $6.5 million, or 23 percent, more than estimated expenditures in the current year.

Table 4
Department of Social Services
1988-89 Adoptions Program
State Operations and Local Assistance
(dollars in thousands)

	Federal Funds	*General Fund*	*Total*
Basic Costs			
County adoption agencies	$6,895	$14,430	$21,325
State district offices	6,482	697	7,179
Subtotals, basic costs	($13,377)	($15,127)	($28,504)
Proposed Augmentation			
County adoption agencies	$1,558	$3,815	$5,373
State district offices	193	770	963
Subtotals, augmentation	($1,751)	($4,585)	($6,336)
Totals	$15,128	$19,712	$34,840

Of the total amount proposed for 1988-89, $28.5 million would be used to maintain the current staffing levels in the state's district offices ($7.2 million) and the county adoption agencies ($21.3 million). The depart-

SOCIAL SERVICES PROGRAMS—Continued

ment proposes an augmentation of $6.3 million to increase the number of state and county staff in the Relinquishment Adoptions program in 1988-89.

The department advises that the proposed augmentation is needed to eliminate a backlog of children waiting for adoptive placement. (As we note below, however, we believe that the department's projection of the number of children that will be adopted in 1988-89 is unrealistic. As a result, while the augmentation clearly will reduce the backlog, we do not believe that it will eliminate the backlog.) Of the total proposed augmentation, $963,000 is proposed for 20 additional state staff in district offices, and $5.4 million is proposed for about 77 additional county adoptions workers. The department estimates that the augmentation will allow state and county adoptions staff to place 1,174 more children in adoptive homes. These additional adoptive placements are projected to result in savings of $9.3 million to the AFDC-FC program in 1988-89, since the children will no longer receive foster care grants once they are adopted.

Assessment of Department's Proposal

We recommend approval.

Our analysis indicates that the department's proposal to augment the Relinquishment Adoptions program and reduce the backlog has merit for two reasons: (1) adoption provides a more stable and secure family environment for children than does foster care, and (2) adoptive placement of these children would result in General Fund savings in the long-run because adoption eliminates the need for monthly foster care grants.

Our review of the department's estimate of the savings that will be achieved in 1988-89, however, indicates that the department has substantially overestimated these short-term savings. (We discuss the department's placement projections under the next issue.) Specifically, we believe that the proposed increase in adoptions staff will generate savings of about $1.3 million in 1988-89, which is $8.0 million less than the department's estimate. (Please see our analysis of the AFDC-Foster Care budget—Item 5180-101—for a more detailed discussion of the savings estimate.) Our analysis also indicates, however, that in the long run, the additional adoptive placements resulting from the increase in state and county adoptions staff will generate savings totaling about $38 million. For this reason and in light of the benefits to the adopted children and their families that the budget proposal will generate, we recommend approval of the proposed augmentation.

Allocation of Funds Could Increase Adoptions

We recommend that the Legislature adopt Budget Bill language directing the department to provide technical assistance to counties performing below the statewide average and allocate the proposed augmentation based on performance and need.

The budget anticipates that the $5.4 million augmentation for county adoption agencies will result in *county* agencies placing 1,002 more children in 1988-89 than they would place without the augmentation. We believe that this assumption is unrealistic because it implies that the 77 new workers funded with the proposed augmentation would each place

13 adoptive children in the first year. Currently, the average adoption worker places about six children per year in adoptive homes. The department has not provided justification for its assumption that the additional staff will be more productive than the current average.

Current Allocation Formula. Currently, the department allocates funds to adoption agencies according to a formula called the "adoptions yardstick." The yardstick allocates funds based on a variety of activities associated with the Relinquishment Adoptions program. For example, a portion of the funds appropriated each year is allocated to agencies based on their share of the statewide total number of children whom the courts have "freed" from their parent's control for the purpose of placing them in adoptions. Our analysis suggests that by improving its allocation formula, the department could increase the number of children placed in adoptions by the staff funded with the proposed augmentation.

Review of Adoption Agency Performance. We reviewed the performance of the 28 county adoptions agencies from the point-of-view of (1) the percent of "adoptable" children that are placed in adoptive homes each year, (2) the staffing level (adoptable children per worker) of the agency, and (3) the number of children placed by the average worker. The results of this review are displayed in Table 5.

The first column in Table 5 shows the caseload of the average worker in each county. For instance, in Orange County, the average adoptions case worker is responsible for 16.5 foster care children who have case plan goals of adoption. In those counties which the table characterizes as having "low staffing" levels, the workers are responsible for more than the statewide average number of children.

The second column provides a measure of the "efficiency" of each adoption agency—the number of children placed in adoptive homes by the average worker. For example, in Orange County, the average worker placed 7.2 children in adoptive homes.

The third column shows the percent of "adoptable" foster care children in each county who are successfully placed in an adoptive home each year. We believe that this column provides a good measure of the overall performance of each adoption agency.

The table shows that the counties that place the highest percentage of their adoptable children are those that combine high staffing levels with high efficiency, while the counties that place the smallest portion of their caseloads in adoptive homes are those that have low staffing levels and low efficiency. Specifically, the counties in the high staffing/high efficiency category placed 46 percent of their adoptable children in adoptive homes, while counties in the low staffing/low efficiency category placed only 29 percent of their children in adoptive homes. This compares with a statewide average placement rate of 36 percent.

SOCIAL SERVICES PROGRAMS—Continued

Table 5
Department of Social Services
Performance of Public Adoption Agencies
Average Annual Workload Statistics
1985-86 and 1986-87

	Number of Children Assigned to Each Worker	*Number of Children Placed by Each Worker*[a]	*Percent of "Adoptable" Children Placed*
High Staffing/High Efficiency Counties			
Orange	16.5	7.2	45.0%
San Diego	16.3	6.4	39.9
Ventura	15.5	6.4	40.2
Stanislaus	13.6	6.4	47.1
Tulare	13.2	6.6	50.4
San Bernardino	12.8	6.5	51.4
Santa Cruz	12.4	6.9	59.7
Monterey	12.2	8.6	69.7
Placer	9.2	6.5	69.7
San Mateo	6.0	6.3	69.8
Averages[b]	14.9	6.7	46.1%
High Staffing/Low Efficiency Counties			
Santa Clara	15.0	4.6	31.6%
Contra Costa	13.2	5.9	48.0
Santa Barbara	12.1	4.9	38.6
San Luis Obispo	11.7	4.9	42.1
Merced	10.7	3.9	37.5
El Dorado	10.7	5.2	45.2
Marin	9.8	3.5	33.9
Shasta	9.1	4.4	48.8
Fresno	8.7	4.3	47.8
Averages[b]	12.8	4.8	38.6%
Low Staffing/High Efficiency Counties			
San Francisco	26.0	6.5	26.5%
State District Offices	26.0	7.0	29.4
Riverside	23.5	7.0	29.2
Solano	20.9	7.2	35.5
Kern	20.6	7.8	37.5
Alameda	19.0	6.8	34.7
Sacramento	17.9	6.2	34.3
Averages[b]	22.5	6.9	31.6%
Low Staffing/Low Efficiency Counties			
San Joaquin	22.0	4.9	24.1%
Imperial	20.4	4.8	23.4
Los Angeles	18.4	5.4	29.9
Averages[b]	18.7	5.3	29.4%
Statewide Averages[b]	17.1	6.0	35.8%

[a] Adjusts for adoptive placements made in other counties by assigning 75 percent credit to the county placing the child and 25 percent credit to the county that finds the adoptive home.
[b] All averages are calculated as "weighted" averages, accounting for differences in foster care populations between counties.

Number of Adoptions Depends on Allocation Formula

Table 5 shows that some counties are more efficient than others in that they place more children per worker. It also shows that some counties have higher workloads than others and, therefore, probably have a greater need for additional staff. By giving more resources to the most efficient counties and to those with the greatest need for additional staff, the state could increase the number of adoptions statewide. For example, an allocation that gives more money to the low staffing/high efficiency counties would probably result in a greater increase in the number of children placed in adoptive homes than would one that allocates more to the high staffing/low efficiency group.

Recommended Allocation Principles and Formula

Based on our review of adoption agency performance and the Legislature's policy of minimizing lag time in placing children in adoptive homes, we believe that the allocation of the adoptions' augmentation should be guided by the following principles:

- Allow all counties to maintain at least their current level of services in the budget year by providing a COLA to offset the effects of inflation.
- Allocate additional resources to those counties that most need additional staff.
- Maximize the number of successful adoptions and provide incentives for the counties to improve performance over the long run.
- Provide technical assistance to those counties performing at a level below the statewide average.

Under an allocation formula that satisfies these four principles, high staffing/high efficiency counties would receive a COLA; they would *not* receive an augmentation based on a "need" for more staff; they *would* receive an augmentation as a "reward" for high efficiency; and they would *not* receive technical assistance from the department to improve their efficiency.

Our analysis indicates that allocating the proposed augmentation in a manner consistent with these principles would increase the number of children adopted in 1988-89 and improve the long-term performance of adoption agencies as well. Table 6 presents one allocation method that is consistent with the principles we have identified.

Table 6
Department of Social Services
Allocation of Adoptions' Augmentation
Based on Need and Performance [a]
(dollars in thousands)

1. COLA: 4.8 percent (all 28 county agencies) [b]	$1,024
2. Staffing bonus (20 percent funding increase):	
Low staffing/low efficiency	1,546
Low staffing/high efficiency	729
3. Efficiency bonus (20 percent funding increase):	
Low staffing/high efficiency	729
High staffing/low efficiency	1,345
Total augmentation	$5,373

[a] The figures in this table were calculated by multiplying the basic costs of counties in the respective group by the noted percentage.

[b] The 4.8 percent COLA is the department's estimate of the COLA that counties will grant to their employees in 1988-89.

Under this method, the $5.4 million would be used to provide (1) a 4.8 percent COLA to all agencies thus allowing them to maintain current service levels, (2) a 20 percent increase in funding to those agencies with

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the greatest need for additional staff, and (3) a 20 percent increase in funding to the most efficient agencies.

It is important to note that this is only one way in which the Legislature could respond to the concerns outlined above. The figures (i.e., *20 percent* augmentation for staffing needs) used in Table 6 are used as *examples* of actions the Legislature could take—different augmentations may be desirable). In any case, the following Budget Bill language is consistent with the recommendation that the Legislature require the department to consider performance and need in allocating the proposed augmentation. In addition, we include in our recommendation, Budget Bill language directing the department to work with the low efficiency counties to develop and implement corrective action plans to raise their performance level to the current statewide average.

The following Budget Bill language is consistent with this recommendation:

> Of the amount appropriated in Item 5180-151 (d), $1,024,000 shall be allocated to provide a cost-of-living adjustment to county adoption agencies and $4,349,000 shall be allocated to the counties based on an evaluation of the performance and staffing needs of the 28 county adoptions agencies. In addition, the department shall work with those counties performing below the statewide average to develop and implement corrective action plans to raise performance levels to the current statewide average.

IN-HOME SUPPORTIVE SERVICES

The In-Home Supportive Services (IHSS) program provides assistance to eligible aged, blind, and disabled persons who are unable to remain safely in their own homes without assistance. While this implies that the program *prevents* institutionalization, eligibility for the program is *not* based on the individual's risk of institutionalization. Instead, an individual is eligible for IHSS if he or she lives in his or her own home—or is capable of safely doing so if IHSS is provided—and meets specific criteria related to eligibility for SSI/SSP.

An eligible individual will receive IHSS services if the county determines that (1) these services are not available through alternative resources and (2) the individual is unable to remain safely at home without the services.

The primary services available through the IHSS program are domestic and related services; nonmedical personal services, such as bathing and dressing; essential transportation; protective supervision, such as observing the recipient's behavior to safeguard against injury; and paramedical services, which are performed under the direction of a licensed health care professional and are necessary to maintain the recipient's health.

The IHSS program is administered by county welfare departments under broad guidelines that are established by the state. Each county may choose to deliver services in one or a combination of ways: (1) by individual providers (IPs) hired by the recipients, (2) by private agencies under contract with the counties, or (3) by county welfare staff.

Proposed Budget-Year Expenditures

The budget proposes expenditures of $602 million for the IHSS program in 1988-89. This is an increase of $106 million, or 21 percent, above estimated current-year expenditures. The significant changes that account for the increase are as follows:

- A $63 million increase for increased payments to IPs as a result of the rise in the minimum wage effective July 1, 1988, which boosts average payments to providers from $3.72 per hour to $4.25 per hour.
- A $47 million increase to fund an estimated 5.9 percent increase in basic caseload and a 2.8 percent increase in average hours per case.
- A $3 million increase due to an estimated 41 percent increase in workers' compensation costs.
- An $8.7 million decrease due to the settlement in 1987-88 of the *Miller v. Woods* court case.
- A $1.1 million decrease due to the expiration of the Santa Cruz Demonstration project.

Table 7 displays IHSS program expenditures, by funding sources, for the past, current, and budget years. The table shows that, while expenditures for the IHSS program from all funds are expected to increase by 21 percent, expenditures from the General Fund are projected to increase by 61 percent, while almost no increase is anticipated in federal funds and county funds. Available federal funds are expected to increase slightly because the department anticipates a small increase in the federal appropriations for Title XX and the Low-Income Home Energy Assistance (LIHEA) block grant (which together provide all federal funding for IHSS). County funds remain level as a result of newly enacted legislation—Ch 1438/87 (SB 412), which freezes the county share of costs for the IHSS program at the 1987-88 level.

Table 7
Department of Social Services
In-Home Supportive Services Program
Expenditures and Funding Sources
1986-87 through 1988-89
(dollars in thousands)

	Actual 1986-87	*Est. 1987-88*	*Prop. 1988-89*	*Percent Change From 1987-88*
Funding Sources				
General Fund	$104,923	$170,155	$274,583 [a]	61.4%
Federal funds	292,942	303,578	304,878	0.4
County funds	16,721	22,846	22,846	—
Totals	$414,586	$496,579	$602,307 [a]	21.3%

[a] Includes $921,000 (General Fund) for 1988-89 COLA to the maximum service award.

Estimates Will Be Updated in May

The proposed expenditures for IHSS are based on program costs through June 1987. The department will present revised estimates in May, which will be based on program costs through February 1988. Because the revised estimates will be based on more recent experience, the estimates will provide the Legislature with a more reliable basis for budgeting 1988-89 expenditures. Based on our review of the caseload and cost data that was available at the time this analysis was prepared, we conclude that (1) the department's estimates of caseload growth is most likely too low and (2) the department's estimate of average hours per

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case is probably high. Our review indicates that the low caseload estimate may be offset by the high estimate of average hours per case. We will be more confident of the net effect of these changes, however, at the time of the May revision.

Caseload Estimate Is Too Low. Table 8 displays the average monthly caseload by service delivery type for the past, current, and budget years. The table shows that the department estimates that caseloads will grow by 5.9 percent between 1987-88 and 1988-89. The estimate is based on actual caseload data through June 1987. Caseload data for the period July 1987 through December 1987, however, suggests that the rate of growth may be accelerating. Specifically, the actual caseload for the IP mode for the first six months of 1987-88 is 2 percent higher than the department estimates for the current year. If this increased rate of growth continues into 1988-89, the resulting IHSS IP mode caseload would be 122,768 cases, or 6.5 percent, higher than the caseload estimated in the budget. A caseload increase of this magnitude would result in increased General Fund costs of approximately $27 million in 1988-89.

Table 8
Department of Social Services
In-Home Supportive Services
Average Monthly Caseload
by Provider Type
1986-87 through 1988-89

	Actual 1986-87	*Est. 1987-88*	*Prop. 1988-89*	*Percent Change From 1987-88*
Service Provider Types				
Individual providers	99,019	108,100	115,300	6.7%
Contract agencies	19,668	18,300	18,700	2.2
County welfare staff	1,999	1,500	1,500	—
Totals	120,686	127,900	135,500	5.9%

Estimated Hours of Service Per Case Are Too High. Table 9 displays the average hours of service per case by service delivery type for the past, current, and budget years. The department estimated the average hours of service for 1988-89 by applying an assumed growth rate of 2.8 percent to its estimate of average hours for 1987-88. This rate of growth is slightly lower than the growth in prior years, but higher than the actual growth in hours per case for the first six months of 1987-88, which remained almost level with 1986-87.

Our analysis indicates that the department's estimate of average hours of service for 1988-89 is too high. Specifically, data for the period July 1987 through December 1987 show that the actual average hours of service for the IP mode for the first six months of 1987-88 is 6.5 percent lower than estimated by the department, suggesting that average hours of service have not grown as rapidly as the department estimated for the *current* year.

We do not believe that the rate of growth will continue to decrease in 1988-89 for the reasons discussed below. However, even if the growth rate does increase to the 1.9 percent level (for IP) estimated by the department, the department's estimate of average hours of service for 1988-89 would still be too high. This is because the department estimates

Table 9
Department of Social Services
In-Home Supportive Services
Average Monthly Hours of Service per Recipient
by Provider Type
1986-87 through 1988-89

	Actual 1986-87	*Est. 1987-88*	*Prop. 1988-89*	*Percent Change From 1987-88*
Service Provider Types				
Individual providers	75.74	80.41	81.92	1.9%
Contract agencies	26.47	27.40	28.63	4.5
County welfare staff	11.53	13.00	[a]	[a]
Totals [b]	72.58	76.91	79.06	2.8%

[a] Not available.
[b] Weighted average excludes county welfare staff.

average hours for 1988-89 by applying the growth rate to its estimate of hours in *the current year.* Because actual data for the first six months of 1987-88 show that the department's estimate of average hours in the current year is too high, its estimate for the budget year is also too high. Based on the actual data for July through December 1987, the resulting IHSS average hours of service for 1988-89 would be 77.1, which is 5.9 percent lower than the average hours of service estimated in the budget. A decrease in average hours of service of this magnitude would result in decreased General Fund costs of approximately $25 million in 1988-89.

Program Changes Make Projected Growth Rates Uncertain. Although recent trends indicate that the department's estimate of hours of service is too high, it is important to note that several recent program changes will result in changes in these trends that are difficult to estimate. Specifically, the following changes create substantial uncertainty regarding future trends in average hours per case:

- ***Completion of Time-Per-Task Implementation Ends.*** During 1986, counties implemented time-per-task standards that limited the hours of service provided for specific tasks such as laundry and shopping. As a result of time-per-task implementation, the average hours of service per case increased at a slower rate than in prior years. It is likely that the greatest impact of the standards occurred in the first year of implementation, when the entire caseload was reevaluated under the new standards. In the future, however, the standards will probably continue to moderate increases in average hours of service for new cases by an unknown extent.
- ***Uniform Standards and the Case Management Information and Payrolling System (CMIPS).*** The department completed implementation of the new CMIPS on July 1, 1987. This statewide system provides counties with management tools that allow them to more closely monitor the hours of service awarded by social workers to IHSS recipients. It is not clear to what extent the use of CMIPS information restrained the growth in average hours of service per case in 1986-87 and 1987-88 because other factors, such as the implementation of time-per-task guidelines, also slowed the growth

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in average hours of service during this period. To the extent that the use of CMIPS has moderated the upward trend, we expect that ongoing use of CMIPS data will continue to restrain the growth in average hours of service in the future.

Moreover, counties will begin using a new needs assessment tool in March 1988. The new instrument is intended to improve uniformity in the awards of IHSS service hours. To the extent that counties *currently* provide lower average hours of service than are appropriate for their caseloads, greater program uniformity is likely to cause the growth in average hours to increase. To the extent that the average hours of service currently provided are too high, the new assessment tool may result in slower growth in average hours. We will not know whether greater uniformity actually increases or decreases service awards until late in 1988-89.

- ***Chapter 1438, Statutes of 1987.*** Chapter 1438, Statutes of 1987, freezes the county share of costs for IHSS at the 1987-88 level. It also requires the state to cover any IHSS deficiency that might arise in future years through a General Fund deficiency appropriation. The measure also eliminates counties' authority to reduce the level of services in the IHSS program if their Budget Act appropriations are insufficient. The act may result in increased growth in the IHSS program in 1988-89 and thereafter because it removes one of the counties' financial incentives to restrain IHSS costs by freezing the counties' share of costs at the 1987-88 level. By freezing the county share of IHSS costs at the 1987-88 level, the measure also creates an incentive for counties to keep costs low in the current year. These factors may result in increases in the level of services in the future.

Growth in Workers' Compensation Costs Decline

We recommend a General Fund reduction of $5.6 million to reflect a reduced rate of growth in IHSS workers' compensation costs in 1988-89. (Reduce Item 5180-151-001 by $5.6 million.)

The budget proposes $10.4 million from the General Fund to pay workers' compensation costs in 1988-89 to individuals who have become disabled while working as IHSS providers. This is 42 percent above the $7.3 million estimated for 1987-88. The department advises that the projected increase is based on the growth in expenditures from 1985-86 to 1986-87 for (1) workers' compensation benefit payments, which increased by 57 percent during this one-year period, (2) administrative costs, which increased by 1.4 percent, and (3) legal fees, which increased by 44 percent. Benefit payments comprise more than 90 percent of total expenditures for IHSS workers' compensation costs.

The state began providing workers' compensation benefits to IHSS providers in 1978-79. Since 1982-83, the state has been self-insured for the costs of these benefits. That is, the state pays the benefits directly to the injured employees rather than paying a private insurance company. Typically, under a self-insurance plan, there is a substantial phase-in period during which costs accelerate dramatically prior to leveling off and stabilizing. This is because, in the early years, injured workers begin to receive monthly benefit payments that continue past the initial year of the claim, yet relatively few workers have been receiving benefits for long enough to be terminated. In later years, as workers return to work, or their benefits expire, the number of workers terminated each month approaches the number of new claims. Thus, the rate of growth in the costs of the benefit payments stabilizes.

The state's experience with IHSS workers' compensation costs is consistent with this pattern. Specifically, costs rose rapidly in the early years of self-insurance and have grown at declining rates in more recent years. Table 10 displays the annual percentage increase in these costs since the inception of self-insurance.

Table 10
Department of Social Services
Workers' Compensation Benefit Costs for In-Home Supportive Services Providers Since the Inception of Self-Insurance
1983 through 1987

	Annual Percentage Increase
1983	—
1984	98%
1985	87
1986	76
1987 [a]	17

[a] Last full year for which data are available.

The department's estimate does not take this decline in the annual rate of increase into account. In fact, as we note above, the 42 percent increase in total costs estimated in the budget is based to a large extent on the 57 percent increase in benefit payments that occurred between 1985-86 and 1986-87. We think a more reasonable assumption would be that benefit payments will increase at the same rate they increased between calendar years 1986 and 1987—17 percent. In fact, it is quite possible, in light of the pattern of declining percentage increases displayed in Table 10, that the actual increases for 1987-88 and for 1988-89 will be substantially less than 17 percent. This is because benefit payments increased by only 5.7 percent between the last six months of 1986 and the same period in 1987.

Based on the assumption of a 17 percent increase in benefit payments, we estimate that total workers' compensation costs will be $4.1 million in 1987-88 and $4.8 million in 1988-89. Therefore, in the *current* year, the expenditures for IHSS workers' compensation will be $3.2 million below the department's estimate. In addition, these costs will be $5.6 million less than the department's estimate for the budget year. Therefore, we recommend a General Fund reduction of $5.6 million to more accurately reflect the cost of workers' compensation for IHSS providers in 1988-89.

Impact on Minimum Wage Increase Lower Than Department Estimates

We recommend that the department advise the fiscal committees prior to budget hearings, of its plans to incorporate additional factors into its estimate of the increase in IHSS costs that will result from the increase in the minimum wage.

As a result of the increase in the minimum wage, which will take effect on July 1, 1988, the department estimates that IHSS costs will increase by $63 million. The department's estimate of this increase is based on two calculations. First, the estimate calculated that costs would increase by

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$65.4 million due to the expected increase in IP wages from $3.72 per hour to $4.25 per hour. Second, the department reduced this amount by $2.4 million to reflect an anticipated reduction in hours of service for those recipients who receive the statutory maximum amount of service.

The reduction in hours will occur because some IHSS recipients will receive fewer hours of service as a result of the increase in the minimum wage. This is because state law limits the amount of service that an individual can receive based on the total cost of the service. For example, severely impaired recipients are limited to $1,100 worth of service each month in 1988-89. At the current wage of $3.72 per hour, a severely impaired recipient can therefore receive up to 296 hours of service. At $4.25 per hour, however, the same recipient could receive no more than 259 hours, or 37 hours less. The department's estimate did not recognize, however, that all those recipients who may not be at the maximum but are *within* 37 hours of the statutory maximum will also receive a reduced number of hours of services as a result of the change in the minimum wage. For this reason, we conclude that the cost of the minimum wage increase to the IHSS program will actually be less than the amount estimated by the department.

We believe that the department will be able to project the number of hours of service that will actually be reduced by the time it prepares its May estimate. Therefore, we recommend that the department advise the fiscal committees of its plan to adjust its estimate of the cost of the minimum wage. (In our analysis of the COLA item [please see Item 5180-181-001], we further discuss the impact of increases in provider wages on the level of IHSS services available to those at or near the statutory maximum.)

Contract Savings

We recommend a General Fund reduction of $1.9 million to reflect the actual costs of the contract for the Caseload Management Information and Payrolling System in 1988-89. (Reduce Item 5180-151-001 by $1.9 million.)

The department estimates General Fund costs of $5 million for the Caseload Management Information and Payrolling System (CMIPS) in 1988-89. Subsequent to the preparation of this estimate, the department awarded a five-year, $16.9 million contract to the Electronic Data Systems company for the CMIPS system. As a result of the new contract, CMIPS costs in 1988-89 will be $3.1 million, or $1.9 million below the amount proposed in the budget for 1988-89.

Therefore, we recommend a General Fund reduction of $1.9 million to reflect the actual costs of the CMIPS contract in 1988-89.

Costs and Benefits of County Welfare Department Staff Provider Mode

We recommend that the department report to the fiscal committees prior to budget hearings, on the options for assessing the costs and benefits of the welfare staff mode for providing IHSS.

The budget includes $9.2 million for the costs of county welfare department staff to provide direct services to IHSS recipients and to supervise independent providers. This represents an increase of 7.6 percent above the 1987-88 amount. There are currently 20 counties that use the welfare staff mode of providing IHSS services. These include three counties that began using welfare staff to supervise individual providers (IPs), and to assist clients in supervising IPs, for the first time in the current year. County staff advise that these counties decided to begin using welfare staff to supervise IPs as a result of the escalating costs of IHSS contracts and to improve the quality of services.

In recent years, some counties have changed modes of providing IHSS. Not only have some counties been experimenting with the welfare staff mode, but some have switched from the contract to the IP mode. Our analysis indicates that there are three major reasons that counties switch provider modes:

Contract Costs Increase. In 1987, hourly contract costs increased by 10 percent above the 1986 level in several of the counties that have the largest IHSS contracts in the state. Hourly costs for IPs increased by only 1 percent between 1986-87 and 1987-88, and hourly costs for welfare staff increased by 6.5 percent.

Quality of Care/Provider Availability. In many counties, local groups have raised concerns about the quality of care in the IHSS program and clients' problems in locating competent providers. The *Supplemental Report of the 1986 Budget Act* required the department to report on the extent of these problems. In March 1987, the department surveyed counties to identify the reasons that clients were receiving less than 80 percent of their authorized hours of service. The counties responded that the most significant reason was that no provider was available. Moreover, lack of a provider was the reason that clients received less care than they were entitled to in *40 percent* of IP mode cases, but in only *18 percent* of the cases served by contract providers. The surveys did not address the welfare staff mode, but it is likely that welfare staff providers are generally available to clients in those counties that utilize this mode.

Financial Liability and Collective Bargaining. Although the Department of Social Services (DSS) and county welfare departments indicate that IHSS clients are the employers of the IPs, the courts have not always agreed. The courts have found that IHSS workers are the employees of the state and the counties for various purposes, including, for example, the minimum wage provisions of the Fair Labor Standards Act. While the decisions to date have *not* established county liability for providers' actions or specified that the county is the party responsible for collective bargaining, several IP mode counties have expressed concern over their *potential* exposure in these areas.

Our analysis indicates that these factors will continue to result in provider mode shifts as counties seek to improve the quality of IHSS programs while remaining within their budget allocations. The DSS can directly influence county decisions to change provider modes because it has statutory authority to disapprove annual county plans for providing IHSS, if the proposed plans would result in costs above the level of the county's IHSS allocation. To ensure that the IHSS program provides cost-effective, high quality services in the future, the Legislature needs to have the information that would allow it to assess the costs and quality-of-care impacts of each provider mode.

An IHSS pilot project that sunsets on June 30, 1988, will provide such an assessment of the costs and benefits for both the contract and the IP modes of service delivery. The evaluation of that pilot project does *not*, however, address these issues with respect to the welfare staff mode. It is our understanding that the department could provide accurate and

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comprehensive data on welfare staff mode *costs* by making some adjustments to its existing data collection systems and by reviewing data from counties that currently use the welfare staff mode. There are several options for making an assessment of the *quality of care* associated with the welfare staff mode, such as collecting information from various counties that currently use the welfare staff mode or establishing a pilot project. Therefore, we recommend that the department report to the fiscal committees prior to budget hearings on options for assessing the costs and benefits associated with the welfare department staff mode of providing IHSS.

ACCESS ASSISTANCE FOR THE DEAF

Background

The Deaf Access program provides funds for social services to deaf and hearing-impaired persons through eight regional contractors, which provide services in 28 of the state's 58 counties. The budget proposes $3.4 million in General Fund support for the Deaf Access program in 1988-89, which is the same amount that was appropriated for this program in 1987-88.

Language in the 1986 Budget Act required each contractor providing services under this program to submit to the Department of Social Services (DSS) an estimate of the unmet statewide need for deaf access services in 1986-87. According to recently updated information provided by seven of the eight deaf access contractors in response to the 1986 Budget Act language, the cost to extend services to the 30 counties that are not currently served would be $1.6 million. This would be a 47 percent increase above the level proposed in the budget for 1988-89. The contractors also estimated that the cost to increase the level of services in areas that currently receive some services would be $1.5 million. Therefore, the total increase for both extending services to unserved areas and increasing the level of services for areas that are currently served, would be $3.1 million, an increase of 91 percent, above the amount proposed for 1988-89.

Funding Options

Our analysis indicates that, other than the General Fund, there are two potential sources of funding available to the Legislature if it chooses to increase the level of services and the geographical coverage of the Deaf Access program:

- *Local Funds.* In 1985-86, the eight regional contractors used $1.6 million in funds available from charities and local governments. It is unclear whether the contractors could expand services in the areas that they already serve through a greater reliance on local funds. Part of the costs of expanding the program to serve additional areas of the state probably could, however, be funded locally by charities and local governments that serve these areas.
- *Federal Vocational Rehabilitation (VR) Funds.* Our analysis indicates that federal VR funds may be available to cover a portion of the costs of the Deaf Access program in 1988-89. In our analysis of the Department of Rehabilitation budget (please see Item 5160-001), we identify $8 million in unbudgeted federal VR funds. It is possible that some of these unbudgeted funds could be used for the Deaf Access

program. Because these funds are potentially available for several programs in addition to the Deaf Access program, we recommend in our analysis of Item 5160-001, that the Department of Finance report to the fiscal committees prior to budget hearings, on the potential use of these funds by several state departments.

EMPLOYMENT PROGRAMS FOR AFDC RECIPIENTS—

Greater Avenues for Independence (GAIN)

The DSS provides education and training services to recipients of AFDC in order to help them find jobs and become financially independent. In total, the budget proposes $268 million ($191 million General Fund) for employment services programs. The major portion of these funds—$259 million ($189 million General Fund)—is for the GAIN program. (These amounts do not include funds proposed for support of the GAIN program in Items 6110-156-001 and 6110-166-001, and Section 22 of the 1988 Budget Bill.) The remaining funds proposed in this item consist of (1) $6.3 million ($2.6 million General Fund) to operate the Work Incentive Demonstration program in counties which have not yet made the transition to GAIN, (2) $2.1 million in federal funds proposed for transfer to the State Department of Education (SDE) for child care services for GAIN participants, and (3) reimbursements of $3 million in federal funds from EDD to partially offset the General Fund costs of GAIN.

Overview of the GAIN Budget Request

Table 11 displays expenditures from all funding sources proposed for GAIN in the current and budget year. The table displays expenditures for each of the components of the GAIN program. It also displays the various funding sources for the program. As the table shows, the budget proposes to fund the program from two major sources: (1) funds appropriated specifically for GAIN and (2) funds redirected from other programs.

Expenditures. Table 11 shows that the budget proposes $408 million in expenditures for the GAIN program in 1988-89, which represents an increase of $198 million, or 94 percent, above the amount provided in the 1987 Budget Act. The department has not revised its current-year figures to reflect updated caseload and cost data—we discuss the department's estimate of current-year expenditures in more detail below. As the table shows, the largest increases are for the costs to serve GAIN participants who are in the education, training, and job search components of the program.

Funds Appropriated for GAIN. Table 11 shows that the bulk of the support for the program is derived from funds specifically appropriated for GAIN. The largest appropriation is the $189 million General Fund appropriation proposed for the DSS. This represents an increase of $136

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Table 11
Department of Social Services
GAIN Program
Proposed Expenditures and Funding Sources
1987-88 [a] and 1988-89
(dollars in thousands)

	Est. 1987-88 [a]	*Prop. 1988-89*	*Change Amount*	*Change Percent*
EXPENDITURES BY COMPONENT				
Registration, orientation, and appraisal	$8,074	$14,476	$6,402	79%
Education	115,012	172,035	57,023	50
Job search	20,567	48,128	27,561	134
Assessment	10,379	16,662	6,283	61
Training	60,784	103,563	42,779	70
Long-term PREP	7,765	23,866	16,101	207
90-day child care	7,496	8,918	1,422	19
Planning	18,249	19,000	751	4
Child care licensing	1,353	309	−1,044	−77
Evaluation	163	400	413	253
County administration	—	365	365	b
Totals	$249,842	$407,772	$157,930	63%
Less legislative reduction	−40,000	—	—	—
Adjusted expenditure totals	$209,842	$407,772	$197,930	94%
FUNDING SOURCES				
Funds Appropriated for GAIN				
General Fund				
Department of Social Services	$53,000	$189,400	$136,400	257%
State Department of Education	(10,800)	(11,400)	(600)	6
Adult education	6,200	4,200	−2,000	−32
Match for JTPA education funds	4,600	7,200	2,600	57
Department of Finance	44,000	44,000	—	—
Subtotals, General Fund	($107,800)	($244,800)	($137,000)	127%
Federal funds	41,900	70,700	28,800	69
Totals, funds appropriated for GAIN	($149,700)	($315,500)	($165,800)	111%
Funds Redirected for GAIN				
General Fund				
Existing ADA funds	($21,000)	($45,500)	($24,500)	117%
Adult education	5,200	14,100	8,900	171
Regional occupation centers and programs	2,600	2,000	−600	−23
Community colleges	13,200	29,400	16,200	123
Career opportunity development programs	600	3,000	2,400	400
Cooperative agencies resources for education	100	300	200	200
Job agent/service center	400	900	500	125
Subtotals, General Fund	($22,100)	($49,700)	($27,600)	125%
Employment Training Fund	$5,000	$1,100	−$3,900	−78%
Federal funds				
JTPA	(20,500)	(16,100)	(−4,400)	−22
Training	15,900	8,900	−7,000	−44
Education	4,600	7,200	2,600	57
Job service	1,500	6,900	5,400	360
Career opportunity development programs	900	1,600	700	78
Community services block grant	800	1,500	700	88
Vocational education block grant	600	4,800	4,200	700
Refugee social services	5,000	5,000	—	—
PELL grants	4,300	5,600	1,300	30
Subtotals, federal funds	($33,600)	($41,500)	($7,900)	24%
Totals, funds redirected for GAIN	($60,700)	($92,300)	($31,600)	52%
Grand totals, all funding sources	$210,400 [c]	$407,800	$197,000	94%

[a] Current-year figures have not been revised from those in the 1987 Budget Act.
[b] Not a meaningful figure.
[c] Detail does not add to totals due to rounding.

million, or 257 percent, over the amount appropriated in the current year.

Redirected Funds. As shown in the table, the budget assumes that $92 million in funds proposed for existing programs will be available to provide services to GAIN participants. For example, the budget assumes that the community colleges will provide education and training services to GAIN participants totaling $29 million, at no charge to the GAIN program. Community colleges, and the other state programs shown on the table, may provide additional services to GAIN participants on a fee-for-service basis under contract with county welfare departments.

While Table 11 breaks out GAIN expenditures by program component, Table 12 shows how the $408 million proposed for GAIN would be distributed among expenditure categories. Table 12 shows that almost one-half of the funds (48 percent) are proposed for *program costs*—the costs incurred by county and contract staff to provide direct services such as job search, education, and training to GAIN participants. An additional $130 million, or 32 percent of total costs, is for *supportive services*, including child care, transportation, and ancillary costs (such as books and work-related clothing) provided to participants. Finally, $84 million, or 21 percent of total costs, is for *administrative costs*, which consist primarily of county costs to administer the GAIN program.

Table 12
Department of Social Services
GAIN Expenditures by Category
1988-89
(dollars in millions)

	Proposed 1988-89	Percent of Total
Program Costs		
Orientation	$1.2	0.3%
Testing and evaluation	10.9	2.7
Education	82.7	20.3
Job club/search [a]	30.2	7.4
Assessment	12.4	3.0
Training and vocational education	55.7	13.7
Long-term PREP	1.1	0.3
Subtotals, program costs	($194.2)	(47.6%)
Supportive Services		
Child care [b]	90.8	22.3
Transportation	32.5	8.0
Ancillary expenses [c]	6.5	1.6
Subtotals, supportive services	($129.8)	(31.8%)
Administration [d]	$83.7	20.5%
Totals	$407.7	100.0%

[a] Includes 90-day job search.
[b] Includes transitional child care provided for 90 days after an individual leaves aid due to employment.
[c] Includes workers' compensation costs for participants in certain training components.
[d] Includes funds for planning, statewide evaluation, and child care licensing.

Budget Shortfall

While the total amount proposed for GAIN in 1988-89 is nearly double the amount budgeted for the current year, the budget acknowledges that the increase is not sufficient to fully fund the program statewide.

SOCIAL SERVICES PROGRAMS—Continued

Therefore, the budget proposes a two-tiered approach to funding the program in 1988-89. Specifically, the budget proposes to (1) fully fund costs in the 18 counties that were operating GAIN prior to October 1987 and (2) allocate the remaining funds among 40 counties at a level which will cause these counties to serve only a portion of their potential GAIN caseload. (Chapter 1025, Statutes of 1985, which created the GAIN program, allows counties to accommodate funding shortfalls by reducing the number of participants that the program serves, rather than by reducing the kinds of services that participants receive.)

Options for Addressing the Budget Shortfall

The budget proposal presents the Legislature with a major policy issue: What are the Legislature's options for funding the GAIN program in 1988-89? In *The 1988-89 Budget: Perspectives and Issues,* we discuss the costs of the GAIN program and how the department's cost estimate has evolved since the Legislature enacted Chapter 1025. In addition, we discuss the following three options for funding the program in 1988-89:

- ***Program Participation Restrictions.*** The budget's two-tiered funding proposal is an example of how restrictions on who can participate in the GAIN program can reduce expenditures. The major problems that we have identified with the proposal are that (1) it treats different counties differently, and (2) it sets a precedent that could be difficult to reverse. One alternative to the two-tiered approach would be to require *some* participation restrictions in 58 counties.
- ***Reductions in Scope of Services.*** Another option for addressing the budget shortfall would be to reduce the amount or kinds of services provided to GAIN participants. Obviously, changes in program scope would involve major policy decisions.
- ***Full Funding.*** According to the department's current estimates, fully funding all 58 counties would require an additional General Fund commitment of $97 million in 1988-89. We believe, however, that by the time of the May revision, this figure could change substantially. We discuss several issues below that could affect the costs of fully funding the GAIN program in 1988-89.

Current-Year Expenditure Information

We recommend that prior to budget hearings, the department report to the fiscal committees on its most recent estimate of current-year county allocations and expenditures, and the amount of unspent funds that could be available for reappropriation.

While the *estimated* costs of GAIN and the amount *allocated* to counties for the program has risen dramatically, the amount of money actually *spent* on the program remains relatively low to date. In 1986-87, the first year of GAIN operations, counties spent only $14 million, or 33 percent, of the funds allocated to them (this excludes expenditure of funds from other programs). The department's preliminary estimate of expenditures for the first three months of 1987-88 indicates that the counties spent $6 million. This is substantially less than the amount anticipated for expenditure during this period. It is too early to project exactly how much the counties will spend in the remaining months of the current year. Our analysis indicates, however, that implementation delays and lower-than-anticipated caseloads in various GAIN components, will hold total county spending substantially below appropriation levels in the current year. Therefore, we expect that a substantial portion of the funds budgeted for the current year will be available to offset costs in 1988-89.

Updated information about anticipated expenditures for the current year will help the Legislature to (1) assess expenditure patterns in the counties and (2) calculate the amount of funds potentially available to be reappropriated for the budget year. Therefore, we recommend that the department report to the fiscal committees prior to budget hearings, on its most recent estimate of current-year allocations and expenditures, and the amount of resulting carry-over which could be reappropriated for the budget year.

Additional Adult Education Funds Are Potentially Available to Offset the Costs of GAIN

We recommend that DSS and the State Department of Education (SDE) report to the fiscal committees prior to budget hearings, on the amount of additional education funds available for GAIN which are not reflected in the budget.

The cost to support GAIN participants in the education component is estimated at $172 million. These costs would be funded primarily by General Fund monies appropriated for GAIN. The budget also assumes that $14 million of the total will be from existing education resources that the schools will make available to GAIN participants. Our review indicates that the amount of existing adult education funds available for GAIN in the budget year may be greater than the amount assumed in the budget. These additional resources could be used to reduce the need for new General Fund resources in 1988-89.

The department indicates that counties are identifying more adult education resources available at the local level than the amount assumed in the GAIN estimate. While the department advises that it has increased its estimate slightly to reflect an increase in the availability of adult education resources to serve GAIN participants, it will not be able to determine exactly how much more of this existing resource will be available until it has reviewed all of the county plans and verified these figures with the SDE.

In addition to the higher-than-anticipated amount of resources available for adult education in local schools, additional education resources could be available for serving GAIN clients from three other sources: (1) funds appropriated in Ch 1025/85, which were never spent, (2) unexpended adult education funds that are required to be reallocated for the GAIN program, and (3) new adult education "growth funds" proposed for 1988-89, of which an unspecified amount will be used for GAIN. (In Item 6110-156-001, we recommend that the Superintendent of Public Instruction inform the Legislature of the amount of growth funds that would be available for GAIN.) These amounts are not reflected in DSS' calculation of funding sources for GAIN education costs. At the time this analysis was prepared, the data necessary to prepare a precise estimate of the amount of these funds was not available. Based on preliminary information, however, we estimate that the amount could total more than $5 million.

In order to provide the Legislature with the information it will need to determine how much *additional* money is needed from the General

SOCIAL SERVICES PROGRAMS—Continued

Fund to provide education to GAIN participants, we recommend that the DSS, in conjunction with the SDE, report to the fiscal committees prior to budget hearings, on the amount of adult education resources which will be available for GAIN from (1) local school districts, (2) unspent funds appropriated in Ch 1025/85, (3) unexpended ADA funds, and (4) new adult education "growth funds" for 1988-89.

Department Needs to Review Assumption About Attrition from the Education Component of GAIN

We recommend that the department advise the fiscal committees prior to budget hearings on counties' experience regarding GAIN participants' rate of attrition from education.

The budget assumes that 5 percent of the GAIN participants enrolled in education will leave aid each month. In other words, over the course of the seven month estimated average stay in education, 35 percent of the participants who initially enrolled in this component will leave the GAIN program. This assumption has significant implications for the costs of the program, since it substantially reduces the estimated caseload in the education component. The DSS advises that it based this assumption in part on preliminary data showing that more AFDC applicants leave aid after a short period than the department had previously assumed. However, the budget also assumes that, due to budget constraints, most counties will serve only AFDC *recipients,* not *applicants.* Since recipients, on average, remain on aid longer than applicants, the department's attrition assumption may not be justified in light of the reduced funding level proposed in the budget.

The department could test the accuracy of its assumption by surveying actual attrition rates for applicants as well as for recipients in the operating counties. Consequently, we recommend that DSS advise the fiscal committees prior to budget hearings on the actual experience of counties that have implemented GAIN regarding the attrition of AFDC applicants and recipients.

DSS Needs to Develop a System for Containing GAIN Costs

We recommend that the department report to the fiscal committees prior to budget hearings on its plan for developing a system for containing GAIN costs.

One way to reduce the costs of fully funding the GAIN program is to ensure that counties provide GAIN services as efficiently as possible and maximize their use of available existing resources. Our review of the county budget allocations approved by DSS thus far indicates that there is substantial variation in county costs. This variation suggests that some counties could deliver GAIN services more efficiently, thereby reducing the funding requirements of the program.

Current County Allocation Process. Currently, the department does not have a formal system for containing GAIN costs. Instead, the department reviews each county's budget request on a case-by-case basis. The department has significantly improved its allocation process as the DSS and the counties have gained more experience with the program. Nevertheless, we believe that further improvement is necessary.

Under the Current Allocation System, the DSS Has Approved Widely Varying County Costs. Table 13 shows the costs of GAIN, on a per-person basis, in the first 12 counties to implement the program. The table displays each county's "gross costs" (total expenditures by *all* programs to serve GAIN clients), the amount of existing resources available to offset these costs, the percentage of gross costs that are offset by existing resources, and the resulting net costs. The table shows that there is substantial variation in the net costs of the counties' programs. Specifically, the net costs range from $860 per registrant in Napa County to $2,382 in Yuba County.

Table 13
Department of Social Services
Range of Budgeted Costs Per GAIN Registrant [a]
First 12 Counties to Implement the Program
1987-88

	Gross Costs	*Existing Resources*	*Existing Resources as Percent of Gross Costs*	*Net Costs*
Yuba	$3,236	−$854	26%	$2,382
San Mateo	2,381	−262	11	2,119
Butte	2,394	−412	17	1,982
Santa Clara	2,559	−794	31	1,765
Fresno	2,456	−845	34	1,611
Merced	2,274	−647	28	1,627
Kern	1,669	−192	12	1,477
Shasta	2,366	−961	41	1,405
Ventura	1,985	−721	36	1,264
Stanislaus	1,648	−485	29	1,163
Madera	1,554	−485	31	1,069
Napa	928	−68	7	860
Median	$2,320	−$566	29%	$1,522

[a] Costs shown reflect approved county plans. Actual expenditure data for the GAIN program are not available at this level of detail.

Our review of the data shown in Table 13 suggests that the counties with relatively high net costs fall into two categories: those with relatively high gross costs and those with a relatively low percentage of existing resources. To the extent that the counties with relatively high net costs are able to bring these costs more in line with the median costs, either by reducing gross costs or increasing existing resources, the overall costs of the GAIN program would be reduced substantially.

Approaches to Developing a System for Containing GAIN Costs. We recognize that developing a system to contain the costs of the GAIN program will be a major undertaking for the department. This is because the GAIN program is very complex and is designed to allow counties substantial flexibility in structuring local programs tailored to local conditions. Nevertheless, the variation in county costs described above suggests that cost reductions are possible.

In order to develop a GAIN cost containment system that encourages counties to provide services as efficiently as possible and to maximize their use of existing resources, the department will need to develop cost guidelines for GAIN services and targets for the percentage of costs which should be offset with existing resources. In fact, the 1987 Budget Act required the department to develop cost guidelines (but not guidelines on the utilization of existing resources) and submit them to the

SOCIAL SERVICES PROGRAMS—Continued

Legislature by January 1, 1988. At the time this analysis was prepared, the department had not yet submitted these guidelines.

To ensure that cost and existing resource utilization guidelines are reasonable, and that they would not require counties to reduce the level or quality of the services they provide, the department will need several types of information which are not currently available. Specifically, the department needs information on actual county expenditures for various types of GAIN services and the actual amount of existing resources used to serve GAIN participants—the expenditure and existing resources utilization data currently available reflect *county plans,* not actual *county activities.*

Based on this information and on its continuing review of county operations, DSS should be able to develop a system for containing GAIN costs. We therefore recommend that the department provide the Legislature, prior to budget hearings, with its specific plans for developing a system for containing GAIN costs, including its plans for gathering detailed expenditure data which tracks county expenditures by program component, type of expenditure, and funding source.

Review of GAIN Budget Assumptions

We recommend that prior to budget hearings, the Department of Social Services report to the fiscal committees on the following issues regarding GAIN funding needs: (1) the potential to maximize the use of existing resources available to serve GAIN participants, (2) its progress in developing interagency agreements with specified departments as required by the 1987 Budget Act, (3) the reasonableness of assumptions regarding grant diversion, and (4) the appropriateness of budgeting a specified amount for GAIN job development.

Based on our review of the department's GAIN estimate and its budget assumptions, we have identified several problems that the department should address prior to the May revision in order to provide the Legislature with a more accurate picture of the costs of the program.

The Budget Does Not Reflect All Available Resources. As we discuss above, the amount of existing resources which can be used to offset GAIN costs is one key to containing the costs of the program. If more of the needs of GAIN participants can be met with existing resources, then the amount the Legislature needs to appropriate for GAIN will be less.

Our review indicates that the DSS may be able to offset more GAIN costs with existing resources than the current estimate indicates, thereby reducing General Fund needs. For example, the department only used one-third of the Job Training Partnership Act (JTPA) funds and two-thirds of the community college resources that it estimates to be available to support the training and vocational education needs of GAIN participants. We found that:

- ***Counties May Be Able to Use JTPA Resources to Provide Employment Services Not Identified by the Department.*** Local JTPA Service Delivery Areas (SDAs) could provide job club and job search activities for GAIN participants. In addition, SDAs could administer grant diversion-funded training. (Grant diversion-funded training uses all or part of an individual's AFDC grant to pay an employer for the cost of training. The individual receives a wage during training, with the expectation that the employer will hire him or her after the training period.) Currently, DSS assumes that both of these activities will be funded with an equal share from the General Fund and federal funds, rather than 100 percent federal support.

- ***Counties Can Use Cooperative Agencies Resources for Education (CARE) Funds to Provide Supportive Services for GAIN Participants.*** This program provides child care and other supportive services to AFDC recipients with children under six who are attending community college. However, the DSS has assumed CARE funds would be used only for direct program costs. Using CARE resources to offset supportive services needs would reduce the need for new General Fund resources for this purpose. In turn, DSS could use available community college resources to "backfill" the direct program costs the department assumes would be offset with CARE funds.

Maintenance of Effort Commitment Is Uncertain. Three of the major existing funding sources for GAIN—adult education programs, community colleges, and JTPA—have committed to provide a certain level of education and training services to GAIN participants within their existing resources. Beyond this level, these agencies are entitled to receive additional funds for costs incurred as a result of GAIN. These additional funds would come either: (1) through contracts with county welfare departments or (2) through amounts released by the Department of Finance pursuant to Section 22 of the 1988 Budget Bill. This threshold level of services—known as a maintenance of effort level—is key because it determines the amount of additional funds these programs will require to provide GAIN services.

Our review indicates that the DSS needs to continue to work with these other agencies to establish an appropriate maintenance of effort level. This will serve two purposes. First, it will help counties determine the availability of local education and training resources for their planning and budgeting purposes. Second, it will help the department determine how much additional money is needed for these purposes statewide, including the amount needed from Section 22 of the Budget Bill.

The 1987 Budget Act directs the department to enter into interagency agreements with the other state agencies who are involved in GAIN, including the SDE, the community colleges, and the Employment Development Department (EDD) to work out standard procedures for using existing resources. At the time this analysis was prepared, these agreements had not been developed. We would expect that some of the issues identified above would be resolved in these agreements.

Grant Diversion Assumptions Are Not Realistic. The budget assumes that an equal number of GAIN participants will be referred to regular on-the-job training (OJT)—where an employer receives a subsidy from JTPA or some other training provider to offset the cost of training—and OJT funded by grant diversion. Grant diversion is potentially an excellent funding source for training GAIN participants. However, it is complicated and requires careful planning. Consequently, only one county is currently using this technique. The department expects several other counties to begin using grant diversion soon. Nevertheless, we question whether counties will be able to do the amount of grant diversion in 1988-89 which is assumed in the budget. To the extent that counties refer people to regular OJT rather than grant diversion-funded OJT, the costs

SOCIAL SERVICES PROGRAMS—Continued

of training will be higher. In this event, however, regular OJT *could* be provided using existing JTPA resources, which our review indicates are not fully accounted for in the GAIN budget.

Job Development Costs May Be Overstated. The GAIN estimate includes approximately $200 per participant in certain training components to pay for job development. At the same time, the department increased the average cost it proposes for training to reflect updated JTPA training costs. We have two concerns with this aspect of the estimate.

1. The JTPA training costs already include costs for some amount of job development. We recognize that additional job development efforts may be warranted for GAIN under certain circumstances, particularly for developing work experience positions for GAIN participants. However, it is unclear how much job development is needed for GAIN in addition to the job development provided by training contractors.

2. The counties may be able to take advantage of existing job development efforts in their community—through EDD, JTPA, and economic development agencies. In fact, budgeting additional job developers through the GAIN program may be counter-productive in some areas. This is because a primary consideration in job development is not to flood the employer community with job developers.

We believe that the Legislature will need information on each of the issues we have outlined above in order to determine the appropriate funding level for the GAIN program in 1988-89. We therefore recommend that prior to budget hearings, the DSS report to the fiscal committees on the following:

1. The potential to maximize the use of existing resources available to serve GAIN participants.

2. Its progress in developing interagency agreements with various departments as required by the 1987 Budget Act in order to clarify maintenance of effort commitments.

3. The reasonableness of current assumptions about the use of grant diversion to fund training in 1988-89 given the status of county grant diversion efforts.

4. The appropriateness of budgeting $200 for job development for each GAIN participant in certain types of training given existing job development efforts.

Technical Issues

We recommend increasing Item 5180-151-001 by $3 million to correct for double-counting the amount of reimbursements available from EDD's Job Service 10-Percent funds to offset the General Fund costs of GAIN.

The GAIN statute requires that up to one-half of the federal Job Service discretionary funds granted to the EDD be used to support GAIN activities. In 1988-89, EDD proposes to transfer $3 million to DSS for this purpose. Our review of DSS' budget documents indicates that DSS inadvertently credited these reimbursements twice against its General Fund expenditures for GAIN.

We recommend reducing Item 5180-151-001 by $700,000 to reflect the amount of CARE funds that will actually be available to provide supportive services to GAIN participants.

Our review of DSS' budget documents indicates that the department (1) understated the amount that will be available for GAIN participants from the CARE program and (2) failed to use these funds to offset the General Fund requirements for the GAIN program in 1988-89.

GAIN Child Care

The State Department of Education (SDE) has primary responsibility for overseeing the provision of child care for GAIN participants. In our analysis of the budget for the SDE (please see Item 6110), we make two recommendations regarding child care in the GAIN program. Specifically, we recommend that:

1. The Legislature adopt supplemental report language in Item 6110-001-001 directing SDE to determine the feasibility of obtaining federal reimbursement for GAIN-related reporting costs and include any available federal reimbursements in the 1989-90 budget.
2. The Legislature (a) adopt supplemental report language directing SDE to collect data on the number of GAIN "graduates" who are receiving state-subsidized child care services, and (b) direct SDE to develop a system for assessing the number of GAIN participants and graduates enrolled in state-subsidized child care and report on the proposed system prior to consideration of the 1989-90 budget.

Department of Social Services
COMMUNITY CARE LICENSING

Item 5180-161 from the General Fund and the Federal Trust Fund — Budget p. HW 167

Requested 1988-89	$14,719,000
Estimated 1987-88	13,774,000
Actual 1986-87	11,112,000
Requested increase $945,000 (+6.9 percent)	
Total recommended reduction	None

1988–89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-161-001—Local assistance	General	$9,394,000
5180-161-890—Local assistance	Federal	5,325,000
Total		$14,719,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	Analysis page
1. Foster Family Home Recruitment Activities. Recommend that the Legislature adopt Budget Bill language separately allocating appropriations for recruitment and basic licensing activities, and supplemental report language directing the department to provide technical assistance to the counties.	716

COMMUNITY CARE LICENSING—Continued

Also recommend that prior to budget hearings, the department advise the fiscal committees whether it would require additional staff to implement this recommendation.

GENERAL PROGRAM STATEMENT

This item contains the General Fund appropriation for (1) the state's cost of contracting with the counties to license foster family homes and family day care homes and (2) foster family home recruiting activities by counties. Funds for direct state licensing activities are proposed in Item 5180-001-001—department 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 home must be the residence of the foster parents and must provide services to no more than six children. Family day care homes are licensed to provide day care services for up to 12 children in the provider's own home.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes two appropriations totaling $14,719,000 ($9,394,000 General Fund and $5,325,000 federal funds) to reimburse counties for licensing activities in 1988-89. This is an increase of 6.9 percent over the estimated current-year expenditures. The increase is due to (1) a projected 6.2 percent increase in the foster family home caseload ($672,000) and (2) a projected 6.4 percent increase in family day care caseload ($273,000). Table 1 displays program expenditures and funding sources for this program in the past, current, and budget years.

Table 1
Department of Social Services
Community Care Licensing
Budget Summary
1986-87 through 1988-89
(dollars in thousands)

				Change From 1987-88	
Program	*Actual 1986-87*	*Est. 1987-88*	*Prop. 1988-89*	*Amount*	*Percent*
Family day care licensing					
General Fund	$4,142	$4,077	$4,350	$273	6.7%
Foster family home licensing	5,970	7,697	8,369	672	8.7
General Fund	(2,043)	(3,708)	(4,044)	(336)	(9.1)
Federal funds	(3,927)	(3,989)	(4,325)	(336)	(8.4)
Foster family home recruitment	1,000	2,000	2,000	—	—
General Fund	(1,000)	(1,000)	(1,000)	—	—
Federal funds	(—)	(1,000)	(1,000)	—	—
Totals	$11,112	$13,774	$14,719	$945	6.9%
Funding Sources					
General Fund	*$7,185*	*$8,785*	*$9,394*	*$609*	*6.9%*
Federal funds	*3,927*	*4,989*	*5,325*	*336*	*6.7*

ANALYSIS AND RECOMMENDATIONS

FOSTER FAMILY HOME RECRUITMENT PROGRAM

Background

The budget includes $2 million ($1 million General Fund, $1 million federal funds) for recruitment activities in 1988-89. This is the same amount that the Department of Social Services (DSS) estimates the counties will spend for recruitment in the current year. Under the Foster Family Home Recruitment program, initiated in 1985-86, counties conduct public awareness campaigns, send representatives to speak at public functions, advertise in the media, and interview prospective foster parents. In the 48 counties that license family homes under contract with the department, the recruitment activities are generally performed by licensing staff. In the other 10 counties, recruitment is the responsibility of the county's child welfare services staff.

Chapter 1597, Statutes of 1984, established the Foster Family Home Recruitment program in response to a shortage in the number of homes available for foster care children. This shortage developed as a result of two factors: (1) between June 1983 and June 1985, the number of children in foster care grew by about 16 percent and (2) the supply of foster family homes remained basically stable, growing from 12,495 to 12,629, an increase of only 1 percent, during the same period.

Maintaining an adequate supply of foster family homes is important for two reasons. First, foster family homes provide children with a more family-like environment than do group homes: providing children in foster care with the most family-like environment possible is one of the basic goals of the state's $374 million per year Child Welfare Services program. Second, it costs the state substantially less to support a child in a foster family home than in a group home: the average monthly cost of family home care is currently $452 per month while the cost of group home care is $2,438 per month, a difference of $24,000 annually.

Shortage of Foster Family Homes Worsens

Chart 1 shows that the gap between the number of foster children and the number of homes has widened steadily over the past few years despite recruitment efforts. Specifically, since 1984-85, the number of children in foster care has increased at more than twice the rate of the number of participating homes. Moreover, the department's projections for the budget year indicate that the increase in the number of children in foster care will continue to outpace the growth in the supply of homes. According to the department's budget-year figures, for each additional family home that will be added to the total supply of homes, there will be an additional seven children added to the foster care caseload.

Repercussions of the Foster Family Home Shortage

Chart 1 also shows that the number of children placed in *family homes* has grown steadily, despite the relatively low rate of growth in the number of homes available. Our analysis indicates, however, that the historical rate of growth in foster family home placement cannot continue indefinitely. This is because, as Chart 2 shows, family homes will be filled to capacity sometime during the current year. Specifically, the chart shows that early in 1988 there will be 35,067 licensed family home beds and the same number of children placed in family homes, according to the department's projections.

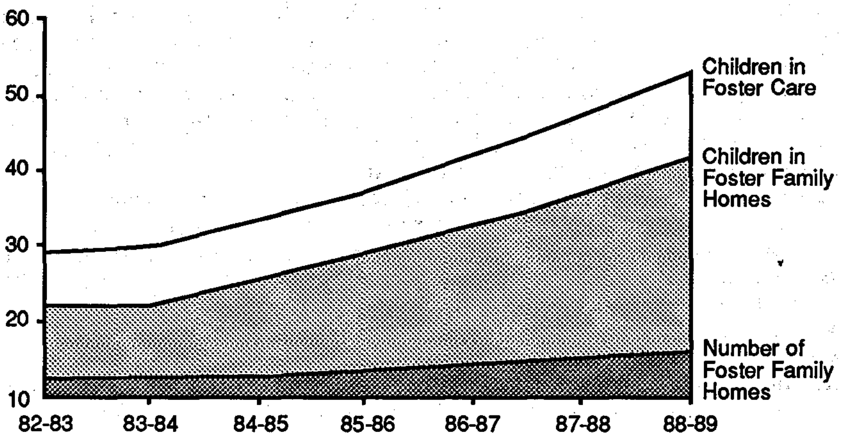
In fact, the department's projections show that by the end of 1988-89, the state will have 3,792 more children in need of foster family care than the number of beds available in the state's foster family homes. Absent any change in capacity, social workers will have to place these children in emergency shelters or group homes. We discuss this problem with the department's estimate of the foster family home caseload as part of our analysis of the AFDC-Foster Care item (please see Item 5180-101-001).

COMMUNITY CARE LICENSING—Continued

Chart 1

Number of Children In Foster Care Compared to the Supply of Family Homes

1982-83 through 1988-89 (In thousands)



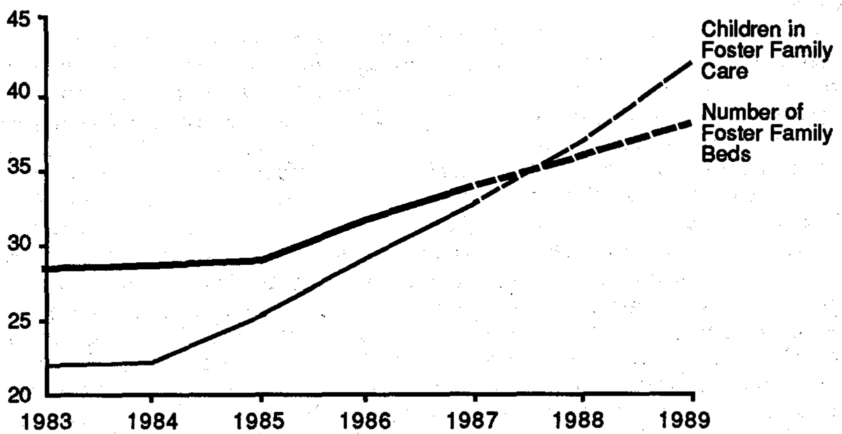
Could the Foster Family Home Recruitment Program Be More Effective?

Chart 1 shows that the recruitment program has had a substantial impact on the supply of family homes: the supply increased by over 6 percent annually in the two years following the implementation of the program. On the other hand, Chart 2 shows that the increase in family homes has not been adequate to prevent a significant shortfall of family home beds beginning in 1988. In order to assess whether the recruitment program has been as effective as possible, we examined changes in the supply of family homes that occurred in various counties following the implementation of the recruitment program.

Our review of the data reveals that there have been substantial differences between counties with respect to the level of success achieved in the recruitment programs. For example, Los Angeles, Alameda, and San Bernardino Counties have increased their supply of family homes by more than 15 percent since the implementation of the recruitment program, while Orange, San Francisco, and Contra Costa Counties have experienced either no change or actual reductions in the availability of family homes since the state augmented the licensing budget to pay for recruitment activities.

Chart 2

Foster Family Home Trends
Growth in Capacity vs. Growth in Occupancy
1983 through 1989[a] (in thousands)



[a] Caseload figures are for June of each year.

Department Does Not Monitor Recruitment Expenditures

In light of the state's need for more family homes and the potential that county recruitment efforts could be improved, we were concerned to find that the department has no information on exactly how much money has been spent on recruitment either statewide or on a county-by-county basis. In order to evaluate the effectiveness of the recruitment program and to ensure that the counties are using the funds as intended by the Legislature, county expenditure data are critical. The department advises that this information is not available because the funds intended for recruitment have been allocated to counties as part of the general Community Care Licensing (CCL) program allocations.

Technical Assistance to Counties Needed

Each county has established and organized its own foster family home recruitment program. Our review of the program indicates that, currently, counties share very little information with each other about successful recruitment activities or strategies. One way for the department to improve the effectiveness of county recruitment programs, especially for counties whose supply of family homes has not kept pace with increasing foster care caseloads, would be for the department to provide technical assistance.

Technical assistance can take many forms. For example, the department currently provides this assistance in the Aid to Families with Dependent Children program where it works with counties to establish corrective action plans for improving the accuracy of eligibility determi-

COMMUNITY CARE LICENSING—Continued

nations. In the case of the recruitment program, the department could be the statewide source for information and coordination. For example, the department could identify strategies that have proven effective for counties like Los Angeles, Alameda, and San Bernardino, which have increased their supply of foster family homes, and help other counties implement these strategies or modify them to suit their needs.

Conclusion

We recommend that the Legislature adopt Budget Bill language requiring the department to separately allocate and monitor funds intended for recruitment purposes. We also recommend that the Legislature adopt supplemental report language directing the department to assist counties intheir recruitment efforts, especially those with family home shortages. In addition, we recommend that prior to budget hearings, the department provide the fiscal committees with an estimate of the additional staff, if any, that would be required to provide technical assistance and corrective action planning to counties.

Our review of the recruitment program indicates that even though the supply of foster family homes has increased since the program was enacted in 1985, recruitment efforts have not been sufficient to keep pace with the growth in the number of children in foster care. Since the effectiveness of the recruitment program varies substantially from county to county, we believe that the department should develop tighter fiscal controls over the funds intended for recruitment and provide counties with technical assistance, enabling them to improve the effectiveness of their recruitment programs. We therefore recommend the adoption of Budget Bill language requiring the department to allocate recruitment funds separately from the general CCL allocation. The following Budget Bill language is consistent with this recommendation:

"Of the amount provided in this item, the department shall separately allocate to the counties \$2 million (\$1 million General Fund, \$1 million federal funds) for foster family home recruitment activities. Each county that expends funds from its recruitment allocation shall provide the department with a description of its proposed recruitment activities by September 30, 1988. At a minimum, the description shall identify the amount of funds that the county expects to spend for (1) advertising, (2) general overhead activities associated with recruitment efforts, and (3) licensing activities designed to facilitate the application process for new licensees. The department shall reallocate any unexpended funds, including funds originally allocated to counties that do not comply with the reporting requirement established by this provision, to counties that in the department's judgment, based on its review of county recruitment activities, can most effectively use the funds to increase the supply of foster family homes."

We further recommend that the Legislature adopt supplemental report language directing the department to provide technical assistance and to work with individual counties to develop corrective action plans to improve the effectiveness of their recruitment programs:

"The department shall work with those counties experiencing the most pronounced family home shortages to develop a corrective action plan to improve the effectiveness of the counties' recruitment programs.

"In addition, the department shall provide technical assistance to counties that request it, and issue an All-County Letter by January 1, 1989, containing (1) a directory of the various recruitment activities performed by the counties, making a special note of those counties that have had the most successful recruitment programs since 1985, and (2) an analysis of which activities and strategies generate the greatest number of responses and successful applications."

We recognize that the department may need additional staff to provide the technical assistance and corrective action planning that we recommend. Therefore, we also recommend that prior to budget hearings, the department provide the fiscal committees with an estimate of the additional staff, if any, that would be required to implement the above recommendation.

Department of Social Services
COST-OF-LIVING ADJUSTMENTS

Item 5180-181 from the General Fund and the Federal Trust Fund — Budget p. HW 169

Requested 1988-89	$388,482,000
Total recommended reduction	35,203,000
Recommendation pending	None

1988–89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-181-001—Cost-of-living adjustments	General	$248,030,000
5180-181-890—Cost-of-living adjustments	Federal	140,452,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. ***Statutory Cost-of-Living Adjustments (COLAs)—Decrease in California Necessities Index (CNI). Reduce Item 5180-181-001 by $23.9 Million and Item 5180-181-890 by $11.3 Million.*** Recommend a reduction of $35.2 million ($23.9 million General Fund and $11.3 million federal funds) to reflect a 4.7 percent actual increase instead of the 5.2 percent estimated for the proposed budget. 718
2. Update CNI. Recommend that prior to budget hearings, the Commission on State Finance report on options for updating the CNI. 719
3. In-Home Supportive Services (IHSS) Statutory Maximum Service Award. We recommend the enactment of legislation to ensure that the cost control mechanism for IHSS is meaningfully related to the clients' needs for services and the Legislature's budgetary priorities for the IHSS program. 720

GENERAL PROGRAM STATEMENT

This item contains the General Fund appropriation to provide cost-of-living adjustments (COLAs) to various welfare and social services

COST-OF-LIVING ADJUSTMENTS—Continued

programs. In general, this item provides funds to compensate for the effects of inflation on the purchasing power of grants to welfare recipients.

In accordance with the policy established by the Legislature in previous Budget Acts, the state will fund its share of the COLA granted to certain county welfare department employees one year in arrears (referred to as "retroactive" COLAs). Thus, the budget proposes to fund in 1988-89, the General Fund costs of specific COLAs granted to county welfare department employees in 1987-88. (These funds are appropriated in Items 5180-141-001 and 5180-151-001). For employee COLAs granted by counties in 1988-89, the state will fund its share of the costs beginning in 1989-90.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an augmentation of $388 million ($248 million General Fund, $140 million federal funds) to fund COLAs that are required by statute for the following programs: Aid to Families with Dependent Children-Family Group and Unemployed parents (AFDC-FG&U), Supplemental Security Income/State Supplementary Program (SSI/SSP) grants, the refugee cash assistance program, and the In-Home Supportive Services (IHSS) maximum grant awards. This item also provides the federal share of the 4.8 percent COLA that county welfare departments are expected to grant their employees in 1988-89. The budget also anticipates that the counties will spend $46 million from their funds to cover the county share of the costs of (1) AFDC-FG & U grants ($13 million) and (2) the 1988-89 COLA for county welfare department employees ($33 million).

ANALYSIS AND RECOMMENDATIONS

Budget Overestimates Statutory COLAs

We recommend a reduction of $35.2 million to reflect the actual statutory increase for welfare program COLAs in 1988-89. (Reduce Item 5180-181-001 by $23.9 million and reduce Item 5180-181-890 by $11.3 million.)

State law requires that SSI/SSP grants, AFDC-FG&U grants, and the maximum service award under the IHSS program be adjusted to reflect yearly increases in the California Necessities Index (CNI). The Commission on State Finance is the state agency responsible for estimating the change in the CNI. When the department prepared its budget in December 1987, the commission had not yet received the data necessary to calculate the percentage change in the CNI, which is based on December-to-December changes in inflation indexes reported for Los Angeles and San Francisco. The 5.2 percent increase proposed in the budget was based on the Department of Finance's (DOF) November estimate of what this change would be. The commission's staff and the DOF now advise that the data for December 1987 show that the CNI actually increased by 4.7 percent. Therefore, the amount of the COLAs for social services programs required by current law is 4.7 percent, rather than the 5.2 percent increase proposed in the budget.

The budget proposes statutory COLAs for the following programs in 1988-89:

- *SSI/SSP.* The budget proposes to provide a 5.2 percent COLA for SSI/SSP recipients on January 1, 1989 at a cost of $140.7 million ($140.4 million General Fund, $0.3 million federal funds). Current law requires a 4.7 percent COLA, at a cost of $127.2 million ($126.9 million General Fund, $0.3 million federal funds).
- *AFDC-FG&U.* The budget proposes to provide a 5.2 percent COLA to AFDC-FG&U cash grants on July 1, 1988 at a cost of $236.1 million ($106.7 million General Fund, $116.5 million federal funds, $12.9 million county funds). Current law requires a 4.7 percent COLA, at a cost of $213.4 million ($96.4 million General Fund, $105.3 million federal funds, $11.6 million county funds).
- *IHSS Statutory Maximum.* The budget proposes to provide a 5.2 percent COLA on July 1, 1988 to the *maximum* amount of service that each IHSS recipient is allowed by statute, at a cost of $921,000 (General Fund). Current law requires a 4.7 percent COLA, at a cost of $831,000 (General Fund).
- *Refugees.* The budget proposes to provide a 5.2 percent COLA for Refugee Cash Assistance (RCA)/General Assistance on July 1, 1988 at a cost of $1.2 million (federal funds). Current law requires a 4.7 percent COLA, at a cost of $1.1 million (federal funds).

The total difference between the costs of the 5.2 percent COLA projected by the DOF and the costs of the actual 4.7 percent change in the CNI calculated by the Commission on State Finance, is $36.4 million ($23.9 million General Fund, $11.3 million federal funds, $1.2 million county funds). We therefore recommend a reduction of $35.2 million ($23.9 million General Fund and $11.3 million federal funds).

Update the CNI

We recommend that prior to budget hearings, the Commission on State Finance advise the Legislature on options for updating its methodologies for calculating the annual change in the California Necessities Index.

The CNI measures the rate of inflation for a specific market basket of goods and services, each of which is weighted according to the consumption patterns of *low-income* consumers. The CNI contains a subset of the items of the California Consumer Price Index (CCPI) market basket. The CCPI is based on a comprehensive market basket of *all* goods and services which consumers purchase. The CNI subset includes the categories of food, apparel and upkeep, fuel and other utilities, residential rent, and transportation, which reflect the buying patterns of low-income consumers. As determined by surveys conducted by the U.S. Bureau of Labor Statistics (BLS), the relative weighting of individual items in the CCPI market basket is based on the average consumption patterns of a broad cross-section of California households, whereas the relative weighting of individual items in the CNI market basket is based on the spending patterns of *low-income* households.

The relative weights given to the CNI's market basket items are based on the relative amounts spent on these items in the early 1970s. Beginning in January 1987, the BLS has expanded the number of counties included in its survey, and has revised both the items in its consumer market basket and their weights, with the effect that the CCPI is now based on consumption habits as measured in the early 1980s. Under existing law, the CNI will not incorporate these changes, but rather will

COST-OF-LIVING ADJUSTMENTS—Continued

continue to be based on the consumption habits of the low-income households of the 1970s.

If the Legislature wishes to have changes in consumption habits that have occurred since the early 1970s properly reflected in the CNI, it will have to make a statutory change in how the index is computed. The exact effect which such a change would have on future CNI inflation remains to be seen, and would depend on such factors as how the commodity weightings and defined market baskets have changed for low-income California households living in the BLS survey areas. We believe that bringing the CNI up to date by incorporating the new BLS data would be appropriate because it would more accurately reflect the costs currently incurred by low-income persons.

We understand, however, that recent changes in BLS survey methods and the extent and type of reports that it produces may make updating the CNI difficult. Therefore, we recommend that the Commission on State Finance advise the Legislature of options for updating the CNI by incorporating new BLS data prior to budget hearings. Specifically, the commission should address (1) strategies for adapting BLS survey results so as to establish the *relative* weights for all of the items and (2) the adequacy of BLS data with regard to the specific buying habits of *low-income* consumers.

Minimum Wage Increase Will Reduce IHSS Services

We recommend the enactment of legislation to ensure that the cost control mechanism for IHSS is meaningfully related to the clients' needs for services and the Legislature's budgetary priorities for the IHSS program.

Under the IHSS program, counties provide supportive services to aged, blind, and disabled individuals to help them live in their own homes. Most IHSS clients receive these services from individual providers of care although about 12 percent of the services provided are rendered by county welfare department staff or by firms that contract with county welfare departments to provide the services. Current law limits the amount of service that each IHSS client may receive based on the monthly cost of the service. In 1987-88, this limit is $726 for nonseverely impaired (NSI) clients and $1,051 for those who are severely impaired (SI). These amounts are adjusted annually by the percentage increase in the CNI. For example, in 1988-89 the maximum service awards will increase by 4.7 percent.

The annual increase in the maximum award usually results in an increase in the number of hours of service allowed for about 1 percent of IHSS clients. These are clients who received the maximum allowable service award in the previous year, but had been assessed as needing additional services. Since the providers of service have not generally received increases in their hourly wage comparable to the increase in the CNI, the statutory increase to the maximum service award has translated into additional hours of service for clients who are at the statutory maximum.

In 1988-89, however, clients who are at the statutory maximum and who receive service from individual providers, will receive *fewer* hours of service. This is because the effect of the increase in the minimum wage in 1988-89 will more than offset the effect of the increase in the statutory maximum. Table 1 displays the combined effect of the 4.7 percent increase in the maximum service award that will take effect on July 1, 1988 and the increase in the minimum wage that will take effect at the same time. For example, the table shows that an IHSS SI client who is at the statutory limit in 1987-88 is limited to 282.5 hours of service. The 4.7 percent increase in the statutory maximum would increase this individual's hours to 295.7. The increase in the minimum wage, however, will result in a reduction in the individual's hours to a maximum of 258.8 hours, which is a reduction of 12.5 percent, or 36.9 hours.

Table 1

Combined Impact of the 4.7 Percent COLA and the Minimum Wage Increase on Hours of Service for IHSS Clients At the Statutory Maximum Service Award Levels 1987-88 and 1988-89

	1987-88		*1988-89*			
				Hours of Service		
	Maximum Award Level	*Maximum Hours*[a]	*Maximum Award Level*[b]	*At 1987-88 Wage*	*At New Minimum Wage*	*Difference in Hours*
Severely impaired client	$1,051	282.5	$1,100	295.7	258.8	36.9
Nonseverely impaired client	726	105.2	760	204.3	178.8	25.5

[a] Reflects the number of hours that an individual at the statutory maximum can receive from an individual provider at the average wage of $3.72 per hour.
[b] Reflects the 4.7 percent statutory increase that will take effect on July 1, 1988.

It is our understanding that the Legislature originally enacted the statutory maximum as a cost control mechanism for the IHSS program. Without a maximum dollar award, counties would provide services based only on the clients' assessed need. In many cases the county social workers who administer the IHSS program assess clients as needing more hours than the statutory limit would allow. For example, the 1987-88 client assessments indicate that up to approximately 1,300 clients have "unmet needs" for services which the IHSS program cannot provide due to the limits on the maximum service award.

While the statutory maximum has a clear-cut impact on IHSS costs, it is not clear why the maximum is tied to the CNI. When provider wages increase at the same rate as the CNI, the "inflation" adjustment makes sense: it holds the maximum number of service hours constant. In reality, however, this has never occurred. In fact, for most of this decade, wages have increased at substantially lower rates than has the CNI. When this occurs, the hours of service provided to clients at the maximum goes up. On the other hand, when wages increase faster than the statutory maximum, the service level is reduced. In neither case does the change in hours of service have any discernible relationship to the clients' needs or to the Legislature's budget priorities for the IHSS program.

We have identified three basic options for ensuring that the cost control mechanism is meaningfully related to the clients' needs for services and the Legislature's budgetary priorities for the IHSS program:

- ***Change the Methodology for Determining Increases in the Maximum Service Award So That Wage Changes Neither Increase Nor Decrease the Hours of Services Provided to Clients.*** The Legislature could enact legislation that provides for an annual adjustment to the statutory maximum that is tied to wage adjustments for IHSS

COST-OF-LIVING ADJUSTMENTS—Continued

providers and changes in the hourly costs of service for welfare staff and contract providers. Under this approach, clients at or near the limit would receive the same number of hours each year, regardless of changes in provider wages. If this legislation were enacted prior to the effective date of the minimum wage increase, it would prevent service reductions for IHSS clients in 1988-89. This methodology would result in a General Fund cost of approximately $2.4 million above the amount proposed in the budget.

- ***Establish the Maximum Service Award in Each Year's Budget Act.*** The Legislature could also eliminate the statutory maximum service award and replace it with a limit to be established in each year's Budget Act. This approach would give the Legislature flexibility to deal with changes such as the increase in the minimum wage according to its priorities for each year's budget.
- ***Establish A Different Kind of Cost Control Mechanism.*** Finally, the Legislature could enact legislation to control IHSS costs by limiting services to those in need of the fewest hours of services, rather than by limiting services to those with the greatest assessed need. For example, such a cost control mechanism could limit eligibility for individuals who need only domestic services.

We believe that either of the three options outlined above would improve the current cost control mechanism. We therefore recommend the enactment of legislation to implement one of these options so as to ensure that the cost control mechanism for IHSS is related to the clients' needs for services and the Legislature's budgetary priorities for the IHSS program.

DEPARTMENT OF SOCIAL SERVICES—REAPPROPRIATION

Item 5180-490 from the General Fund Budget p. HW 164

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item reappropriates the unexpended balance of the funds appropriated from the General Fund by Ch 1159/85. These funds originally were provided for an Adult Protective Service emergency shelter pilot project and would be used for the same purpose in 1988-89. We recommend that this reappropriation be approved.