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 of $9.8 billion for programs administered by the department in 1989-90. This is an increase of $452 million, or 4.8 percent, above estimated current-year expenditures. Table 1 identifies total expenditures from all funds for programs administered by the DSS for the past, current, and budget years.

Table 1
Department of Social Services
Expenditures and Revenues, by Program
All Funds
1987-88 through 1989-90
(dollars in thousands)

	Actual	Est.	Prop.	Change From 1988-89	
Program	*1987-88*	*1988-89*	*1989-90*	*Amount*	*Percent*
Departmental support	$218,311	$237,370	$243,228	$5,858	2.5%
AFDC [a]	4,429,055	4,808,662	5,082,551	273,889	5.7
SSI/SSP [b]	1,846,496	2,002,848	2,070,657	67,809	3.4
Special adult	2,882	3,309	3,689	380	11.5
Refugee	45,322	20,668	17,505	−3,163	−15.3
County welfare department administration [a]	745,382	887,085	959,900	72,815	8.2
Social services [a,c]	1,015,112	1,385,966	1,420,077	34,111	2.5
Community care licensing	12,662	14,804	15,589	785	5.3
Totals	$8,315,222	$9,360,712	$9,813,196	$452,484	4.8%
Funding Sources					
General Fund [c]	*$4,698,320*	*$5,364,214*	*$5,638,810*	*$274,596*	*5.1%*
Federal funds [b]	*3,108,027*	*3,445,555*	*3,589,691*	*144,136*	*4.2*
County funds	*498,295*	*530,114*	*560,261*	*30,147*	*5.7*
Reimbursements [d]	*8,171*	*12,177*	*11,913*	*−264*	*−2.2*
State Children's Trust Fund	*2,354*	*2,179*	*1,707*	*−472*	*−21.7*
Foster Family Home and Small Family Home Insurance Fund	*−470*	*165*	*556*	*391*	*237.0*
Life-Care Provider Fee Fund	—	—	*192*	*192*	— [e]
State Legalization Impact Assistance Grant funds	*525*	*6,308*	*10,066*	*3,758*	*59.6*

[a] Includes county funds.

[b] Excludes SSI federal grant funds.

[c] Excludes General Fund expenditures for GAIN from Control Section 22 and other funds for GAIN appropriated in other items in the Budget Bill. Table 9 in our analysis of the GAIN program in Item 5180-151-001 displays all the funds appropriated in the Budget Bill for GAIN.

[d] Excludes reimbursements for AFDC.

[e] Not a meaningful figure.

DEPARTMENT OF SOCIAL SERVICES—Continued

Table 2 shows the *General Fund* expenditures for cash grant and social services programs administered by the DSS. The budget requests a total of $5.6 billion from the General Fund for these programs in 1989-90. This is an increase of $275 million, or 5.1 percent, over estimated current-year expenditures.

Table 2
Department of Social Services
General Fund Expenditures
1987-88 through 1989-90
(dollars in thousands)

Program	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Change From 1988-89 Amount	Change From 1988-89 Percent
Departmental support	$77,770	$81,441	$84,777	$3,336	4.1%
AFDC [a]	2,148,297	2,337,681	2,506,060	168,379	7.2
SSI/SSP	1,835,661	1,990,040	2,055,484	65,444	3.3
Special adult	2,828	3,234	3,614	380	11.8
County welfare department administration	141,491	167,099	179,592	12,493	7.5
Social services	483,966	775,290	799,239	23,949	3.1
Community care licensing	8,307	9,429	10,044	615	6.5
Totals	$4,698,320	$5,364,214	$5,638,810	$274,596	5.1%

[a] Excludes General Fund expenditures for GAIN from Control Section 22 and other funds for GAIN appropriated in other items in the Budget Bill. Table 9 in our analysis of the GAIN program in Item 5180-151-001 displays all the funds appropriated in the Budget Bill for GAIN.

Department of Social Services
DEPARTMENTAL SUPPORT

Item 5180-001 from all funds Budget p. HW 177

Requested 1989-90	$243,228,000
Estimated 1988-89	237,370,000
Actual 1987-88	218,311,000
Requested increase (excluding amount for salary increases) $5,858,000 (+2.5 percent)	
Total recommended reduction	None

1989–90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-001-001—Support	General	$84,593,000
5180-001-890—Support	Federal	$147,611,000
5180-011-001—Support	General	184,000
5180-001-131—Support	Foster Family Home and Small Family Home Insurance	740,000
Less General Fund transfer	—	−184,000
Subtotal, 5180-001-131		($556,000)
Reimbursements	—	9,178,000
Welfare and Institutions Code Section 18969—Appropriation	State Children's Trust	48,000
Health and Safety Code Section 1793—Appropriation	Life-Care Provider Fee	192,000
Control Section 23.5—Support	State Legalization Impact Assistance Grant	866,000
Total		$243,228,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS *Analysis page*

1. Community Care Licensing—Staffing. Recommend that prior to budget hearings, the Department of Social Services report to the fiscal committees on how it proposes to accommodate its licensing workload, given the number of licensing staff positions proposed in the budget. 568
2. AFDC-FC and Adoptions Assistance Programs—Title IV-E Funding Delays. Recommend that the department report at budget hearings on (a) the steps it is taking to obtain $108 million in Title IV-E funds owed to the state for prior-year costs in the AFDC-FC and Adoptions Assistance programs, (b) the additional administrative options available for pursuing the funds, and (c) the option of taking legal action to recover the funds. 570

GENERAL PROGRAM STATEMENT

The Department of Social Services (DSS) administers income maintenance, food stamps, and social services programs. It is also 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 3,587.1 personnel-years in the current year to administer these programs.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of $243.2 million from all funds, including reimbursements, for support of the department in 1989-90. This is $5.9 million, or 2.5 percent, more than estimated current-year expenditures. Of the total amount requested, $94.7 million is from state funds ($84.8 million General Fund, $9.2 million reimbursements, $0.6 million Foster Family Home and Small Family Home Insurance Fund, $0.2 million Life-Care Provider Fee Fund, and $48,000 State Children's Trust Fund) and $148.5 million is from federal funds. Table 1 identifies the

DEPARTMENTAL SUPPORT—Continued

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

Table 1
Department of Social Services
Budget Summary
1987-88 through 1989-90
(dollars in thousands)

Program	*1987-88*	*1988-89*	*1989-90*	*Change From 1988-89* *Amount*	*Percent*
AFDC-FG&U	$14,810	$16,350	$16,723	$373	2.3%
AFDC-FC	3,622	3,557	3,757	200	5.6
Child support	9,773	9,661	10,320	659	6.8
SSI/SSP	607	686	725	39	5.7
Special adult	−30	316	326	10	3.2
Food stamps	20,138	20,783	21,222	439	2.1
Refugee programs	5,005	6,518	6,269	−249	−3.8
Child welfare services	4,671	5,017	4,633	−384	−7.7
County services block grant	1,256	998	1,092	94	9.4
IHSS	2,149	2,009	2,087	78	3.9
Specialized adult services	302	811	720	−91	−11.2
Employment programs	6,324	7,001	7,366	365	5.2
Adoptions	7,423	7,830	9,118	1,288	16.4
Child abuse prevention	1,867	2,056	2,148	92	4.5
Community care licensing	32,677	34,655	37,355	2,700	7.8
Disability evaluation	99,390	109,874	112,291	2,417	2.2
Administration	8,327	9,248	7,076	−2,172	−23.5
Totals	$218,311	$237,370	$243,228	$5,858	2.5%
Funding Sources					
General Fund	*$77,770*	*$81,441*	*$84,777*	*$3,336*	*4.1%*
Federal funds	*133,294*	*145,540*	*147,611*	*2,071*	*1.4*
Reimbursements	*7,429*	*9,126*	*9,178*	*52*	*0.6*
State Children's Trust Fund	*77*	*48*	*48*	—	—
State Legalization Impact Assistance Grant	*211*	*1,050*	*866*	*−184*	*−17.5*
Foster Family Home and Small Family Home Insurance Fund	*−470*	*165*	*556*	*391*	*237.0*
Life-Care Provider Fee Fund	—	—	*192*	*192*	—[a]

[a] Not a meaningful figure.

Proposed General Fund Changes

Table 2 shows the changes in the department's support expenditures that are proposed for 1989-90. Several of the individual changes are discussed later in this analysis.

Table 2
Department of Social Services
Departmental Support
Proposed 1989-90 Budget Changes
(dollars in thousands)

	General Fund	*Other Funds* [a]	*Total Funds*
1988-89 expenditures (revised)	$81,441	$155,929	$237,370
Workload adjustments			
Expiration of limited-term positions	−$1,904	−$1,783	−$3,687
Community care licensing staff—full-year funding for positions approved in 1988-89	584	35	619
Elimination of one-time costs—disaster relief	−2,300	—	−2,300
Subtotals, workload adjustments	(−$3,620)	(−$1,748)	(−$5,368)
Cost adjustments			
Employee compensation	$2,981	$4,499	$7,480
Operating expenses and equipment	−559	−402	−961
Other	731	−1,017	286
Subtotals, cost adjustments	($3,153)	($3,080)	($6,233)
Program adjustments			
AFDC-FC—establish limited-term positions as permanent	$517	$385	$902
Community care licensing staff—caseload growth	725	43	768
Independent adoptions program increase	800	—	800
GAIN—establish limited-term positions as permanent	461	425	886
Life-care contract program increase	—	192	192
Foster Family Home and Small Family Home Insurance Fund	184	391	575
Other	1,116	−246	870
Subtotals, program adjustments	($3,803)	($1,190)	($4,993)
1989-90 expenditures (proposed)	$84,777	$158,451	$243,228
Change from 1988-89:			
Amount	$3,336	$2,522	$5,858
Percent	4.1%	1.6%	2.5%

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

Proposed Position Changes

The budget requests authorization of 3,872 positions in 1989-90. This is a net increase of 78.1 positions, or 2 percent. The increase is due primarily to (1) the department's proposal to establish 18 permanent positions to set rates in the Aid to Families with Dependent Children—Foster Care (AFDC-FC) program, (2) the addition of 21 positions in the Adoptions program to reduce backlogs and meet statutory deadlines, and (3) a total of 16 additional positions in the Community Care Licensing (CCL) program due to projected caseload growth. All of the decrease—20.5 positions—is due to the 2 percent unallocated reduction in the 1988 Budget Act. Table 3 displays the position changes for 1989-90.

DEPARTMENTAL SUPPORT—Continued

Table 3
Department of Social Services
Proposed Position Changes
1989-90

Program	*Existing Positions*	*Reductions*	*Additions*	*Total Proposed Positions*	*Net Changes Amount*	*Net Changes Percent*
AFDC-FG & U	278.4	−3.1	2.7	278.0	−0.4	−0.1%
AFDC-FC	61.3	−2.4	27.1	86.0	24.7	40.3
Child support	91.0	—	7.6	98.6	7.6	8.4
SSI/SSP	8.2	—	—	8.2	—	—
Special adult	6.3	—	—	6.3	—	—
Food stamps	284.4	−3.0	2.6	284.0	−0.4	−0.1
Refugee programs						
Cash assistance	38.0	—	0.5	38.5	0.5	1.3
Social services	35.8	−2.5	0.5	33.8	−2.0	−5.6
Targeted assistance	6.0	—	—	6.0	—	—
Child welfare services	73.9	−1.2	1.1	73.8	−0.1	−0.1
County services block grant	26.9	—	—	26.9	—	—
IHSS	41.3	−0.7	0.1	40.7	−0.6	−1.5
Specialized adult services	12.2	—	—	12.2	—	—
Employment programs						
WIN	9.6	—	—	9.6	—	—
GAIN	74.9	−0.1	15.1	89.9	15.0	20.0
Adoptions	171.6	−0.4	21.6	192.8	21.2	12.4
Child abuse prevention	32.6	—	—	32.6	—	—
Community care licensing	666.3	−5.4	16.2	677.1	10.8	1.6
Disability evaluation	1,750.8	−1.7	1.9	1,751.0	0.2	0.0
Administration	124.4	—	1.6	126.0	1.6	1.3
Totals	3,793.9	−20.5	98.6	3,872.0	78.1	2.1%

ANALYSIS AND RECOMMENDATIONS

Budget Proposal Does Not Reflect Change in the Licensing Caseload

We recommend that prior to budget hearings, the department report to the fiscal committees on how it proposes to accommodate its Community Care Licensing (CCL) workload, given the number of licensing staff positions proposed in the budget.

The budget proposes an additional $768,000 ($725,00 General Fund) and 17 positions for the CCL due to a projected 3.5 percent increase in the number of licensed community care facilities in 1989-90. The department estimates that the number of facilities will grow from 40,447 in 1988-89 to 41,855 in 1989-90.

The 17 positions (16 licensing positions and 1 legal position) proposed in the budget represent roughly half the number of positions the CCL estimates would be needed to handle the increased caseload. Specifically, based on workload standards developed by the Department of General Services in 1986, the CCL estimates that it would require an additional 32 positions and 1.5 additional legal staff. The department reports that the lower staffing level is due to "financial constraints."

According to the department, the CCL will need to reduce licensing activities in order to respond to the increased caseload with less than the necessary staff. The CCL is currently in the process of identifying those activities that are not statutorily mandated, for review and possible elimination. The department advises that these reductions could include, for example, elimination of the preapplication process for all facilities or a return to one annual visit per year in residential care facilities for the elderly rather than the two annual visits that the CCL division has been making since the Governor's Seniors' Initiative of 1984. If necessary, the CCL would also identify statutory workload changes and seek legislation to revise these requirements.

In order to assess the CCL staffing level proposed in the budget, the Legislature will need to have the department's specific plans to reduce its licensing activities. We therefore recommend that prior to budget hearings, the department advise the fiscal committees on how it proposes to accommodate its licensing workload, given the number of licensing positions proposed in the budget.

Cost of Independent Adoptions Program Could be Offset by Fees

The budget proposes expenditures of $9.1 million ($8.2 million General Fund) for support of the Adoptions program. This is an increase of $1.3 million ($1.2 million General Fund), or 16 percent, over current-year expenditures. This increase is primarily the result of the department's proposals to reduce backlogs in the Relinquishment Adoptions and Independent Adoptions programs. Specifically, the department proposes an increase of $416,000 ($333,000 General Fund) to reduce backlogs in the Relinquishment Adoptions program and a General Fund increase of $800,000 to reduce backlogs in the Independent Adoptions program. The Relinquishment Adoptions program provides services to children in foster care. The Independent Adoptions program 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.

Our analysis indicates that the department's proposal to augment staff in the Relinquishment Adoptions program 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. In addition, we believe that the department's proposal to increase staff in the Independent Adoptions program is justified because without additional staff, the department is currently unable to meet the statutory time frames for processing independent adoptions cases.

In a separate report entitled *Summary of Recommended Legislation* (Legislative Analyst's Office Report No. 89-4), we point out that it would be appropriate to permit the DSS to charge adoptive parents in the Independent Adoptions program a fee to cover the costs of operating the program for three reasons: (1) the benefits from an independent adoption accrue primarily to the adoptive parents, the child and the natural parents, (2) the use of fees to support the Independent Adoptions program could make the program more responsive to the needs of adoptive parents, and (3) fees for independent adoptions would not create a barrier for most prospective adoptive parents in the program. In addition, we note that the DSS currently charges fees to prospective adoptive parents in the Relinquishment Adoptions program. If the Legislature decides to adopt legislation to permit the DSS to charge fees in the Independent Adoptions program, the revenues generated by the

DEPARTMENTAL SUPPORT—Continued

fees could be used to offset the General Fund costs of the Independent Adoptions program.

Federal Funding Delay Has General Fund Impact

We recommend that the department report to the Legislature prior to budget hearings, on (1) the steps it is taking to obtain $108 million in federal funds owed to the state for prior-year costs in the AFDC-FC and Adoptions Assistance programs, (2) the additional administrative options it has for pursuing the funds, and (3) the option of taking legal action to recover the funds.

The federal Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272) created Title IV-E of the Social Security Act, which provides funds for federally eligible children in foster care and adopted children with special needs. Specifically, under Title IV-E states may claim federal financial participation (FFP) for the AFDC-FC and Adoption Assistance programs at the rates of (1) 50 percent for the costs of foster care grants and adoption assistance payments to federally eligible children, (2) 50 percent of certain administrative costs, such as determining foster care eligibility and recruiting foster family homes, and (3) 75 percent of staff training costs associated with these programs. According to the DSS, however, Title IV-E funds are not paid to the state on a timely basis. Specifically, the department advises that the federal government is $108 million in arrears in its Title IV-E payments to the state. The arrearages date back as far as 1981-82.

The delays the DSS experiences in receiving Title IV-E funds tie up General Fund resources. This is because, in order to cover the full federal share of the costs of the AFDC-FC and Adoption Assistance programs, the DSS must annually "borrow" funds from the General Fund. For example, the budget proposes General Fund expenditures of $1.1 million in the Social Services program item (Item 5180-151-001) and $90,000 in the DSS Departmental Support item (Item 5180-001-001) to recruit, train, and provide support services to foster parents for infants in four counties who are drug exposed or who test positive for the virus that causes AIDS. We estimate that at least $200,000 of the costs of this proposal should be funded by Title IV-E. In fact, the DSS advises that it *will* eventually receive federal reimbursement for these costs. In the meantime, however, the department proposes to cover the entire cost of the proposal with the General Fund resources. According to the department, this is necessary because it will not receive reimbursement for the costs of the proposed pilot project until after the close of the budget year.

Receiving Title IV-E funds on a timely basis would free up General Fund resources, which the Legislature could use for its priorities in this or other program areas. Thus, we believe it is important that the department pursue all of the options available to ensure that the state receives the $108 million that is currently in arrears, as well as prompt reimbursement for costs in the future. The department advises that it has pursued several administrative remedies to this situation. Specifically, since 1981-82, the department has made countless appeals and protests to the Department of Health and Human Services, yet the amount in arrears has continued to grow. It is not clear to us what further administrative options the department has for resolving this matter. If the department has, in fact, exhausted all of the administrative avenues of appeal, the only remaining alternative would be to take legal action in federal court. We therefore recommend that the DSS advise the fiscal committees (1) as to the steps it is taking to obtain the federal funds owed to the state for prior-year IV-E program costs, (2) the additional administrative options that it has for pursuing the funds, and (3) the option of taking legal action to recover the funds.

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 166

Requested 1989-90	$4,883,678,000
Estimated 1988-89	4,614,645,000
Actual 1987-88	4,241,512,000
Requested increase $269,033,000 (+5.8 percent)	
Recommendation pending	4,883,678,000

1989–90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-101-001—Payments for children	General	$2,506,060,000
5180-101-890—Payments for children	Federal	2,373,232,000
Control Section 23.50—local assistance	State Legalization Impact Assistance Grant	4,386,000
Total		$4,883,678,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Aid to Families with Dependent Children (AFDC) Estimate. Withhold recommendation on $4.9 billion ($2.5 billion General Fund) pending review of revised estimates in May. 577
2. AFDC-Foster Care (AFDC-FC). Recommend that prior to budget hearings, the department provide the Legislature with options for developing and implementing (a) an alternative group home rate-setting system and (b) a group home level-of-care assessment system. 584
3. AFDC-FC. Recommend that the Health and Welfare Agency report at budget hearings on the placement options for children who will no longer be eligible for foster care services as a result of Ch 1485/87. 587
4. Child Support Enforcement—Los Angeles County. Recommend that the Legislature adopt supplemental report language requiring the Department of Social Services (DSS) to develop a three-year plan to improve the performance of the county's child support enforcement program. 596
5. Child Support Enforcement—Performance Model. Recommend that the Legislature adopt supplemental report lan- 598

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

guage requiring the DSS to (a) incorporate its performance standards model for child support enforcement into the state plan and (b) outline in the state plan the specific actions that the department will take if counties with below-standard performance do not show improvement within the time frames outlined in the plan.

6. Child Support Enforcement—Automation. Recommend that the DSS report to the Legislature during budget hearings on the costs and benefits of implementing (a) a state-operated automated child support system compared to (b) a county-operated automated system, and the options for funding the nonfederal share of costs. 599

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-Family Group (AFDC-FG). Families are eligible for grants under the 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 520,944 families will receive grants each month through this program.

AFDC-Unemployed Parent (AFDC-U). Families are eligible for grants under the 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 71,404 families will receive grants each month through this program.

AFDC-Foster Care (AFDC-FC). Children are eligible for grants under the 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 50,448 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 6,740 children will receive assistance each month through this program.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of $4.9 billion ($2.5 billion from the General Fund and $2.4 billion in federal funds) for AFDC cash grants in 1989-90. This amount includes $4.4 million in Control Section 23.50 for assistance to newly legalized persons under the federal Immigration Reform and Control Act (IRCA). The budget does *not* propose to provide the statutorily required cost-of-living adjustment (COLA) to AFDC grants for AFDC-FG and U households. The cost of providing an estimated 4.79 percent increase would add an additional $219 million ($105 million General Fund) to AFDC-FG and U grant costs in 1989-90. The total General Fund request for AFDC grants represents an increase of $168 million, or 7.2 percent, above estimated 1988-89 expenditures.

Table 1
Expenditures for AFDC Grants by Category of Recipient
1987–88 through 1989–90
(dollars in thousands)

	Actual 1987–88				Estimated 1988–89				Proposed 1989–90			
Recipient Category	*State*	*Federal*	*County*	*Total*	*State*	*Federal*	*County*	*Total*	*State*	*Federal*	*County*	*Total*
Family group	$1,586,225	$1,726,399	$205,409	$3,518,033	$1,625,987	$1,822,342	$196,103	$3,644,432	$1,715,754	$1,883,021	$206,912	$3,805,687
Unemployed parent	284,304	311,801	36,866	632,971	330,998	371,308	39,920	742,226	314,331	388,913	37,925	741,169
Foster care	331,951	115,740	—	447,691	433,753	138,619	22,830	595,202	527,982	163,378	27,788	719,148
Adoptions program	15,783	5,035	—	20,818	21,133	8,631	—	29,764	28,063	12,611	—	40,674
Child support incentive payments to counties	14,312	25,845	−44,565	−4,408	19,639	34,053	−53,692	—	23,203	38,210	−61,413	—
Child support collections	−84,278	−91,605	−10,167	−186,050	−93,829	−97,989	−11,144	−202,962	−103,273	−108,515	−12,339	−224,127
Subtotals	$2,148,297	$2,093,215 [a]	$187,543	$4,429,055	$2,337,681	$2,276,964 [a]	$194,017	$4,808,662	$2,506,060	$2,377,618 [a]	$198,873	$5,082,551
AFDC cash grants to refugees												
Time-expired	($176,145)	($191,679)	($21,352)	($389,176)	($202,943)	($220,947)	($24,484)	($448,374)	($217,656)	($236,973)	($26,259)	($480,888)
Time-eligible	—	(80,028)	—	(80,028)	—	(81,404)	—	(81,404)	—	(84,129)	—	(84,129)
Totals	$2,148,297	$2,093,215	$187,543	$4,429,055	$2,337,681	$2,276,964	$194,017	$4,808,662	$2,506,060	$2,377,618	$198,873	$5,082,551

[a] Includes State Legalization Impact Assistance Grant (SLIAG).

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

As shown in Table 1, total expenditures from *all funds* for AFDC cash grants are budgeted at $5.1 billion in 1989-90. This is $274 million, or 5.7 percent, above estimated current-year expenditures.

The AFDC-FG program accounts for $3.8 billion (all funds), or 72 percent, of total estimated grant costs under the three major AFDC programs (excluding child support collections). The Unemployed Parent program and the Foster Care program each account for 14 percent of the total.

Table 2 shows the factors resulting in the net increase of $274 million from all funds proposed for the AFDC program in 1989-90. As the table shows, the largest cost *increases* projected for the budget year include:

- A $172 million ($77 million General Fund) increase for an anticipated caseload growth of 4.2 percent and 0.7 percent, respectively, in the AFDC-FG and AFDC-U programs.
- An $86 million ($69 million General Fund) increase in the AFDC-FC program that is attributable to a nearly 12 percent group home caseload increase and a nearly 11 percent increase in the average grant paid to group home providers.
- A $30 million ($17 million General Fund) increase in the AFDC-FC program due to an anticipated growth of 12 percent in the foster family home caseload.
- A $12 million ($5.5 million General Fund) increase due to increased grant costs as a result of changes required by the federal Family Support Act of 1988.

Table 2
Department of Social Services
Proposed 1989–90 Budget Changes for the AFDC Program
(dollars in thousands)

	General Fund	*All Funds*
1988 Budget Act	$2,307,092	$4,770,913
SLIAG	—	9,095
Totals, 1988 Budget Act	$2,307,092	$4,780,008
Adjustments to appropriations:		
AFDC-FG & U		
Reduction in caseload estimate	−$15,441	−$38,836
Ch 1353/87 (homeless assistance)	13,709	30,164
Reestimate of GAIN savings	7,739	17,226
Other adjustments	−4,324	−6,704
SLIAG	—	−6,271
Subtotals, AFDC-FG & U	($1,683)	(−$4,421)
AFDC-FC foster family home		
Caseload decrease	−$394	−$2,487
SLIAG	—	8
Other	2,242	3,996
Subtotals, AFDC-FC foster family home	($1,848)	($1,517)
AFDC-FC group home		
Caseload increase	$11,907	$14,712
Rate increase	15,579	17,393
SLIAG	—	6
Other	4,110	5,775
Subtotals, AFDC-FC group home	($31,596)	($37,886)
AFDC-FC severely emotionally disturbed (SED) children	$28	$651

Child support enforcement program		
Increased collections	−$2,985	−$6,617
Increased incentive payments	2,028	—
Subtotals, child support enforcement program	(−$957)	(−$6,617)
Adoption Assistance program	−$395	−$362
Refugee program reduction	−3,214	—
Total adjustments to appropriation	$30,589	$28,654
1988–89 expenditures (revised)	$2,337,681	$4,808,662
1989–90 adjustments:		
AFDC-FG & U		
Caseload increase	$76,561	$171,746
Court cases	−1,018	−2,241
Increased GAIN savings	−9,326	−20,600
Minimum wage	−423	−936
Income & Eligibility Verification System	−280	−620
Mother/Infant program	−329	−735
SLIAG	—	1,436
Other	1,297	—
Subtotals, AFDC-FG & U	($66,482)	($148,050)
AFDC-FC foster family home		
Caseload increase	$17,316	$30,208
SLIAG	—	60
Other	23	−468
Subtotals, AFDC-FC foster family home	($17,339)	($29,800)
AFDC-FC group home		
Caseload increase	$33,124	$43,067
Rate increase	35,767	43,112
SLIAG	—	52
Other	199	−296
Subtotals, AFDC-FC group home	($69,090)	($85,935)
AFDC-FC SED children	$7,800	$8,211
Refugee program reduction	$1,118	—
Child support enforcement program		
Increased collections	−$9,444	−$21,165
Increased incentive payments	3,564	—
Subtotals, child support enforcement program	(−$5,880)	(−$21,165)
Adoption Assistance program	$6,930	$10,910
Family Support Act	5,500	12,148
Total adjustments	$168,379	$273,889
1989–90 expenditures (proposed)	$2,506,060	$5,082,551
Change from 1988 Budget Act:		
Amount	$198,968	$302,543
Percent	8.6%	6.3%
Change from 1988–89 estimated expenditures:		
Amount	$168,379	$273,889
Percent	7.2%	5.7%

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

- Increased child support collections of $21 million ($9.4 million General Fund).
- Increased grant savings of $21 million ($9.3 million General Fund) due to the continuing phase-in of the Greater Avenues for Independence (GAIN) program.

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

The $274 million increase proposed for 1989-90 represents a 5.7 percent increase over the department's revised estimate of expenditures in the current year. The level of expenditures proposed in the budget, however, is $303 million, or 6.3 percent, above the amount appropriated by the 1988 Budget Act.

Increases in Current-Year AFDC Grant Costs. The department estimates that AFDC expenditures in the current year will *exceed* the amount appropriated in the 1988 Budget Act by $29 million ($31 million General Fund). The main factors contributing to this net increase include (1) $32 million ($27 million General Fund) for higher-than-anticipated foster care caseloads ($15 million) and rates paid to providers ($17 million), (2) $30 million ($14 million General Fund) in higher-than-anticipated costs to provide housing assistance to homeless AFDC families, and (3) lower-than-estimated grant savings from the GAIN program, resulting in a $17 million ($8 million General Fund) increase in AFDC expenditures. These increases are partially offset by expenditure reductions of $39 million ($15 million General Fund) due to lower-than-anticipated caseloads for the AFDC-FG and U programs. Specifically, the department has reduced AFDC-FG and AFDC-U estimated caseloads by 2.4 percent and 4.5 percent, respectively, below the levels anticipated when the 1988 Budget Act was adopted.

Caseloads

Caseload Growth. Table 3 shows that in 1989-90, the Department of Social Services (DSS) expects AFDC caseloads to increase by 68,692 persons, or 3.8 percent, from the revised estimate of caseloads in 1988-89. As the table shows, this increase reflects an addition of 58,500 persons, or 4.2 percent, in the AFDC-FG program, an increase of 2,400 persons, or 0.7 percent in U caseload, and an increase of 6,142 children, or 12 percent, in the AFDC-FC program.

Table 3
Department of Social Services
Aid to Families with Dependent Children
Average Number of Persons Receiving Assistance Per Month
1987-88 through 1989-90

Program	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Change From 1988-89 Amount	Change From 1988-89 Percent
AFDC-family group	1,376,909	1,398,500	1,457,000	58,500	4.2%
AFDC-unemployed parent	334,402	335,600	338,000	2,400	0.7
AFDC-foster care	44,682	50,448	56,590	6,142	12.2
Adoption assistance	5,384	6,740	8,390	1,650	24.5
Refugees [a]					
—Time-eligible	(35,077)	(32,348)	(30,764)	(−1,584)	(−4.9)
—Time-expired	(186,070)	(200,534)	(214,909)	(14,375)	(7.2)
Totals	1,761,377	1,791,288	1,859,980	68,692	3.8%

[a] Grants to refugees who have been in the United States 24 months or less (time-eligible) are funded entirely by the federal government. Time-expired refugees—those who have been in the United States longer than 24 months—may qualify for and receive AFDC grants supported by the normal sharing ratio.

ANALYSIS AND RECOMMENDATIONS

AFDC Estimates are Expected to Change in May

We withhold recommendation on $4.9 billion ($2.5 billion General Fund and $2.4 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 1989-90 are based on the prior year's actual caseloads and costs, updated to reflect the department's caseload and cost projections through 1989-90. In May, the department will present revised estimates of AFDC costs based on actual caseload grant costs through December 1988. 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 1989-90 expenditures. Therefore, we withhold recommendation on the amount requested for AFDC grant costs pending review of the May estimate.

AID TO FAMILIES WITH DEPENDENT CHILDREN-FAMILY GROUP AND UNEMPLOYED PARENT

Grant Levels and COLAs

The maximum grant amount received by AFDC-FG and U households varies according to the number of persons in the household who are eligible to receive aid—the "family size." For example, in 1988-89 a family of four can receive up to $788 per month, while a family of two can receive up to $535. The actual amount of the grant depends on the household's other income and expenses for such items as child care.

Statutory COLA Requirements. Existing law requires that the AFDC-FG and U grant levels be adjusted, effective July 1, 1989, based on the change in the California Necessities Index (CNI) during calendar year 1988. 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. At the time this analysis was prepared, the commission's calculation of the actual change in the CNI for calendar year 1988 was not available. The commission's preliminary estimate of the change is 4.79 percent.

Budget Proposes to Suspend Statutory COLA. The budget assumes enactment of legislation to waive the requirement for a COLA for AFDC-FG and U grants in 1989-90. Table 4 displays the AFDC-FG and U grants for 1988-89 and for 1989-90 with no COLA (the Budget Bill proposal) and with a COLA of 4.79 percent.

Table 4
Maximum AFDC-FG and AFDC-U Grant Levels
1988-89 and 1989-90

		1989-90	
Family Size	*1988-89*	*Budget Proposal (No COLA)*	*Statutory Requirement*[a]
1	$326	$326	$342
2	535	535	561
3	663	663	695
4	788	788	826
5	899	899	942

[a] Assumes a 4.79 percent COLA, effective July 1, 1989, based on the estimated CNI.

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

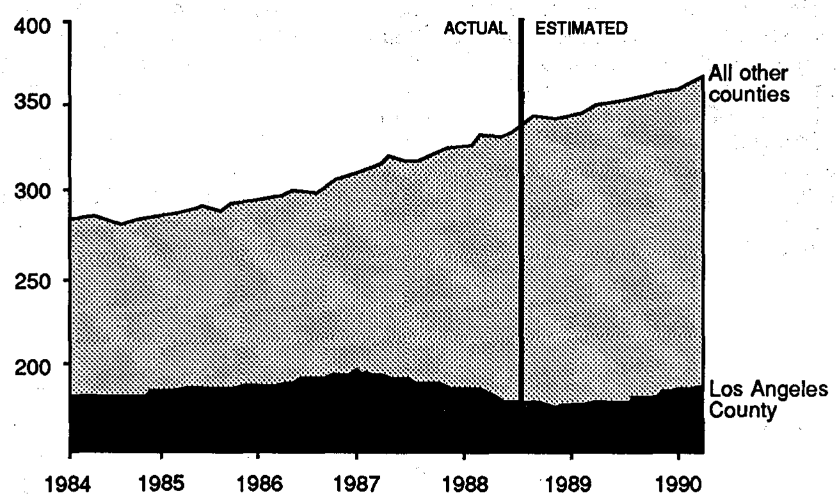
AFDC-FG Estimate. The department's estimate of 1988-89 and 1989-90 AFDC-FG caseloads consists of two separate estimates—one for Los Angeles County and one for the remaining 57 counties. The final caseload projection is the sum of these two estimates. The department's methodology responds to a recent divergence in caseload trends that has occurred between Los Angeles and the remaining 57 counties. Specifically, between January 1987 and June 1988, Los Angeles County experienced a caseload *decrease* of 7.4 percent while caseloads for the remaining 57 counties *increased* by 6.2 percent.

The decline in Los Angeles County's AFDC-FG caseload appears to be related to the enactment of the federal Immigration Reform and Control Act (IRCA) of 1986. Specifically, it appears that a significant number of individuals in Los Angeles who were eligible for amnesty under IRCA voluntarily removed their children from the AFDC program. Apparently, these individuals removed their children from aid to avoid jeopardizing their chances of obtaining the permanent residency status that they would be eligible for after the amnesty period.

Chart 1 displays actual AFDC-FG caseloads during the period January 1984 to October 1988 for Los Angeles County and for the remainder of the state. As the chart shows, beginning in January 1987, Los Angeles County's caseload began to decrease while the caseload in the remainder of the state continued to increase steadily. The chart also displays the

Chart 1

AFDC-FG Caseload
Los Angeles County and All Other Counties
January 1984 through June 1990 (in thousands)



department's caseload projection for the period November 1988 through June 1990. The projection assumes that Los Angeles County's caseload continued to decline until January 1989, at which point it would have resumed the growth trend it had experienced prior to January 1987. The department's estimate of caseload for the remaining 57 counties is based on actual caseload in those counties during the period July 1985 through June 1988.

Our review indicates that the department's method of estimating the AFDC-FG caseload is reasonable. However, it is not clear whether the recent downward trend in Los Angeles County's caseload has, in fact, reversed itself beginning in January 1989, as assumed by the department. The additional months of actual data that will be available when the Legislature reviews the May revision should show whether this reversal in Los Angeles County's caseload has, in fact, occurred.

AID TO FAMILIES WITH DEPENDENT CHILDREN-FOSTER CARE

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

- ***Court Action.*** A juvenile court may place a child in foster care if the child has been abused, abandoned, or neglected and cannot be safely returned home. Until January 1990, a court may also place a child in foster care if the child is beyond the control of his or her parent(s) or guardian(s). Effective January 1, 1990, however, Ch 1485/87 (SB 243, Presley) deletes this provision of law. In addition, probate courts place children in guardianship arrangements for a variety of reasons.
- ***Voluntary Agreement.*** County welfare or probation departments may place a child in foster care pursuant to a voluntary agreement between the department and the child's parent(s) or guardian(s).
- ***Relinquishment.*** A child who has been relinquished for adoption may be placed in foster care by an adoption agency, prior to his or her adoption.
- ***Individualized Education Program.*** Since July 1986, an individualized education program (IEP) team may place a child in foster care if it determines that the child (1) needs special education services, (2) is severely emotionally disturbed (SED), and (3) needs 24-hour out-of-home care in order to meet his or her educational needs.

Children in the foster care system for any of these reasons can be placed in either a foster family home or a foster care group home. Both types of foster care facilities provide 24-hour residential care. Foster family homes must be located in the residence of the foster parent(s), provide service to no more than six children, and be either licensed by the DSS or certified by a Foster Family Agency. Foster care group homes are licensed by the DSS to provide services to seven or more children. In order to qualify for a license, a group home must offer planned activities for children in its care and employ staff at least part-time to deliver services.

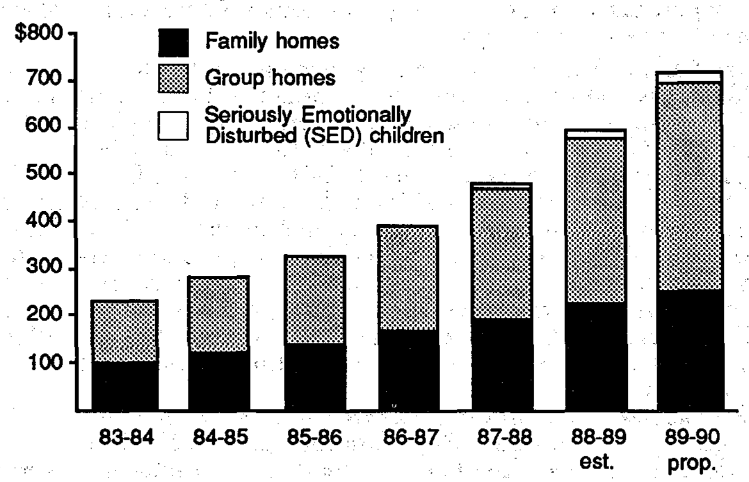
Budget Proposal. The 1989-90 Budget proposes total expenditures of $719.1 million ($528.0 million from the General Fund, $163.4 million in federal funds, and $27.8 million in county funds). The total General Fund request for AFDC-FC represents an increase of $94.2 million, or 22 percent, above estimated 1988-89 expenditures.

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Chart 2 displays expenditures from all funds for foster care benefit payments since 1983-84. In addition, the chart shows expenditures for SED children since 1986-87. In 1986-87, the DSS began separately accounting for the SED program. Prior to the enactment of Ch 1747/84 and Ch 1274/85, SED children were placed in foster care through court action and the DSS counted them within the total foster care caseload. The SED children are placed in both family homes and group homes. According to the DSS, however, the majority of these children are in group homes.

Chart 2

Foster Care Annual Expenditures[a]
1983-84 through 1989-90 (dollars in millions)



[a] Includes state, federal, and county funds.

As the chart shows, foster care expenditures have grown rapidly over the previous five years and the budget anticipates that this rapid growth will continue in 1988-89 and 1989-90. Specifically, expenditures from all sources for foster care have grown from $235.8 million ($170.5 million General Fund) in 1983-84 to a proposed $719.1 million ($528.0 million General Fund) in the budget year. This represents an increase of 205 percent during the seven-year period, which is an average annual increase of 20 percent.

Foster Family Home Expenditures—Growth Results From Increasing Caseloads

Chart 2 shows that foster family home expenditures have increased from $97.1 million ($64.6 million General Fund) in 1983-84 to an estimated $250.4 million ($157.9 million General Fund) in the budget year. This represents an average annual growth of 17 percent. This growth is primarily the result of the increased number of children in family homes. For example, the DSS estimates that the foster family home caseload will increase by 12 percent from 1988-89 to 1989-90, while expenditures for the program will increase by 13 percent during the same period. According to the DSS, the slight difference between the growth in caseload and the growth in expenditures is attributable to (1) an increase in the number of foster family homes that receive specialized care rates for children who have special needs, such as substance-exposed infants, and (2) an increase in the number of foster family homes that are supervised by foster family agencies, which pay higher-than-average foster family rates.

Our analysis indicates that this increase in the foster family home caseload is the result of two factors:

- ***More Children Entering the Child Welfare Services (CWS) Program.*** The DSS estimates that the number of reports of abuse and neglect that county CWS workers will have investigated during the period July 1983 through June 1990 will have increased from 15,000 to 39,200 per month, an increase of 161 percent. This increase in reports will result in an increase in the number of investigations which, in turn, will result in more children being placed in foster family homes because most of the children who are placed in these homes originally come into care as a result of abuse or neglect.
- ***Longer Length-of-Stay of Children in Foster Care.*** Data provided by the DSS suggest that the average length of time that children spend in foster care has increased in recent years. Specifically, the DSS estimates that the length of stay in foster care increased from 18.1 months in October 1987 to 19.6 months in October 1988.

Foster Care Group Home Expenditures—Growth Results from Increased Caseload and Rate Increases

The budget proposes $444.1 million ($346.7 million General Fund) for the costs of maintaining children in foster care group homes in 1989-90. This represents an increase of $85.9 million ($69.1 million General Fund), or 24 percent, as compared with estimated current-year expenditures. Chart 2 shows that group home expenditures have grown substantially since 1983-84. Specifically, the chart shows that these expenditures will increase by 220 percent over the seven-year period, which is an average annual growth rate of 21 percent. Our analysis indicates that this increase is attributable to two factors: caseload growth and group home rate increases.

Group Home Caseload Growth. The factors that lead to the increased number of children in foster family homes—increased CWS caseloads and longer lengths of stay—have similarly contributed to an increase in the number of children in foster care group homes. Specifically, we estimate that the foster care group home caseload has grown at an average annual rate of 9.1 percent since 1983. The budget anticipates a caseload growth of nearly 12 percent from the current to the budget year.

Group Home Rate Increases. Chart 3 shows that the average monthly rate of reimbursement for children in group homes has increased substantially in recent years. Specifically, the chart shows that these rates have increased from an average of $1,653 per child in 1983-84 to an estimated $3,015 per child in 1989-90. This reflects an increase of 82

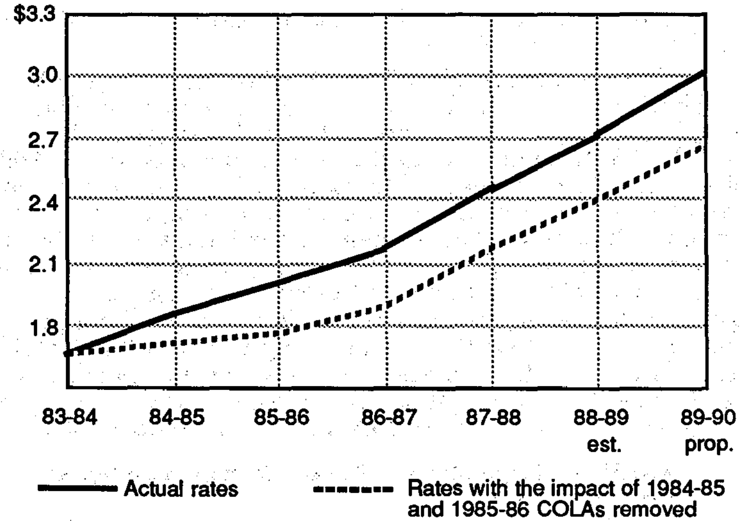
AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

percent during the seven-year period, which is an average annual growth rate of almost 11 percent. As discussed later in this analysis, this average growth masks a considerable amount of variation in the rates paid to group homes.

Chart 3

Average Monthly Foster Care Group Home Reimbursement Rate Per Child

1983-84 through 1989-90 (dollars in thousands)



Why Have Group Home Rates Increased?

The increase in average group home rates shown on Chart 3 is particularly striking because most of the increase is unrelated to the two cost-of-living adjustments (COLAs) provided to group homes during the period shown in the chart. Specifically, the Budget Acts of 1984 and 1985 provided a 9.21 percent and a 4 percent COLA to group home providers, respectively. No COLAs have been provided since the 1985 Budget Act. The chart shows that if the impact of these COLAs on rates is removed, the rates would still have increased from $1,653 per month per child in 1983-84 to $2,655 per month per child in 1989-90, which is an average annual increase of 8 percent. Our analysis indicates that this increase is due to two factors: (1) an increase in the number of group home beds that provide higher levels of service and (2) an influx of newer, more expensive homes into the system.

Increase in Higher Service Level Beds. The DSS advises that at least part of the reason that group home rates are growing is because an increasing proportion of the group home caseload is being cared for in homes that provide a higher level of service. The department categorizes group homes into four "peer groups" based on the intensity of the service that they provide. In ascending order of service intensity, these peer groups are: the family model, the social model, the psychological model, and the psychiatric model. Table 5 displays the number of new homes that opened in each peer group in 1987 and the average occupancy in these homes. As the table shows, most of the beds in these new homes were at the highest level of service. Specifically, new psychiatric model group homes cared for an average of 837 children per month or almost 63 percent of the children who received care from new homes in 1987, while there were no new beds provided in the family model group homes.

Table 5
Department of Social Services
New Foster Care Group Homes
By Type of Home and Average Occupancy
1987

	Type of Provider				
	Psychiatric	*Psychological*	*Social*	*Family*	*Total*
Number of new homes	25	27	28	—	80
Percent of total	31%	34%	35%	—	100%
Average monthly occupancy	837	346	152	—	1,335
Percent of total	63%	26%	11%	—	100%

Influx of Newer, More Expensive Homes Into the System. The DSS sets rates for "new" homes differently from the way it sets rates for "existing" homes. "New" homes are homes that have never provided foster care before or homes that open new programs. For example, a home that begins providing care to different categories of children than it served in the past is considered to be a new home. "Existing" homes are those that have been in operation for at least 12 months, with no change in their programs.

The DSS sets a rate for a new home based on the home's actual costs in its first six months of operation (the rate for the first six months is based on the average rate paid to homes in that peer group). The DSS does not actually set a rate for existing homes. Instead, for each fiscal year, these homes receive the rate they received in the previous year plus any COLA provided in the Budget Act. Since the last Budget Act to provide a group home COLA was the 1985 Budget Act, *many group homes will receive the same rate in 1989-90 that they received in 1985-86.*

Chart 4 compares the average rates paid to new homes during calendar year 1987 with the rates paid to existing group homes. As the chart shows, new group homes received substantially higher rates than did existing homes in the three highest peer groups. There were *no* new group homes opened in the family model peer group, the lowest level of service, and least expensive peer group. The chart also shows that *the overall average monthly rate per child for all new group homes in 1987 was $973, or 47 percent, higher than the rate paid to existing homes.*

What Are the Legislature's Options for Improving the Group Home Rate-Setting System and Ensuring Appropriate Group Home Placements?

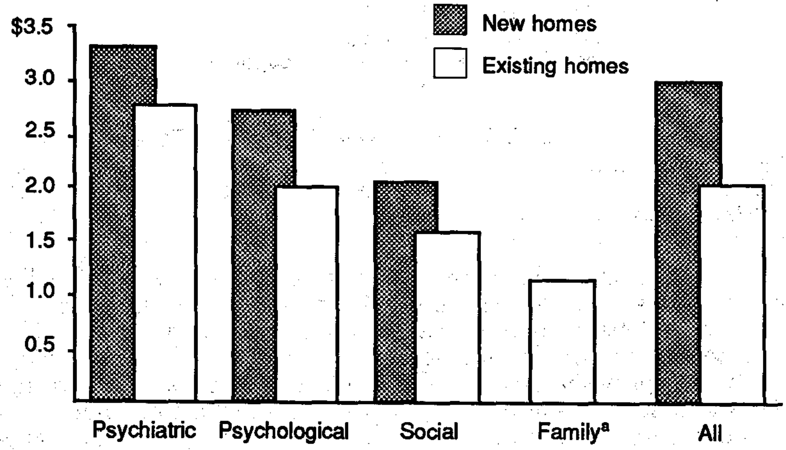
As we have noted above, the department's estimate indicates that group home costs will have increased by an average annual rate of 21 percent during the period 1983-84 through 1989-90. While some of the group home cost increases of recent years resulted from the overall increase in the number of children in foster care, a substantial amount of the increase is due to two factors: a disproportionate increase in the

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

caseload placed in the higher levels of care and an increase in the average cost of care within each of the three highest levels of care.

Chart 4

Average Group Home Reimbursement Rates Per Child New v. Existing Homes
1987 (dollars in thousands)



[a] There were no new family model peer group homes opened in 1987.

Therefore, in order to control group home costs in the future and to ensure an adequate supply of group home beds at each level of care, the Legislature will have to address two issues: rate setting and level-of-care assessments for children in foster care.

Rate Setting

We recommend that the department report to the fiscal committees prior to budget hearings, on the options for developing an alternative group home rate-setting system, including a standardized schedule of rates and negotiated rates.

The department's existing group home rate-setting system has several major flaws. Specifically, our analysis indicates that the department's rate-setting system:

- ***Penalizes Existing Providers.*** Many "existing" group homes have not received a rate increase since 1985-86, despite the fact that the average rate paid to all group homes has gone up 35 percent since 1985-86. The result has been that these homes have had to absorb inflationary increases in their costs of doing business.
- ***Provides No Incentive for New Homes To Economize.*** The current rate-setting system actually provides incentives for new providers to operate at high cost for their first six months of operation, because

rates paid in subsequent years are based on their first six months of operation.

Does Not Control Total Program Costs. The department's rate-setting system attempts to control program costs by freezing rates for existing homes. While the practice of not providing a COLA to group home rates may appear to be a cost control strategy, it has *not* actually controlled costs. The state's demand for group home beds has simply outstripped the supply of beds in existing homes, with the inevitable result that the overall price of beds has gone up, despite the lack of a COLA since 1985-86.

We believe that a foster care rate-setting system based on the following criteria would be preferable to the current system:

- ***Equity.*** Establish the same rates for homes that offer the same services, regardless of when the home came into existence.
- ***Appropriate Service Levels.*** Set rates that encourage providers to supply an adequate number of beds at each level of service.
- ***Economy.*** Set rates that give providers incentives to offer services economically.
- ***Control Costs.*** Establish procedures to control the total costs of the foster care group home program, while meeting the other criteria.

Our analysis indicates that there are two basic options for group home rate setting that could meet these criteria: a standardized rate schedule and negotiated rates.

Standardized Rate Schedule. Under a rate-setting mechanism that reimburses providers based on a fixed schedule of rates, group home facilities would be classified into peer groups based on the levels of services that they provide; the peer groups could be the same peer groups that the department currently uses, or the department could establish more peer groups in order to more accurately reflect the different levels of care needed by the foster care population. The department would establish one rate for each peer group; all of the homes in the group would be paid the same rate. The rate for each peer group would initially be based on cost data for the homes in the group, but the department would have to adjust the rates over time in order to maintain an adequate supply of beds at each level of service.

Negotiated Rate-Setting Mechanism. Under a negotiated rate-setting system, the DSS would negotiate rates with individual providers. The department's objective in negotiating rates would be to ensure an adequate supply of beds within each peer group at the lowest feasible cost. In addition to ensuring an adequate supply of beds at each level of service, this method would encourage providers to offer services economically, because they would effectively have to bid against each other for the right to offer group home services. The major drawback of negotiated rate setting is that it would be administratively difficult for the department to negotiate rates with an estimated 367 group home providers in the state.

We believe that either of these two options would be preferable to the department's current rate-setting system. In addition, the department may be able to develop other options for improving on the current group home rate-setting system. We therefore recommend that the DSS report to the fiscal committees at the time of budget hearings on the options for developing an alternative group home rate-setting system, including a standardized schedule of rates and negotiated rates.

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Level-of-Care Assessment

We recommend that the DSS report to the fiscal committees prior to budget hearings on (1) its evaluation of the potential for a foster care level-of-care assessment system to ensure that children receive the appropriate level of care and (2) the specific options that are available for developing and implementing such a system.

Currently, the department has no system for controlling which level of care is provided to individual children in foster care. The department's regulations require county social workers to seek the least restrictive setting possible for each child, but social workers often have to make placement decisions based on the care that is available rather than on the care that the child actually needs. Moreover, there are currently no written criteria that social workers can use in assessing whether a child needs family home care or group home care, or which of the four levels of group home care a child needs.

In light of the increasing proportion of the caseload that has been placed in higher service level group homes in recent years, the department should evaluate the potential for creating a system to assess the actual needs of children in foster care. Under such a system, the DSS would establish written guidelines for social workers to use in assessing the level of care that children need. The social worker would record the child's assessment in the case file and in the Foster Care Information System, which is the system that the DSS uses to track children in foster care. Social workers could use the assessment to make placement decisions. The department could use the data from the assessments to identify shortages in group home beds at each level of care. Ultimately, the department could use this data, in conjunction with its rate-setting system, to encourage an adequate supply of beds at each level of care. We therefore recommend that the department report to the fiscal committees prior to budget hearings on (1) its evaluation of the potential for a foster care level-of-care assessment system to ensure that children receive the appropriate level of care and (2) the specific options that are available to the Legislature for developing and implementing such a system.

Growth in Severely Emotionally Disturbed (SED) Expenditures Reflects Implementation of Ch 1747/84 and Ch 1274/85

The budget proposes $23.4 million from the General Fund for the costs of maintaining SED children in foster care in 1989-90. This represents an increase of $7.8 million, or 50 percent, above estimated expenditures in the current year. The proposed increase is due entirely to an estimated 50 percent increase in the SED caseload. Specifically, the DSS estimates that the number of children in the SED program will increase from an average of 525 children per month in the current year to 788 per month in the budget year.

We believe that the estimated increase in the costs of the SED program is subject to substantial error for two reasons. First, at the time that the department prepared the estimate, there was only a limited amount of caseload data available. Specifically, the department believes that, although the SED program became effective July 1, 1986, some counties may have had difficulty implementing the transfer of eligible children from regular foster care to SED status. For this reason, it would not be appropriate to use caseload data for 1986-87. Thus, the department's estimate is based on only one year of data—1987-88. We believe that the department's May estimate of SED caseload will be more reliable than the current estimate because the department will have additional months of data with which to project budget-year caseloads.

Second, the department's estimate assumes the average reimbursement rate provided for SED children will remain constant from the current to the budget year. It seems likely, however, that the reimbursement rate for SED children will grow in the current and budget years, because most of these children are placed in group homes. The department anticipates that the average rate of reimbursement paid to group home providers will grow by 11 percent from the current to the budget year. We therefore recommend that the department reflect the projected group home rate increase in its May estimate of SED costs.

Budget Includes Funding for Children Who Will Not Be Eligible For Foster Care Under Current Law

We recommend that the Health and Welfare Agency (HWA) report at budget hearings on the placement options for children who will no longer be eligible for foster care services as a result of Ch 1485/87.

The budget includes expenditures of $15.0 million ($12.2 million General Fund, $2.8 million federal funds) for foster care grants to approximately 500 children who were placed in foster care because the courts determined that they were beyond the control of their parents or guardians. Most of these children have been in foster care for several years.

Effective January 1, 1990, Ch 1485/87 (SB 243, Presley) will delete the provision of law that allowed the courts to place children in foster care because "they are beyond the control of their parents." Thus, these children will *not* be eligible to continue to receive AFDC payments after January 1, 1990. The department advises that these children also will not qualify for grants under the SED portion of the foster care program because they do not require foster care placement for educational reasons.

It is unclear what the placement options will be for these children after January 1990. Under existing law, these children cannot remain in foster care and the department will not have the statutory authority to spend the funds included in the budget for their board and care in the last half of 1989-90. The department advises that it included a full year of funding for the care of these children because it recognized that some provision would have to be made for their care.

When it enacted Chapter 1485, the Legislature recognized that new placement options were necessary to meet the needs of these children. Specifically, Chapter 1485 required the HWA to report by January 1, 1989 on its recommendations for a program to meet the treatment needs of emotionally disturbed children in foster care who do not qualify for the SED program. At the time this analysis was prepared, however, the HWA had not issued the required report. We therefore recommend that the HWA report to the fiscal committees at the time of budget hearings on its recommendations for an alternative treatment system for emotionally disturbed children in foster care. The report should include a recommen-

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dation for how to use the balance of the funds proposed in the DSS' budget to cover all or part of the costs of caring for these children.

Foster Care Estimate Does Not Include Fiscal Effect of Four County Pilot Projects

The budget proposes General Fund expenditures of $1.1 million in the Social Services programs item (Item 5180-151-001) and $90,000 in the DSS Departmental Support item (Item 5180-001-001) to recruit, train, and provide support services to foster parents for infants in four counties who are drug exposed or who test positive for the virus that causes AIDS. This proposal is part of a proposed pilot project to be administered by the Department of Health Services, the Department of Alcohol and Drug Programs (DADP), and the DSS. (Please see our discussion of this proposal in our analysis of DADP's budget, Item 4200-001-001.) The department advises that foster parents in these four counties will receive supplemental foster care rates that will cost an additional $6.2 million in total funds ($3.5 million General Fund) in 1989-90. The department believes that these costs will be at least partially offset by savings that will result because more drug-exposed infants will be placed in family homes, rather than in more expensive group homes or in hospitals, as a result of the pilot. However, the budget does not include either the additional costs for the supplemental foster family home rates or the potential savings that may result from the pilot. We recommend that the department include an estimate of these costs and savings in its May revision.

CHILD SUPPORT ENFORCEMENT

Background. The child support enforcement program is a revenue-producing program administered by district attorneys' offices throughout California. Its objective is to locate absent parents, establish paternity, obtain court-ordered child support awards, and collect payments pursuant to the awards. These services are available to both welfare and nonwelfare families. Child support payments that are collected on behalf of welfare recipients under the AFDC program are used to offset the state, county, and federal costs of the program. Collections made on behalf of nonwelfare clients are distributed directly to the clients.

The child support enforcement program has three primary fiscal components: (1) administrative costs, (2) welfare recoupments, and (3) incentive payments. The *administrative costs* of the child support enforcement program are paid by the federal government (68 percent) and county governments (32 percent). Beginning on October 1, 1989, the federal share of administrative costs will decrease to 66 percent and the county share will increase to 34 percent. *Welfare recoupments* are shared by the federal, state, and county governments, according to how the cost of AFDC grant payments are distributed among them (generally 50 percent federal, 44.6 percent state, and 5.4 percent county).

Counties also receive "*incentive payments*" from the state and the federal government designed to encourage counties to maximize collections. The incentive payments are based on each county's child support collections. In federal fiscal year 1989 (FFY 89), the federal government pays counties an amount equal to 6.5 percent of AFDC collections and 7 percent of non-AFDC collections, while the state pays an amount to each county equal to 7.5 percent of its AFDC collections. In addition, the state pays counties $90 for each paternity that they establish.

Fiscal Impact of Program. As Table 6 shows, the child support enforcement program is estimated to result in *net savings* of $77 million to the state's General Fund in 1989-90. The federal government is estimated to spend $47 million more in 1989-90 than it will receive in the form of grant savings. California counties are expected to experience a net savings from the program of $18 million in 1989-90.

Table 6
Department of Social Services
Child Support Enforcement Program
1989-90
(dollars in thousands)

	General Fund	*Federal Funds*	*County Funds*	*Total*
Program costs				
County administration:	—	$110,492	$55,712	$166,204
AFDC	—	(74,030)	(37,327)	(111,357)
Non-AFDC	—	(36,462)	(18,385)	(54,847)
State administration	$3,330	6,870	—	10,200
Incentive payments [a]	23,203	38,210	−61,413	—
Savings				
Welfare collections [b]	−103,273	−108,515	−12,339	−224,127
Net fiscal impact	−$76,740	$47,057	−$18,040	−$47,723

[a] Does not include welfare collections for children in other states.
[b] Incentive payments include AFDC and non-AFDC.

The table does *not* show one of the major fiscal effects of the child support enforcement program, its impact on AFDC caseloads. To the extent that child support collections on behalf of non-AFDC families keep these families from going on aid, they result in AFDC grant avoidance savings. While AFDC grant avoidance is one of the major goals of the child support enforcement program, it is not shown in the table because, unlike the other fiscal effects of the program, there is no way to directly measure the savings that result from grant avoidance.

Collections and Recoupments. The major objective of the child support enforcement program is to assure the collection of support obligations. Therefore, one measure of the performance of the program is its total collections. Table 7 shows the change in statewide collections of child support from 1982-83 through 1987-88. As the table shows, statewide collections increased at an average annual rate of 10 percent during this period.

Although total collections are an important indicator of program performance, collection data alone do not measure the extent to which the program reduces the amount of public funds spent on welfare. A commonly used measure of program success in this regard is the percentage of AFDC grant expenditures actually recouped through the child support enforcement program (the "recoupment rate"). Table 8 shows the recoupment rate from 1982-83 through 1987-88. During this period, the state recouped an average of 6.1 percent of state, federal, and county expenditures through the child support enforcement program.

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Table 7
Department of Social Services
Statewide Child Support Collections [a]
1982-83 through 1987-88
(dollars in millions)

	AFDC	*Non-AFDC*	*Total Collections*	*Annual Percent Increase*
1982-83	$151.5	$112.5	$264.0	—
1983-84	158.2	125.8	284.0	7.6%
1984-85	174.8	142.9	317.7	11.9
1985-86	187.2	160.0	347.2	9.3
1986-87	198.1	189.3	387.4	11.6
1987-88	212.6	213.7	426.2	10.0
Average annual increase				10.0%

[a] Data provided by Child Support Management Information System, Department of Social Services. Figures for 1987-88 do not tie to Governor's Budget because of differences in the accounting and reporting of the data.

Table 8
Department of Social Services
Child Support Enforcement "Recoupment Rates" [a]
1982-83 through 1987-88

Year	*Recoupment Rate*
1982-83	6.3%
1983-84	6.2
1984-85	5.8
1985-86	6.3
1986-87	6.1
1987-88	6.2
Average rate	6.1%

[a] AFDC collections as percent of grant expenditures.

State Performance Given Grade of "C" by Congress

A recent report by the House Ways and Means Committee of the U.S. Congress provides a useful comparison of California's performance in the child support enforcement program with the performance of other states. The report, entitled *Child Support Enforcement: A Report Card,* was released in October 1988. The purpose of the "report card" was to evaluate the administration of the child support enforcement program by the federal government and the states and territories.

The report card assigned grades to each state based on the state's performance for both welfare and nonwelfare cases in five key areas of the child support enforcement program: (1) paternity establishment, (2) collection rates, (3) cost-effectiveness, (4) interstate collections, and (5) impact on AFDC costs. These data were grouped into these five categories and weighted equally. States were assigned scores for each performance indicator based on a standard normal curve, similar to the curve frequently used by teachers to grade students. The scores were aggregated and each state was assigned an overall grade.

The report assigned a grade of "C" to California and ranked the state's performance 34th among 54 states and territories (Michigan's program received an "A" and ranked first in the nation). California's program was not noted as being particularly strong or weak in any specific area.

State Faces a $23 Million Penalty From the Federal Government

The U.S. Department of Health and Human Services (DHHS) recently completed an audit of California's child support enforcement program to determine whether the state is in compliance with requirements of Title IV-D of the Social Security Act, which is the federal statute that governs the program. The audit, which reviewed the program during FFY 86, concluded that California has not complied substantially with the federal requirements.

According to the DHHS, the California program is out of compliance with federal regulations and procedures in seven areas, and barely met the criteria in three others. Most of the criticism contained in the audit centered around the lack of specific procedures or required actions on child support cases. The audit identified ineffective or inadequate automated systems as the principal reason for the lack of action on cases. The report concluded that these weaknesses need to be addressed in order to ensure program effectiveness and satisfactory results in future audits (we discuss the issue of the automation of the child support enforcement program in greater detail below).

Potential Penalties in the AFDC Program. Because the state was found to be out of compliance with federal requirements, the DHHS assessed a penalty against the state equal to 1 percent of the federal funds under the AFDC program for each quarter that the state is found to be out of compliance. Consequently, on an annual basis, *the state could lose up to $23 million in federal funds.* The penalty has been held in abeyance and the DHHS has notified the DSS that the penalty will be waived if the state comes into compliance by March 1989.

Corrective Action Plan. The DSS submitted a plan to the DHHS in January 1989 to take corrective action to bring the state into compliance with federal regulations and procedures. The plan requested the DHHS to suspend the penalty for one year (which is permitted under federal law) while the plan is implemented. The DSS advises that it expects the DHHS to approve the plan and waive the penalty until November 1989. At the time this analysis was prepared, however, the DHHS had not approved or denied the plan.

If the state is still not in compliance after the corrective action period, the state will lose 2 to 3 percent of federal funding for AFDC (up to $70 million annually). If the state remains out of compliance after a third review, the penalty will increase to 3 to 5 percent (up to $120 million annually). The potential loss of federal funds is *not* reflected in the budget for either the current year or the budget year.

Review of Individual County Performance

The child support enforcement program is administered by the district attorney in each county in California. Because of the decentralized nature of the program, the only way for the overall performance of the state to improve in this program is to improve the performance of individual counties. We believe that it is important for the Legislature to closely monitor the program to improve program performance for two reasons.

First, the child support enforcement program is a revenue-producing program that has a positive net fiscal effect on the General Fund. In

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addition to recouping General Fund costs for the AFDC program, the child support enforcement program has the added advantage of AFDC grant avoidance savings to the extent that collections on behalf of non-AFDC families keep these families from going on aid. The program also has a positive net fiscal effect on the counties because they also benefit from incentives and recoupments.

Second, monitoring individual county performance is important in order for the state to ensure that each county and the state as a whole are in compliance with federal requirements, especially since failure to comply can result in multi-million dollar loses of federal funds in the AFDC program.

In order to assist the Legislature in overseeing the program and monitoring individual counties, we reviewed and ranked the performance of all 58 counties in California. We believe that this ranking provides a reasonable gauge with which to judge each county's performance.

Methodology for Ranking County Performance. In ranking county performance, we relied on a methodology similar to the one used in the Congressional "report card" described above. Specifically, we rated each county on eight separate criteria. Because the primary purpose of the child support enforcement program is to recoup AFDC grants, our methodology included several variables related to collections and recoupments. We also included variables that measured performance for the nonwelfare caseload, paternity establishment, and administrative costs. Specifically, we included the following criteria:

- ***Recoupment Rate.*** We calculated the 1987-88 recoupment rate by determining the percentage of total AFDC grant expenditures in the county actually recouped through the program. The 1987-88 data are the most recent data available.
- ***Collections Per Child, Welfare and Nonwelfare.*** Using 1987-88 data, we calculated the average welfare collections per child for children living in the county who are on AFDC and the average nonwelfare collections per child for non-AFDC children living in the county.
- ***Increase in Collections.*** We determined the percentage increase in collections (both welfare and nonwelfare) between 1986-87 and 1987-88. This variable indicates whether a county's performance is improving or deteriorating.
- ***Cost-to-Collections.*** We calculated a cost-to-collections ratio for each county by dividing a county's total welfare collections in 1987-88 by the administrative costs in the same year for the welfare caseload. We determined a similar ratio for nonwelfare cases. This measure is significant because federal incentives are based on cost-to-collections ratios.
- ***Paternity Establishment.*** Currently, district attorneys must establish the paternity of children before they can obtain a child support order. Although establishing paternity may not be cost-effective in the short run, it may be highly cost-effective in the long run. This is because younger fathers with relatively low-income when their children are born may experience income increases over time. In order to rank counties on their success in establishing paternity, we calculated the ratio of paternities established in 1987 to the number of children born out of wedlock in 1986. We used data from two

different years because establishing paternity is often a time consuming process that cannot be accomplished within the year of a child's birth.

We rated counties on each variable and developed a composite score and ranking. Each variable was weighted equally, as were the variables used to develop the Congressional "report card." In order to make the comparison more meaningful, after completing the composite scoring, we divided counties into four groups, based on county population. These groups are the 13 largest counties, 15 medium-sized counties, 15 small counties, and 15 very small counties. Chart 5 shows how the counties rank within each of the four groups.

Chart 5

Ranking of County Performance In the Child Support Enforcement Program[a]

1987-88

LARGE COUNTIES	MEDIUM-SIZED COUNTIES	SMALL COUNTIES	VERY SMALL COUNTIES
Ventura 4.0	Merced 5.0	Napa 5.8	Trinity 5.4
Fresno 3.8	Shasta 4.4	Siskiyou 5.4	Calaveras 5.2
San Bernardino 3.6	San Luis Obispo ... 4.1	Humboldt 5.3	Modoc 5.0
Contra Costa 3.5	Sonoma 4.1	Tuolumne 5.2	Plumas 4.6
San Francisco 3.1	Santa Barbara 3.9	Madera 4.7	Inyo 4.6
Orange 3.0	Placer 3.6	El Dorado 4.6	Glenn 4.1
Riverside 2.9	Stanislaus 3.6	Nevada 4.4	Lassen 3.8
San Diego 2.9	Santa Cruz 3.5	Yuba 4.2	Alpine 3.7
Alameda 2.8	Butte 3.4	Lake 4.2	San Benito 3.6
Santa Clara 2.4	Solano 2.8	Sutter 4.0	Del Norte 3.6
San Mateo 2.3	Kern 2.7	Yolo 3.8	Mariposa 3.2
Sacramento 2.1	Marin 2.7	Mendocino 3.7	Colusa 3.2
Los Angeles 1.7	Tulare 2.7	Imperial 3.7	Amador 2.8
	San Joaquin 2.6	Kings 3.6	Mono 2.7
	Monterey 2.6	Tehama 3.5	Sierra 1.5

[a] Scores are composites of eight performance measures. In order to make the composite meaningful, we rated each county on each performance measure on a scale of one to ten, and took the averages of these ratings. Groupings are based on county population.

Los Angeles County's Poor Performance is Costing the State Millions of Dollars

As Chart 5 indicates, the performance in Los Angeles County ranks worst among the large counties. In fact, Los Angeles' performance ranked 57th among all 58 counties in California. The county's performance was consistently near the bottom in each of the eight criteria. The highest ranking the county received in a single category was in administrative costs of AFDC collections, in which the county ranked 32nd out of 58.

While child support collections among all counties increased by 10 percent between 1986-87 and 1987-88, collections in Los Angeles County increased by less than 2 percent. At the same time, the rate of recoupment of AFDC grants for Los Angeles was less than half the

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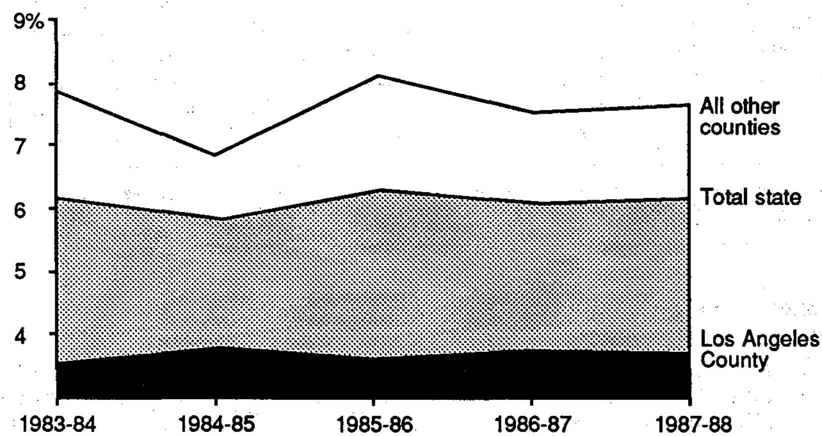
average rate of the other counties and about one-fourth the rate of Ventura County, which had the best performance rating among large counties. *Although Los Angeles has approximately 40 percent of all AFDC cases in the state, its collections in 1987-88 represented only about 21 percent of the state's total collections in that year.*

Performance of Los Angeles is Important to the State. Because of its size, the performance of Los Angeles is vital to the overall performance of the state's child support enforcement program. For example, if Los Angeles' recoupment rate for 1987-88 had been up to the average of the other counties, the state would have received *an additional $22 million in General Fund revenues and the county would have received an additional $3 million* from welfare collections, while the children of non-AFDC families living in the county would have received an additional $25 million in child support. If Los Angeles had done as well as Ventura County in 1987-88, the state would have received an additional $60 million in General Fund revenues and the county would have received an additional $7 million from welfare collections, while the children of non-AFDC families would have received an additional $41 million in child support. Historically, however, Los Angeles has pulled down the average statewide recoupment rate. Chart 6 displays this trend.

Chart 6

AFDC Child Support Recoupment Rates[a]

1983-84 through 1987-88



[a] AFDC collections as a percent of grant expenditures.

The DSS has recognized the importance of improving performance in Los Angeles County. Specifically, the department has assigned additional staff to monitor the county's performance and provide technical assistance and has required the county to submit performance data on a monthly basis.

What Accounts for the Poor Performance of Los Angeles?

Although it is not possible to determine all of the reasons for Los Angeles' poor performance, both the county and the DSS suggest that two factors—lack of an adequate automated system and a loss of staff—have significantly hampered the county's performance.

Lack of Automation. Los Angeles County's performance is severely handicapped by its limited automation capabilities. Because of the limitation of the system, which has been in use since 1979 and provides little more than word processing, much of the work that is accomplished by computers in other counties must be done manually by the staff in Los Angeles.

The way the county handles child support orders that are in arrears provides an excellent illustration of the inefficiencies that result from the lack of an adequate automated system. When a child support order is in arrears, the district attorney must take legal action in court to enforce the order and collect the awards. In counties with automated systems, a computer can generate a list of payments to demonstrate that an account is, in fact, in arrears. In most cases the courts accept such information as evidence because of the high level of confidence that they have in the counties' automated systems. In Los Angeles, however, all arrearages must be certified manually by a team of auditors because of the limited capability of the county's automated system. This not only slows the process of collecting delinquent awards, it also diverts valuable staff resources from other collection activities.

County Proposal to Contract Out the Operation of the Program to a Private Vendor Has Resulted in a Loss of Staff. Another reason for the poor performance of Los Angeles County is the severe loss of staff in the District Attorney's Bureau of Child Support Enforcement during the past two years. According to the DSS, the bureau has lost more than 24 percent of its staff since 1986. Chart 7 compares the bureau's staffing changes over the period July 1987 through December 1988 with the changes in the child support enforcement caseload during the same period. As the chart shows, the child support enforcement caseload climbed by about 8 percent while staffing in the bureau dropped nearly 15 percent.

According to both the county and the DSS, the major reason for the loss of staff within the bureau is the continuing uncertainty regarding the county's proposal to contract out much of the operation of its program to a private vendor, which has been under consideration since late 1986. Specifically, the county has proposed to contract out all services, including automation and staff services, except for services which require an attorney. The DSS advises that no other county in California has attempted to contract out this level of service in the child support enforcement program.

The DSS advises that no existing county staff have been laid off because of the contracting proposal, but many have left the bureau for other employment in anticipation of a private vendor taking over the operation of the program. In addition, because of the uncertainty, it is difficult to fill a position when one becomes vacant.

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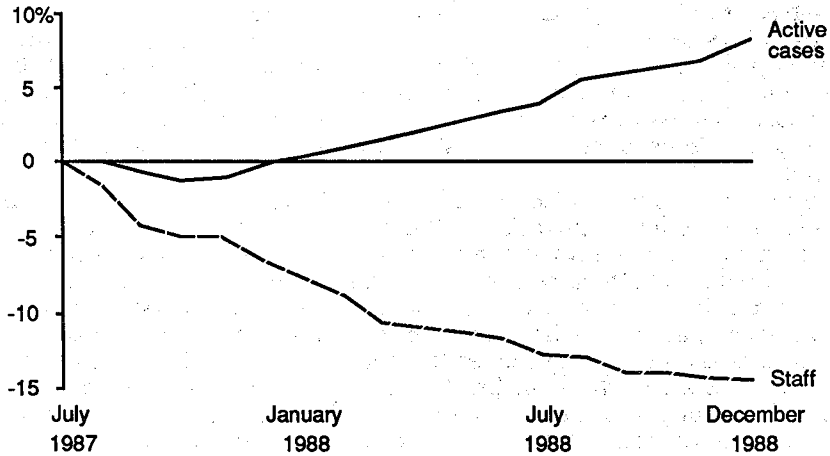
Chart 7

Comparison of Changes in Active Cases and Staffing Los Angeles County Bureau of Child Support Enforcement

July 1987 through December 1988



The contracting proposal was submitted to the DHHS for approval in October 1988, but was rejected in late January 1989. It is uncertain when, or if, the proposal will be modified and resubmitted to the DHHS. The county believes that, if the proposal is eventually approved, it can receive bids within two months of the approval date. It could take several more months for the county to award a contract and for a vendor to actually begin to operate the program. Thus, the county is likely to continue to find it difficult to maintain staffing levels in the foreseeable future.

The State Needs to Act Immediately to Bring Los Angeles County's Performance up to Par

We recommend that the Legislature adopt supplemental report language requiring the DSS to develop a three-year plan to improve the performance of Los Angeles County's child support enforcement program.

As we have shown, the performance of Los Angeles County in the child support enforcement program is vital to the state's overall performance. In our view, the situation in Los Angeles County has reached critical proportions and *immediate* action is warranted to improve the performance there. The alternative to bringing Los Angeles County's performance up to par is the continuing loss of General Fund, federal *and county* revenues, the continuing loss of support payments to children, and the risk of additional penalties resulting from future federal audits.

Existing State Law Provides a Way for the State to Bring Poorly Performing Counties in Line. Under current state law, the state must develop a state plan for the child support enforcement program. The plan can be changed at any time. Section 11475.2 of the Welfare and Institutions Code provides that if the Director of the DSS determines that a county is failing to comply with any provision of the state plan, the Director may (1) withhold part or all of state and federal funds, including incentive funds, from the county until the county demonstrates full compliance with the state plan and (2) notify the Attorney General that the county has failed to comply. Section 11475.2 requires the Attorney General to "take appropriate action to secure compliance" upon receipt of the Director's notification that a county has failed to comply with the plan. According to the DSS, the department has never withheld funds from a county nor notified the Attorney General that a county was not performing as required in the state plan.

DSS Should Develop a Three-Year Plan. In order to improve the performance of Los Angeles County's child support enforcement program, we believe that the DSS should develop a three-year plan, subject to legislative review, that sets out reasonable goals and objectives and measurable milestones to gradually bring the county's AFDC recoupment rate and non-AFDC collections up to at least the average of the other counties.

The plan should identify critical milestones that the county must meet in each quarter of each fiscal year to demonstrate improvement in the county's performance of the program. The plan should also specify the actions that the DSS will take if these milestones are not reached. Failure to achieve any of the first four quarterly milestones should result in financial sanctions, consistent with Section 11475.2 and the plan should specify how the department will calculate the amounts of these sanctions. The DSS should also provide for (1) an increase in the amount of the financial sanctions if the county fails to achieve the milestones after the first four quarters and (2) notification of the Attorney General that the county has failed to comply and a request that appropriate action be taken to ensure compliance. Because of the critical nature of this problem, we also recommend that the DSS submit quarterly reports to the Legislature on the status of the plan and the county's performance.

Specifically, we recommend the adoption of the following supplemental report language (Item 5180-101-001):

> The Department of Social Services, in conjunction with Los Angeles County, shall develop a three-year plan by October 1, 1989 to improve the performance of the county's child support enforcement program. The plan shall include reasonable goals and objectives, which lead to the county gradually increasing its AFDC recoupment rate and non-AFDC collections up to at least the average of other counties by January 1, 1993. In addition, the plan should specify measurable milestones that the county must meet in each quarter (beginning with the quarter ending March 31, 1990), and specify the amount of the financial sanctions that the DSS will impose, pursuant to Welfare and Institutions Code Section 11475.2, in the event that the county fails to achieve the milestones. The plan shall call for an increase in the amount of the sanctions that will be applied in the event of continued failure to achieve the milestones after the first four quarters covered by the plan and shall require the Director to notify the Attorney General of the county's failure to comply if the county fails to achieve these milestones after the first four quarters. The plan shall not become effective sooner than 60 days after it is submitted to the Chairpersons of the Joint Legislative Budget Committee (JLBC) and the Legislature's fiscal committees. In addition, the department shall submit quarterly status reports, beginning on April 30, 1990, to the JLBC and the fiscal committees on the

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

performance of Los Angeles County and its compliance with the three-year plan.

DSS Performance Model Should Have Teeth

We recommend that the Legislature adopt supplemental report language requiring the DSS to (1) incorporate its performance standards model for child support enforcement into the state plan and (2) outline in the state plan the specific actions that the department will take if counties with below-standard performance do not show improvement within the time frames outline in the plan, including graduated financial penalties and notification to the Attorney General that the county is not in compliance with the state plan.

Although the sheer size of Los Angeles County makes its performance critical to the success of the state's overall child support enforcement program, the performance of other counties is important as well. As Chart 5 shows, there are significant differences between the performance scores of the counties. Based on our analysis of county performance, we believe that there are significant opportunities to increase collections and improve the performance of counties like Sacramento, San Mateo, and Santa Clara, whose performance is also substantially below average.

The DSS Performance Standards Model. The DSS recently began the development of a statewide model to improve program performance in counties. A state-county task force with representatives from the DSS and Contra Costa, El Dorado, Los Angeles, Marin, Riverside, Sacramento, Santa Barbara, Santa Clara, and Stanislaus Counties is currently developing this model. The DSS advises that the results of the project will be available by April 1989.

Ensuring that Performance Standards Model Will Improve Performance. We believe that such a model offers excellent opportunities to improve performance of the counties by setting performance standards. At the same time, however, we believe that it is unlikely that such standards alone will be enough to ensure improvement. In addition, the department may need to set specific time frames for improvement of those counties that are below standard and outline actions (such as financial sanctions) that it will take if performance does not, in fact, improve. Consequently, we recommend that the Legislature adopt supplemental report language to instruct the DSS to take the following steps:

1. *Incorporate performance standards into the state plan.* This will help ensure that the standards carry the same legal weight as other parts of the state plan and will enable the state to take actions against counties that do not achieve adequate performance.

2. *Outline in the state plan the specific actions that the department will take if counties with below-standard performance do not show improvement within the time frames outlined in the plan, including graduated financial penalties and notification to the Attorney General of noncompliance.* In order to ensure that below-standard counties take the performance standards seriously, the DSS should establish a specific list of actions that it will take if a county does not comply. In particular, the state child support enforcement plan should specify how the DSS will calculate the amounts of financial penalties and when, and under what circumstances, the DSS will notify the Attorney General that a county is not in compliance with the plan.

Therefore we recommend the adoption of the following supplemental report language:

The Department of Social Services shall incorporate child support enforcement performance standards into the state plan for the program, pursuant to Section 11475 of the Welfare and Institutions Code. The department shall make these changes in the state plan by March 31, 1990, but in no event shall it make the changes earlier than 90 days after notifying the Legislature of its proposed changes. The model should include specific time frames with which to gauge county improvement and compliance with the plan and should outline specific actions that the department will take if a county does not demonstrate such improvement. These actions shall include graduated financial penalties and/or notification to the Attorney General of a county's noncompliance with the model.

Federal Welfare Reform Will Require Changes in Child Support Enforcement Program

On October 13, 1988, President Reagan signed the Family Support Act of 1988. The Family Support Act (FSA) is designed to promote self-sufficiency among welfare recipients and reduce their dependence on the welfare system.

The FSA makes several changes in the child support enforcement program. Although the precise impact of many of the changes will depend on federal regulations, which will not be promulgated until later this year, it is clear that several of the new federal requirements will require changes in California law. Some of these changes will probably have significant fiscal consequences for the state and counties. The FSA requires states to:

- Develop statewide automated systems for tracking and monitoring child support enforcement operations (this requirement is discussed in greater detail below).
- Periodically review and adjust child support awards.
- Meet federal paternity establishment standards.
- Collect social security numbers from both parents prior to issuing a birth certificate for a child.
- Notify families receiving welfare, on a monthly basis, of the amount of support collected on their behalf.
- Accept and respond to requests for assistance in specified child support enforcement activities within time standards to be established by the DHHS.
- Initiate automatic wage withholding for all child support orders.

We discuss these and other changes included in the FSA in a separate report entitled *Federal Welfare Reform in California: A Review of the Family Support Act of 1988* (Legislative Analyst's Office Report Number 89-2), which was published in January 1989.

Department Should Report On Plans for Automation

We recommend that the DSS report to the Legislature during budget hearings on the costs and benefits of implementing (1) a state-operated automated child support system compared to (2) a county-operated automated system. The report should include a review of the costs and benefits of each option and a discussion of the options for funding the nonfederal share of the costs.

The FSA requires states to develop statewide automated systems for tracking and monitoring child support operations. Such systems can

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

provide many services, such as case management, word processing, accounting, billing, and data collection. The measure also provides that the federal government will pay for up to 90 percent of the costs of automation through September 1995. The systems must be operational by October 1, 1995.

In our report on federal welfare reform in California (please see p. 12 of the report) we note that automation offers one of the best opportunities to increase collections and improve the efficiency of the child support enforcement program. In addition, we found that the costs of automation are more than offset by increased collections.

Our analysis indicates that in order to comply with this requirement, the Legislature has two basic options: (1) establish a state-operated system or (2) seek a waiver of the requirement for a statewide system and instead require all counties to develop their own systems.

There are advantages to each of these options. Based on our review of these issues, we conclude that the costs of developing a state-operated system would be less than the costs to develop several county-operated systems. In addition, a state-operated system could probably be brought on line faster because the state would have to develop only one system. A state-operated system also would be easier and less expensive to maintain than a county-operated system and would be easier to reprogram as needed to implement changes in regulations or federal or state law. On the other hand, a county-operated system would be more responsive to local needs.

Because of the importance of automation to the success of the child support enforcement program and the long lead-time required for automation projects, we recommend that the DSS report to the Legislature during hearings on the costs and benefits of the options outlined in the report, as well as the options for funding the nonfederal share of the costs of automation.

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 169

Requested 1989-90	$2,070,657,000
Estimated 1988-89	2,002,848,000
Actual 1987-88	1,846,496,000
Requested increase $67,809,000 (+3.4 percent)	
Total recommended reduction	None
Recommendation pending	2,070,657,000

1989–90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-111-001—Payments to aged, blind, and disabled	General	$2,055,484,000
5180-111-890—Payments to aged, blind, and disabled refugees	Federal	12,229,000
Control Section 23.50—Payments to aged, blind, and disabled	State Legalization Impact Assistance Grant—Federal	2,944,000
Total		$2,070,657,000

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. 605

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 for most recipients. However, the federal Office of Refugee Resettlement pays for the SSP grants for eligible refugees who have been in this country for less than 24 months. 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 1989-90. The budget also includes $12 million from the Federal Trust Fund to reimburse the state for the grant costs of refugees and $3 million from the federal State Legalization Impact Assistance Grant (SLIAG) for grants to newly legalized persons under the federal Immigration Reform and Control Act (IRCA). The total proposed appropriations are an increase of $68 million, or 3.4 percent, above estimated current-year expenditures.

The budget also assumes that federal expenditures for SSI grant costs will be $1.7 billion. This is an increase of $153 million, or 9.6 percent, above estimated federal expenditures in the current year. The combined state and federal expenditures anticipated by the budget for the SSI/SSP program is $3.8 billion, which is an increase of $220 million, or 6.1 percent, above estimated current-year expenditures.

Table 1 shows SSI/SSP expenditures by category of recipient and by funding source, for the years 1987-88 through 1989-90.

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

Table 1
SSI/SSP Expenditures
1987-88 through 1989-90
(dollars in thousands)

	Actual 1987-88	*Est. 1988-89*	*Prop. 1989-90*	*Percent Change From 1988-89*
Category of recipient				
Aged	$1,020,515	$1,099,805	$1,144,940	4.1%
Blind	105,961	112,792	117,100	3.8
Disabled	2,168,147	2,383,959	2,554,848	7.2
Totals	$3,294,623	$3,596,556	$3,816,888	6.1%
Funding Sources				
Included in the Budget Bill:				
General Fund	*$1,835,661*	*$1,990,040*	*$2,055,484*	*3.3%*
Federal funds (reimbursements for refugees)	*10,685*	*11,329*	*12,229*	*7.9*
State Legalization Impact Assistance Grant (SLIAG)	*150*	*1,479*	*2,944*	*99.1*
Subtotals, Budget Bill	*($1,846,496)*	*($2,002,848)*	*($2,070,657)*	*(3.4%)*
Not included in Budget Bill:				
SSI grants	*$1,448,127*	*$1,593,708*	*$1,746,231*	*9.6%*

Table 2
SSI/SSP Budget Changes
1989-90
(dollars in millions)

	General Fund	*All Funds*[a]
1988 Budget Act	$2,014.4	$3,624.4
1988-89 adjustments to appropriations		
Lower-than-anticipated caseload growth	−$21.1	−$29.2
Baseline change for 1/88 state COLA	−1.1	−1.1
Federal reimbursement for refugees	−1.0	—
Refugee program reduction	−1.2	—
Newly legalized persons	—	2.3
Totals, surplus	−$24.4	−$28.0
1989-90 adjustments		
Increase in caseload	$88.9	$163.8
Full-year costs of 1/89 state COLA	132.8	132.8
Full-year costs of 1/89 federal COLA	−77.8	−48.8
1/90 federal COLA (4.8 percent)	−77.5	−29.7
Federal reimbursement for refugees	−1.4	—
Refugee program reduction	.5	—
Newly legalized persons	—	2.3
1989-90 expenditures (proposed)	$2,055.5	$3,816.9
Change from 1988-89:		
Amount	$65.5	$220.5
Percent	3.3%	6.1%

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

Table 2 shows the factors resulting in the net increase of $220 million in all funds for the SSI/SSP program in 1988-89. As the table shows, expenditures from all funds in the current year are estimated to be $28 million ($24.4 million General Fund) *less* than the amounts budgeted in the 1988 Budget Act. For the budget year, the largest projected cost *increases* are attributable to:

- A $164 million ($89 million General Fund) increase to fund an estimated 4.5 percent caseload growth.
- A $133 million General Fund increase to fund the full-year cost in 1989-90 of the 4.7 percent COLA provided for SSI/SSP grants on January 1, 1989.

These increases are partially offset by a decrease of $155 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.

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 must be below the SSI/SSP payment standard and their resources cannot exceed $2,000 for individuals and $3,000 for couples.

General Fund Reversion of $24 Million in 1988-89

The department anticipates that expenditures for SSI/SSP during 1988-89 will be *below* available funds by $28 million ($24 million General Fund), or approximately 1 percent. As Table 2 shows, the current-year surplus in the program is primarily attributable to a $29 million ($21 million General Fund) decrease in costs due to lower-than-anticipated growth in the SSI/SSP caseload, offset by a $2.3 million increase for grants to newly legalized persons that were not included in the 1988 Budget Act.

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 1989 an aged or disabled individual can receive up to $602 per month, while a blind individual can receive up to $673. 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 provided by the federal government. The SSP grant levels proposed in the budget *exceed* those required by federal law.

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

Existing state law requires that the total SSI/SSP payment levels be adjusted, effective January 1, 1990, based on the change in the California Necessities Index (CNI) during calendar year 1988. 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. At the time this analysis was prepared, the commission's calculation of the actual change in the CNI for calendar year 1988 was not available. The commission's preliminary estimate of the change is 4.79 percent.

Budget Proposes to Suspend Statutory COLA. The budget assumes enactment of legislation to waive the requirement for a state COLA for SSI/SSP grants in 1989-90. The budget estimates that this will result in General Fund savings of $138 million in the budget year, based on the estimated increase in the CNI of 4.79 percent.

Table 3
Maximum Monthly SSI/SSP Grant Levels
Calendar Years
1989 and 1990

		1990	
	1989	*Budget Proposal (no state COLA)* [a]	*Statutory Requirement (with state COLA)* [b]
Category of recipient [c]			
Aged or disabled			
Individual:			
Total grant	$602	$602	$631
SSI	368	386	386
SSP	234	216	245
Couple:			
Total grant	$1,116	$1,116	$1,169
SSI	553	579	579
SSP	563	537	590
Blind			
Individual:			
Total grant	$673	$673	$705
SSI	368	386	386
SSP	305	287	319
Couple:			
Total grant	$1,312	$1,312	$1,375
SSI	553	579	579
SSP	759	733	796
Aged or disabled individual			
Nonmedical board and care:			
Total grant	$678	$678	$710
SSI	368	386	386
SSP	310	292	324

[a] Assumes no state COLA in SSI/SSP grants and a 4.8 percent increase in SSI grants January 1, 1990.
[b] Assumes a 4.79 percent increase in SSI/SSP grants, based on the estimated CNI, and a 4.8 percent increase in SSI grants, both effective January 1, 1990.
[c] Unless noted, recipients are in independent living arrangements.

Table 3 displays the SSI/SSP grants for 1989 and for 1990 with no state COLA (the Budget Bill proposal) and with a COLA of 4.79 percent. As the table shows, if legislation is enacted to waive the state COLA, the COLA in the federal SSI program that will take effect on January 1, 1990 will be offset by a reduction in the SSP grant and will result in no change in the total grant. If, however, legislation is not enacted to waive the state COLA, grants to individuals would be $27 to $59 higher in 1990 than the grants in 1989.

Estimates Will Be Updated In May

We withhold recommendation on $2 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 1988. The department will present revised estimates in May, which will be based on program costs through February 1989. Because the revised estimates will be based on more recent experience, the estimates will provide the Legislature with a more reliable basis for budgeting 1989-90 expenditures.

Basic Caseload Estimate May Be Too High. The budget proposal assumes an average monthly SSI/SSP caseload of 811,800, which is an increase of 4.5 percent, above estimated current-year caseloads. Table 4 compares the projected caseload in each recipient category for 1988-89 and 1989-90.

Table 4
SSI/SSP
Average Monthly Caseload
1987-88 through 1989-90

Category of recipient	*Actual 1987-88*	*Est. 1988-89*	*Prop. 1989-90*	*Percent Change From 1988-89*
Aged	282,294	291,400	300,800	3.2%
Blind	20,544	21,000	21,500	2.4
Disabled	439,452	464,100	489,500	5.5
Totals	742,290	776,500	811,800	4.5%

Compared to the most recent actual experience, a caseload increase of 4.5 percent would represent an *increase* in the rate of growth of the SSI/SSP caseload. For example, Table 5 shows that the number of recipients increased by 4 percent between the first five months of 1987-88 and the same period in 1988-89. Although this is only a difference of one-half of 1 percent below the 4.5 percent projected by the Department of Social Services, the lower growth rate would result in a reduction of General Fund cost below the proposed level of more than $10 million.

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

Table 5
SSI/SSP
Actual Change in Average SSI/SSP Caseload
July through November 1987-88 and 1988-89

	July-November		*Percent Change From*
	1987-88	*1988-89*	*1987-88*
Eligibility category			
Aged	279,930	288,588	3.1%
Blind	20,443	20,715	1.3
Disabled	432,643	453,368	4.8
Totals	733,016	762,671	4.0%

Department of Social Services
SPECIAL ADULT PROGRAMS

Item 5180-121 from the General Fund and the Federal Trust Fund — Budget p. HW 170

Requested 1989-90	$3,689,000
Estimated 1988-89	3,309,000
Actual 1987-88	2,882,000
Requested increase $380,000 (+11 percent)	
Total recommended reduction	None

1989–90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-121-001—Special Adult programs	General	$3,614,000
5180-121-890—Special Adult programs	Federal	75,000
Total		$3,689,000

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.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of $3.7 million for the Special Adult programs in 1989-90. This is $380,000, or 11 percent, more than estimated expenditures for this program in the current year. This increase results primarily from projected expenditure growth in the Special Circumstances program. 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 171

Requested 1989-90	$17,505,000
Estimated 1988-89	20,668,000
Actual 1987-88	45,322,000
Requested decrease $3,163,000 (−15 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

This item appropriates federal funds for cash grants to needy refugees who (1) have been in this country for less than two years and (2) do *not* qualify for assistance under the Aid to Families with Dependent Children (AFDC) program or Supplemental Security Income/State Supplementary Program (SSI/SSP). The funds for assistance to refugees who receive AFDC or SSI/SSP grants are appropriated under Items 5180-101-890 and 5180-111-890, respectively.

The federal government pays 100 percent of the costs of public assistance—AFDC, SSI/SSP, and county general assistance—to needy refugees for the first two years that they are in this country. These individuals are designated as "time-eligible" refugees. Time-eligible refugees who are needy, but who do not meet the eligibility requirements of the AFDC or SSI/SSP programs, receive cash assistance under the Refugee Cash Assistance (RCA) program for the first 12 months that they are in this country. After this period, some of these individuals qualify for assistance under county general assistance programs.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes expenditures of $17.5 million in federal funds in 1989-90 for cash assistance to time-eligible refugees through the RCA and county general assistance programs. This is a decrease of $3.2 million, or 15 percent, below estimated current-year expenditures.

The $3.2 million decrease consists of (1) a $3.9 million decrease due to the net full-year effects in 1989-90 of a change in federal regulations that took effect in October 1988 and (2) a $700,000 increase primarily due to a 3 percent caseload increase. The change in federal regulations reduced from 18 to 12 the number of months that the federal government provides grants to refugees under the RCA program. In 1989-90, this change will result in a $5 million *decrease* in grant costs to refugees under the RCA program. At the same time, this change will result in a $1.1

REFUGEE CASH ASSISTANCE PROGRAMS—Continued

million *increase* in costs for assistance to refugees under general assistance programs. This will occur because some refugees who formerly received grants under the RCA (those in the country for 12 to 18 months) will shift over to general assistance programs.

Department of Social Services
COUNTY ADMINISTRATION OF WELFARE PROGRAMS

Item 5180-141 from the General Fund and the Federal Trust Fund — Budget p. HW 171

Requested 1989-90	$708,256,000[a]
Estimated 1988-89	654,012,000
Actual 1987-88	532,390,000
Requested increase $54,244,000 (+8.3 percent)	
Total recommended reduction	None
Recommendation pending	708,256,000

[a] Includes $24,420,000 proposed in Item 5180-181-890 to provide a 5.2 percent cost-of-living adjustment.

1989–90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-141-001—County administration	General	$179,592,000
5180-141-890—County administration	Federal	502,583,000
5180-181-890—Cost-of-living adjustment	Federal	24,420,000
Control Section 23.50—Local assistance	State Legalization Impact Assistance Grant	1,661,000
Total		$708,256,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS — *Analysis page*

1. County Administration Budget. Withhold recommendation on $708.3 million ($179.6 million General Fund, $528.7 million federal funds) pending review of revised estimates in May and a report on the findings of a work measurement study. 611

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 Stamps 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.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of $179.6 million from the General Fund as the state's share of the costs that counties will incur in administering welfare programs during 1989-90. This is an increase of $12 million, or 7.5 percent, over estimated current-year General Fund expenditures for this purpose. The $179.6 million includes $9.0 million to fund increased General Fund costs resulting from the estimated 4.8 percent cost-of-living adjustment (COLA) granted by the counties to their employees during *1988-89*. 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 the budget-year costs starting in *1990-91*.

The budget proposes total expenditures of $960 million for county administration of welfare programs during 1989-90, as shown in Table 1. This is an increase of $73 million, or 8.2 percent, over estimated current-year expenditures.

Table 2 shows the budget adjustments that account for the net increase in county administration expenditures proposed for 1989-90. Significant changes include:

- A $14 million increase ($3.5 million General Fund) to fund administration costs related to estimated increases in AFDC caseloads (basic costs).
- A $6.1 million increase ($2.3 million General Fund) to fund increased costs related to development and implementation of a statewide automated welfare system. The $6.1 million increase ($4.9 million for AFDC administration and $1.2 million for nonassistance food stamps administration) reflects (1) additional development costs related to certain counties preparing to implement their automated systems and (2) the costs for additional counties to prepare advanced planning documents for their automated systems.
- A $3.8 million increase to fund the estimated 4.8 percent retroactive COLA for 1988-89. This increase is primarily the result of higher caseloads in 1989-90. The General Fund share of the increase ($9 million) is partially offset by reduced county costs, since counties will pay for 100 percent of the nonfederal share of these COLAs in 1988-89.
- A $45 million increase in federal and county funds (no General Fund monies) to provide a 5.2 percent COLA estimated for 1989-90. The General Fund share of the ongoing costs of this COLA will be covered in the state budget beginning in 1990-91.

Table 1
County Welfare Department Administration
Budget Summary
1987–88 through 1989–90
(dollars in thousands)

	Actual 1987–88				*Estimated 1988–89*				*Proposed 1989-90*			
Program	*State*	*Federal*	*County*	*Total*	*State*	*Federal*	*County*	*Total*	*State*	*Federal*	*County*	*Total*
1. AFDC administration	$109,066	$166,352	$126,163	$401,581	$125,050	$272,598	$135,089	$532,737	$134,840	$287,778	$131,894	$554,512
2. Nonassistance food stamps	27,677	110,495	33,276	171,448	35,860	92,894	40,790	169,544	38,537	95,942	40,501	174,980
3. Child support enforcement	—	102,851	50,566	153,417	—	113,021	53,183	166,204	—	110,492	55,712	166,204
4. Special adult programs	2,330	—	85	2,415	2,533	—	122	2,655	2,883	—	—	2,883
5. Refugee cash assistance	—	6,439	—	6,439	678	2,263	694	3,635	—	3,445	—	3,445
6. Adoption assistance	106	69	1	176	79	36	4	119	59	28	—	87
7. Staff development	2,312	4,693	2,901	9,906	2,899	6,101	3,191	12,191	3,273	6,559	3,273	13,105
8. Estimated 5.2 percent COLA for county staff	—	—	—	—	—	—	—	—	—[b]	24,420	20,264	44,684
Totals	$141,491	$390,899[a]	$212,992	$745,382	$167,099	$486,913[a]	$233,073	$887,085	$179,592	$528,664[a]	$251,644	$959,900

[a] Includes State Legalization Impact Assistance Funds. For 1989–90, these funds are budgeted under Control Section 23.5.
[b] The state will not share in the costs of COLAs granted to welfare department employees for 1989–90 until 1990–91.

Table 2
County Administration of Welfare Programs
Proposed 1989-90 Budget Changes
All Funds
(dollars in thousands)

	General Fund	*All Funds*
1988-89 expenditures (revised)	$167,099	$887,085
Adjustments to ongoing costs or savings		
AFDC administration		
Basic caseload costs	3,498	13,940
Court cases/legislation	−1,696	−587
Statewide Automated Welfare System (SAWS)	1,861	4,897
Systematic Alien Verification for Entitlement	−3	361
Fraud detection, enhanced federal funding	−707	—
Other	28	96
Subtotals, AFDC	($2,981)	($18,707)
Nonassistance food stamps administration		
Basic caseload costs	$266	$1,137
SAWS	462	1,214
Employment training program	65	1,744
Other	−4	389
Subtotals, food stamps	($789)	($4,484)
Other programs		
Basic caseload costs	$419	$1,263
Refugee statutory changes	−678	−907
Immigration Reform and Control Act	—	750
Subtotals, other programs	(−$259)	($1,106)
New costs		
Retroactive COLA (4.8 percent)	$8,982	$3,834
Estimated COLA for 1989-90 (5.2 percent)	—	44,684
Subtotals, new costs	($8,982)	($48,518)
1989-90 expenditures (proposed)	$179,592	$959,900
Change from 1988-89:		
Amount	$12,493	$72,815
Percent	7.5%	8.2%

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on $708.3 million ($179.6 million General Fund and $528.7 million federal funds) requested for county administration of welfare programs pending receipt of (1) revised estimates of county costs to be submitted in May and (2) a report on the findings of a work measurement study to be submitted by March 1, 1989.

The proposed expenditures for county administration of welfare programs in 1989-90 are based on 1988-89 budgeted costs updated to reflect the department's caseload estimates for 1989-90. In May, the department will present revised estimates of county costs based on actual county costs in 1988-89. 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 1989-90 and the department's updated caseload data for county-administered programs.

Because the revised estimate of county costs will be based on more recent and accurate information, the estimate will provide the Legisla-

COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued

ture with a more reliable basis for budgeting 1989-90 expenditures. Therefore, we withhold recommendation on the amount requested for county administration of welfare programs pending review of the May estimate.

Findings of a Work Measurement Study May Lead to Changes in County Administration Costs

In the 1988 Budget Act, the Legislature approved language requiring the Departments of Social Services and Health Services to submit a joint report by March 1, 1989 regarding the findings of a work measurement study of counties' administration of welfare programs. The purpose of this study is to determine an appropriate workload standard for counties' eligibility determination staff. Among other things, the Budget Act requires the departments to include in this report (1) an analysis of the fiscal impact on the federal, state, and county governments, should the budget process for eligibility worker caseloads be based on the findings of the work measurement study, and (2) an estimate of the cost of fully implementing the findings of the study. We would expect the department's May estimates of county administration costs to include any adjustments necessary to implement the results of the study. Therefore, we will provide our review of the study as part of our analysis of the May revision.

Department of Social Services
SOCIAL SERVICES PROGRAMS

Item 5180-151 from the General Fund and various funds — Budget p. HW 172

Requested 1989-90	$1,310,333,000 [a]
Estimated 1988-89	1,282,942,000
Actual 1987-88	917,352,000
Requested increase $27,391,000 (+2.1 percent)	
Total recommended reduction	250,000
Recommendation pending	573,906,000

[a] Includes $2,903,000 proposed in Item 5180-181-890 to provide a 5.2 percent cost-of-living adjustment.

1989–90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-151-001—Social services programs—local assistance	General	$799,177,000
5180-151-890—Social services programs—local assistance	Federal	503,588,000
5180-181-890—Social services programs—local assistance COLA	Federal	2,903,000
Reimbursements	—	2,735,000
Welfare and Institutions Code Section 18969—Appropriation	Children's Trust	1,659,000
Chapter 1236, Statutes of 1988—Appropriation	General	62,000
Control Section 23.5	State Legalization Impact Assistance Grant	209,000
Total		$1,310,333,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. In-Home Supportive Services (IHSS)—Program Refocus. Withhold recommendation on $574 million proposed for the IHSS program, including $64 million in proposed savings due to a "program refocus" and recommend that prior to budget hearings, the Department of Social Services provide the fiscal committees with the details of the proposal, the implementing legislation, and its assessment of the proposal's likely impact on the recipients, the counties, and the long-term costs of the IHSS program. 620
2. ***Licensed Maternity Home Care. Reduce Item 5180-151-001 by $250,000.*** Recommend a reduction in General Fund support to more accurately reflect the program's anticipated spending level. 626
3. Greater Avenues for Independence (GAIN) Program. Recommend that the department report to the fiscal committees prior to budget hearings on its most recent estimate of current-year county allocations and expenditures for the GAIN program and the amount of unspent funds that will revert to the General Fund. 630

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, IV-E, and XX of the Social Security Act and the Federal Refugee Act of 1980. In addition, 10 percent of the funds available under the federal Low-Income Home Energy Assistance (LIHEA) block grant are transferred to Title XX social services each year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes $1.3 billion in expenditures from state funds ($799.2 million General Fund and $1.7 million State Children's Trust Fund), federal funds ($506.7 million), and reimbursements ($2.7 million), to support social services programs in 1989-90. In addition, the budget anticipates that counties will spend $109.7 million from county funds for these programs. Thus, the budget anticipates that spending for social services programs in 1989-90 will total $1.4 billion. Table 1 displays program expenditures and funding sources for these programs in the past, current, and budget years.

SOCIAL SERVICES PROGRAMS—Continued

Table 1
Social Services Programs
Expenditures from All Funds
1987-88 through 1989-90[a]
(dollars in thousands)

Program	Actual 1987-88	Est. 1988-89	Prop. 1989-90[b]	Change From 1988-89 Amount	Change From 1988-89 Percent
Other county social services	$380,889	$472,641	$548,456	$75,815	16.0%
Child welfare services	(302,901)	(390,344)	(463,847)	(73,503)	(18.8)
County services block grant	(77,988)	(82,297)	(84,609)	(2,312)	(2.8)
Specialized adult services	475,375	585,538	579,694	−5,844	−1.0
In-Home Supportive Services	(469,971)	(579,942)	(574,098)	(−5,844)	(−1.0)
Maternity home care	(1,962)	(2,154)	(2,154)	(—)	(—)
Access assistance for deaf	(3,442)	(3,442)	(3,442)	(—)	(—)
Employment services	94,917	232,410	214,700	−17,710	−7.6
GAIN[c]	(69,593)	(226,300)	(189,400)	(−36,900)	(−16.3)
Demonstration programs	(25,324)	(6,110)	(—)	(−6,110)	(−100.0)
JOBS impact	(—)	(—)	(25,300)	(25,300)	(—)[d]
Adoptions	21,047	27,003	27,583	580	2.1
Refugee assistance	19,146	44,936	27,685	−17,251	−38.4
Social services	(13,324)	(26,292)	(18,363)	(−7,929)	(−30.2)
Targeted assistance	(5,736)	(18,644)	(9,322)	(−9,322)	(−50.0)
Refugee demonstration program support services	(86)	(—)	(—)	(—)	(—)
Child abuse prevention	23,738	23,438	21,959	−1,479	−6.3
Totals	$1,015,112	$1,385,966	$1,420,077	$34,111	2.5%
Funding Sources[b]					
General Fund	*$483,966*	*$775,290*	*$799,239*	*$23,949*	*3.1%*
Federal Trust Fund	*430,367*	*502,440*	*506,491*	*4,051*	*0.8*
State Legalization Impact Assistance Grant	—	*30*	*209*	*179*	*596.7*
County funds	*97,760*	*103,024*	*109,744*	*6,720*	*6.5*
State Children's Trust Fund	*2,277*	*2,131*	*1,659*	*−472*	*−22.1*
Reimbursements	*742*	*3,051*	*2,735*	*−316*	*−10.4*

[a] Includes actual 1987-88 and anticipated 1988-89 and 1989-90 county expenditures.
[b] Includes funds for 1989-90 COLAs ($2.9 million from the Federal Trust Fund and $20.0 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 1988-89.
[c] Excludes General Fund expenditures for GAIN from Control Section 22 and other funds for GAIN appropriated in other items in the Budget Bill. Table 9 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 1989-90 represents an increase of $34.1 million, or 2.5 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:

- A $54 million ($40 million General Fund) increase due to anticipated growth in Child Welfare Services (CWS) caseloads.
- A $2.6 million increase for cost-of-living adjustments (COLAs) that counties granted to CWS workers in 1988-89. This increase consists of

Table 2
Department of Social Services
Proposed 1989-90 Budget Changes
Social Services Programs
(dollars in thousands)

	General Fund	*All Funds*
1988-89 expenditures (Budget Act)	$766,624	$1,373,359
1988-89 adjustments to appropriations		
Reduction in federal emergency assistance funds	$2,681	—
Increase in federal refugee funding	—	$9,001
Increase in In-Home Supportive Services (IHSS) average (IHSS) hours of service	6,959	4,888
Other adjustments	−974	−1,282
Subtotals, expenditure increase	($8,666)	($12,607)
1988-89 expenditures (revised)	$775,290	$1,385,966
1989-90 adjustments		
Other County Social Services (OCSS):		
Child Welfare Services (CWS) caseload increase	$40,269	$53,661
CWS prior-year COLA	15,066	2,576
Reduction in federal funds for independent living	—	−7,033
Implementation of four-county pilot for drug-exposed infants	1,066	1,066
IHSS administration—caseload increase	3,225	3,225
Increase in State Legalization Impact Assistance Grant (SLIAG) funds	—	14
Other adjustments	−413	−583
Subtotals, OCSS	($59,213)	($52,926)
IHSS:		
Increased caseload and average hours of service	$64,460	$66,330
Program refocus—limit on hourly rate	−30,673	−30,673
Program refocus—cap on average hours of service	−33,221	−33,221
Settlement of *Miller v. Woods* court case	−7,800	−8,667
Increased costs for payrolling contracts	222	222
Increase in SLIAG funds	—	165
Subtotals, IHSS	(−$7,012)	(−$5,844)
Employment services:		
Work Incentive (WIN) program phase-out	−$2,655	−$6,110
GAIN program reduction [a]	−9,584	−36,900
JOBS impact	−16,700	25,300
Subtotals, employment services	(−$28,939)	(−$17,710)
Adoptions	$737	$580
Refugee programs:		
Reduction in targeted assistance grant	—	−$9,322
Reduction in refugee employment social services provider contract obligations	—	−7,929
Subtotals, refugees	(—)	(−$17,251)
Child abuse prevention	−$50	−$1,479
Proposed COLAs in CWS (5.2 percent)	— [b]	22,889
1989-90 expenditures (proposed)	$799,239	$1,420,077
Change from 1988-89:		
Amount	$23,949	$34,111
Percent	3.1%	2.5%

[a] Excludes General Fund expenditures of $3.9 million for GAIN from Control Section 22 and other funds for GAIN appropriated in other items of the Budget Bill.

[b] The state share of the COLAs that counties grant to their child welfare services workers during 1989-90will be included in the base funding for the program beginning with the 1990-91 Budget.

SOCIAL SERVICES PROGRAMS—Continued

(1) an increase of $15 million in General Fund costs that results because, consistent with the state's "retroactive" COLA policy, the state did not share in the 1988-89 costs of these COLAs during 1988-89, but will begin providing its share of these costs in 1989-90, (2) a reduction of $13.1 million in county costs, also due to the "retroactive" COLA policy, and (3) an increase of $624,000 in the federal costs associated with the 1988-89 COLA due to caseload increases.

- A $23 million increase in federal and county funds for the costs of the COLAs granted to county CWS workers in 1989-90. Under the "retroactive" COLA policy, the state share of these costs will be provided beginning with the 1990-91 budget.
- A $66 million increase ($64 million General Fund) for basic costs in the In-Home Supportive Services (IHSS) program due to estimated increases in caseloads and hours of service.
- A $64 million General Fund reduction due to a proposed "program refocus" in the IHSS program in two parts: (1) a $31 million reduction due to the proposal to limit reimbursement for all IHSS hours to the current hourly cost for Independent Providers (IPs) and (2) a $33 million reduction due to the establishment of a cap on each county's average hours of service.
- A net $18 million reduction ($29 million General Fund) for employment services due to (1) a $6.1 million reduction ($2.7 million General Fund) in the Work Incentive (WIN) program due to the change over from the WIN program to the Greater Avenues for Independence (GAIN) program in the remaining WIN counties, (2) a GAIN program reduction of $37 million ($9.6 million General Fund), and (3) a net increase of $25 million due to implementation of the Job Opportunities and Basic Skills Training (JOBS) program. The $25 million increase is composed of $42 million in additional federal funds available under JOBS offset by a $17 million reduction in General Fund expenditures.

The proposed increase of $34.1 million from all funds consists of (1) a General Fund increase of $23.9 million, or 3.1 percent, (2) a federal fund increase of $4.2 million, or 0.8 percent, (3) an increase in county funds of $6.7 million, or 6.5 percent, (4) a decrease of $0.5 million, or 22 percent, from the State Children's Trust Fund, and (5) a $0.3 million, or 10 percent, reduction in reimbursements.

ANALYSIS AND RECOMMENDATIONS

OTHER COUNTY SOCIAL SERVICES

Proposed Funding for Other County Social Services. The budget proposes total spending of $548.5 million for the Other County Social Services (OCSS) program in 1989-90, which is 16 percent more than estimated expenditures in 1988-89. This amount consists of $82.7 million in federal funds (Titles IV-A, IV-B, IV-E, and SLIAG), $376.1 million in General Fund support, and $89.7 million in county funds.

Of the amount requested for OCSS, $463.8 million is proposed for the Child Welfare Services program. The balance of the OCSS request—$84.6 million—is proposed for the County Services Block Grant.

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.

Administration's Proposal to Fund Pilot Project for Services for Drug-Exposed Infants Needs More Detail

The budget proposes General Fund expenditures of $1.1 million in the Social Services Programs item (Item 5180-151-001) and $90,000 in the DSS' Departmental Support item (Item 5180-001-001) to recruit, train, and provide support services to foster parents for infants in four counties who are drug-exposed or who test positive for the virus that causes AIDS. This proposal is part of a pilot project to be administered by the Department of Health Services (DHS), the Department of Alcohol and Drug Programs (DADP), and the DSS. While we believe that the department's proposal has merit, at the time we prepared our analysis many of the details regarding its implementation still had not been resolved. For example, the DSS advises that foster parents in the pilot will be trained by hospital personnel regarding the medical in-home care needs of their foster care infants; yet neither the DSS nor the DHS could identify a funding source to support this training. We discuss the proposal in more detail in our analysis of the DADP's budget. (Please see Item 4200.)

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.

Status of the Current-Year Budget

The department estimates that current-year expenditures for the IHSS program will exceed the amount appropriated in the 1988 Budget Act by $4.9 million ($7 million General Fund). This increase is primarily due to an increase in the average hours of service per case.

The 1988 Budget Bill, as approved by the Legislature, included funds based on the DSS' May revision estimate, which projected a 3 percent increase in the average hours per case. The 3 percent increase was used as the basis for the Department of Finance (DOF) proposing an increase in funds in its May revision submission to the Legislature.

Although the DOF had proposed the 3 percent increase in the average hours, the Governor vetoed $8.5 million of the General Fund appropriation for IHSS from the 1988 Budget Bill to reflect a lower estimate of 1.5 percent. The department now estimates that the actual increase in average hours in the current year will be 3.8 percent.

At the time this analysis was prepared, the department indicated that it is not requesting additional funds to cover the shortfall. The department advises that the May revision will provide a better basis for determining how much additional funding is needed in the current year.

Proposed Budget-Year Expenditures

The budget proposes expenditures of $574 million for the IHSS program in 1989-90. This is a decrease of $5.8 million, or 1 percent, below estimated current-year expenditures. The significant changes that account for the decrease are as follows:

- A $66 million increase to fund an estimated 7 percent increase in basic caseload and a 4 percent increase in average hours of service per case.
- A $64 million reduction due to a proposed "program refocus," consisting of two parts: (1) a reduction of $31 million due to a limit on provider payments at the minimum wage rate and (2) a reduction of $33 million due to a proposed cap on each county's average hours of service per case.
- An $8.7 million reduction due to the elimination of payments for the *Miller v. Woods* court case (the department expects to make the final payments during 1988-89).

Table 3 displays IHSS program expenditures, by funding sources, for the past, current, and budget years. The table shows that while expenditures from all funds are expected to decrease by $5.8 million, or 1 percent, expenditures from the General Fund are projected to decrease by $7 million, or 2.7 percent. This is because the "program refocus" will result in savings exclusively to the General Fund. County funds are expected to remain level as a result of Ch 1438/87 (SB 412, Bill Greene), which freezes the county share of costs for the IHSS program at the 1987-88 level.

Table 3
Department of Social Services
In-Home Supportive Services
Expenditures and Funding Sources
1987-88 through 1989-90
(dollars in thousands)

	Actual 1987-88	*Est. 1988-89*	*Prop. 1989-90*	*Change From 1988-89*	
				Amount	*Percent*
Funding Sources					
General Fund	$147,760	$253,974	$246,962	−$7,012	−2.7%
Federal funds	302,133	305,863	306,866	−1,033	0.3
State Legalization Impact Assistance Grant	—	27	192	165	611.1
County funds	20,078	20,078	20,078	—	—
Totals	$469,971	$579,942	$574,098	−$5,844	−1.0%

Estimates Will Be Updated in May

The proposed expenditures for IHSS are based on program costs through June 1988. 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 1989-90 expenditures. Based on our review of the caseload and cost data that was available at the time this analysis was prepared, we conclude that the department's estimate *understates* the likely IHSS caseload growth.

Table 4 displays the average monthly caseload by service delivery type for the past, current, and budget years. The table shows that the department estimates that the IHSS caseload will grow by 7.1 percent between 1988-89 and 1989-90. The estimate is based on actual caseload data through June 1988. Caseload data for the period July 1988 through December 1988, however, suggests that the rate of growth may be accelerating. Specifically, the actual caseload for the IP mode for the first six months of 1988-89 is 1.3 percent higher than the department estimates for the current year. If this increased rate of growth continues into 1989-90, the resulting IHSS IP mode caseload would be 131,363 cases, which is 4.5 percent higher than the caseload estimated in the budget. A caseload increase of this magnitude would result in increased General Fund costs of $32 million in 1989-90.

SOCIAL SERVICES PROGRAMS—Continued

Table 4
Department of Social Services
In-Home Supportive Services
Average Monthly Caseload
by Provider Type
1987-88 through 1989-90

	Actual 1987-88	*Est. 1988-89*	*Prop. 1989-90*	*Percent Change From 1988-89 Percent*
Service provider types				
Individual providers	110,338	117,500	125,700	7.0%
Contract agencies	15,593	15,900	17,200	8.2
County welfare staff	1,271	1,200	1,200	—
Totals	127,202	134,600	144,100	7.1%

Table 5 displays the average hours of service per case by service delivery type for the past, current, and budget years. The 1989-90 hours of service reflected in the table assumes implementation of the administration's "program refocus" proposal discussed below.

Table 5
Department of Social Services
In-Home Supportive Services
Average Monthly Hours of Service per Recipient [a]
by Provider Type
1987-88 through 1989-90

	Actual 1987-88	*Est. 1988-89*	*Prop. 1989-90*	*Percent Change From 1989-90*
Service provider types				
Individual providers	74.93	77.67	76.20	−1.9%
Contract agencies	26.34	28.05	28.27	0.8
County welfare staff	11.23	11.23 [b]	10.60	−5.6
Weighted average	68.33	71.23	69.95	−1.8%

[a] Assumes implementation of "program refocus" in 1989-90.
[b] Assumes fiscal year 1987-88 for comparison.

Proposed Program Refocus Remains Unclear

We withhold recommendation on $574 million proposed for the IHSS program, including the $64 million in savings proposed for the IHSS "program refocus", and recommend that prior to budget hearings, the DSS provide the fiscal committees with the details of the proposal, the implementing legislation, and its assessment of the proposal's likely impact on the recipients, the counties, and the long-term costs of the IHSS program.

The budget proposes to limit the projected growth in IHSS expenditures through a "program refocus." At the time this analysis was prepared, the administration had provided the Legislature with only a sparse outline of the proposal and had not drafted legislation to implement it. According to the department, the proposal consists of two parts:

a cap on the average hours of service per case in each county and a limit on the hourly payment for all hours of IHSS to the minimum wage rate paid to individual providers (IPs).

The major benefit of the proposal is that it would place cost controls on two areas of the IHSS program that have been growing in recent years, average hours per case, and the cost per hour for the contract mode and welfare staff modes of service delivery. In our view, however, the department has not yet provided the Legislature with enough information to enable it to fully assess the potential problems associated with implementing these cost controls. Therefore, in order to make a decision on this proposal, the Legislature will need additional information from the department. We discuss each component of the proposal below.

Cap On Average Hours Per Case

The department advises that it will seek legislation to limit each county's average hours per case to its 1988-89 county plan level. If hours increase above this level, the state would not reimburse the counties for any costs resulting from the increase. According to the department, this would result in a statewide average of 70 hours per case, which is slightly less than the department's estimate of 71 hours per case in the current year. Presumably, the department chose a limitation on hours per case because the average hours per case have been growing steadily through most of this decade.

The Legislature has enacted several recent program changes designed to affect average hours of service per case. These changes include:

- ***Implementation of Time-Per-Task Guidelines.*** In 1986, the DSS, at the direction of the Legislature, helped the counties to implement statewide standards for hours of service provided for specific tasks such as laundry and shopping.
- ***Case Management Information and Payrolling System (CMIPS).*** The DSS completed implementation of the CMIPS July 1, 1987. The CMIPS is a management tool that allows counties to closely monitor the hours of service being awarded by social workers.
- ***Uniformity Assessment.*** In March 1988, counties began using a new needs assessment tool for social workers to determine IHSS hours needed by a client.

We have two concerns with the department's proposal.

1. ***The department has not evaluated the impact of the limit on recipients.*** Chart 1 displays the statewide average hours per case from 1983-84 through 1989-90. As the chart shows, hours per case increased from 60 in 1983-84 to 68 in 1987-88, an increase of 14 percent. Based on the department's projections for the current and budget years, without the proposed limit on hours per case, statewide average hours would grow to 74, a 23 percent increase above 1983-84 levels.

The department advises that it has not determined the causes for the continued growth in IHSS hours. We have identified two possible explanations for the increase: (1) counties may have increased service awards to reflect changing county priorities and (2) demographic trends and governmental policies may have affected the types of clients receiving IHSS.

As we discuss below, there is substantial variation among counties in average hours per case, which may be due to differences in how counties view the IHSS program. For example, some counties may place a priority

SOCIAL SERVICES PROGRAMS—Continued

on using alternative services before using IHSS and others may view IHSS as the first response to persons who require services at home. County implementation of CMIPS and the uniformity assessment were, in part, an attempt to provide counties with tools to control cost increases due to the way they administer the program.

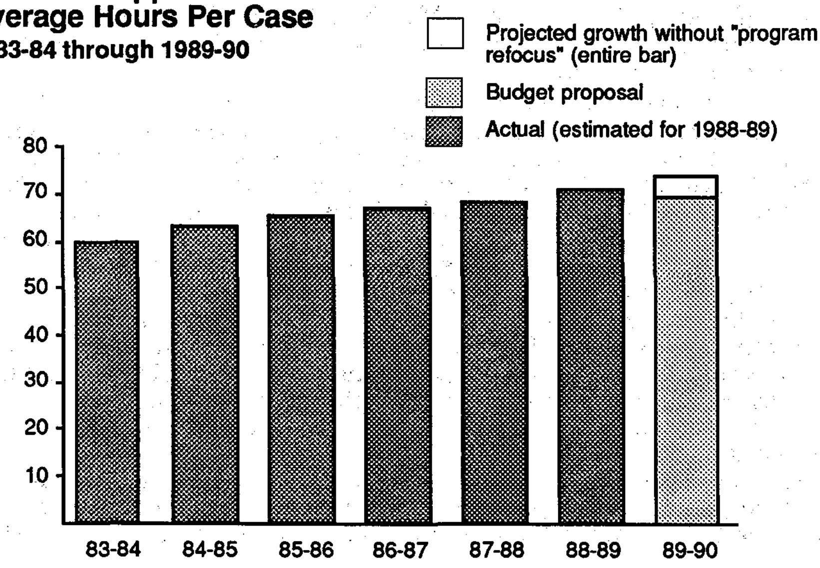
In addition, factors that are beyond the control of the counties may account for all or part of the increase. These factors might include: (1) the increasing frailty of recipients, (2) advances in medical technology that allow more severely disabled persons to remain at home, (3) the limited supply of nursing facility beds in the state, or (4) government policies and programs that have channeled more severely disabled individuals into the IHSS program. Our review indicates that it is possible for the department to analyze IHSS caseload trends, demographic and policy changes, and the preliminary results of implementation of CMIPS and the uniformity assessment to better identify the factors that have contributed to the increase in hours per case that has occurred in recent years.

The causes of increased average hours per case are important for the Legislature's evaluation of the department's proposal. To the extent that hours per case have increased due to decisions made by the counties, it may be appropriate to place a limit on some counties' average hours. To the extent that hours have been increasing due to factors outside of county control, however, a cap on hours might force counties to deny necessary services. We believe that the department should evaluate the causes of the increase in hours that has occurred in this decade in order to provide the Legislature with more definitive information on how the proposed limit on hours will affect recipients.

Chart 1

In-Home Supportive Services Average Hours Per Case

1983-84 through 1989-90



2. ***The proposal would institutionalize existing differences between counties.*** There is currently a tremendous amount of variation among counties with respect to the average hours of service per case. We reviewed data on average hours per case, and found that in 1987-88 average hours ranged from a high of 112 for Inyo County to a low of 22 for Tuolomne. In fact, while the statewide average has increased, some counties have actually had a decrease in average hours. Table 6 displays average hours per case for 10 selected counties, in 1980-81, 1984-85, and 1987-88. We selected 1980-81 for comparison purposes since it was prior to the passage of Ch 69/81, which established cost controls in the IHSS program. The first year after 1980 that saw a substantial increase in the statewide hours per case was 1984–85. The table illustrates these variations between counties and shows that three counties—Solano, Los Angeles, and San Francisco—actually have reduced their average hours per case since 1980-81.

Table 6
Department of Social Services
IHSS Program
Average Hours Per Case, Selected Counties
1980-81 through 1987-88
(Selected Years)

County	*1980-81*	*1984-85*	*1987-88*	*Percent Change 1980-81 to to 1987-88*
Contra Costa	66	78	90	35.7%
Solano	53	50	80	50.2
San Diego	55	67	78	42.4
Orange	83	73	77	−7.0
San Bernardino	31	42	77	142.9
Los Angeles	76	75	71	−6.6
San Francisco	72	61	66	−8.7
Santa Clara	46	57	60	30.4
San Joaquin	32	29	40	26.7
Ventura	16	20	37	129.2
Statewide average	60	63	68	13.1%

We are concerned that setting a limit based on current hours would, in effect, eliminate incentives for counties to use uniformity, CMIPS, and other initiatives to improve consistency. The proposal would have the effect of rewarding counties that currently have a high number of hours per case whether or not the high service awards are related to client needs. In addition, the DSS would have little incentive to analyze and identify the causes of the differences between counties or to develop additional tools to assist counties in addressing factors under their control. Moreover, setting hours in statute at current levels would ultimately prevent the DSS from adjusting individual counties up or down in response to future developments.

Limit on Hourly Payments

The budget proposes to save $30.6 million by limiting the hourly payment for which the state will reimburse the counties to $4.69, which

SOCIAL SERVICES PROGRAMS—Continued

is the current cost for IPs. Some counties currently receive a higher rate for IHSS hours provided through the "contract mode" or the "welfare staff mode".

The department estimates that the total cost for contract hours would be $54 million in 1989-90 without this change, and that the 15 counties with contracts will receive $24.2 million less under this proposal. The department estimates that the welfare staff mode would have cost $8.2 million in 1989-90, but that the proposal would result in savings of $7.4 million in the 20 counties that use the welfare staff mode. The budget also proposes to use $1 million of the "savings" in the welfare staff mode for continuation of some supervision of IPs by welfare department staff.

The budget proposal presents counties that currently have IHSS contractors or that use the welfare staff made to provide services with two basic options. These counties could eliminate these other modes of service and operate a 100 percent IP program to stay within their allocations or continue to offer services in other modes and bear the additional costs.

Currently, 94 percent of IHSS hours are provided by IPs, 5 percent by employees of private agencies under contract to counties, and less than 1 percent by county employees—"welfare staff." The department estimates that without the proposed program change, the cost per hour for the contract mode would be $8.71 in 1989-90. The department does not estimate the welfare staff mode on a cost-per-hour basis, because the allocation for these counties covers costs for services and for some supervision of IPs. The department could not provide a breakdown of these costs so it is not possible to develop a meaningful estimate of hourly welfare staff costs.

We have the following concerns with this component of the proposal.

1. ***The department may not have the statutory authority to implement the proposal.*** Current law authorizes counties to use the contract mode, the IP mode, or the welfare staff mode to provide IHSS services. While the department has the authority to approve or deny county IHSS plans, it is not clear to us that existing statute gives the department the authority to deny a county plan solely because the county's hourly rate is higher than the IP rate. We therefore have submitted a request to the Legislative Counsel for clarification of the department's authority to limit hourly IHSS payments.

2. ***The proposal may not actually save money in the long run.*** Our analysis indicates that counties that provide 100 percent of their IHSS hours through the IP mode do not necessarily have lower overall IHSS costs than mixed-mode counties. Table 7 displays the average costs per case for 10 counties—5 IP counties and 5 mixed-mode counties—during the second quarter of 1988-89. As the table illustrates, the cost per case for IP counties is not necessarily lower than the costs for mixed-mode counties.

There are several possible reasons why the IP mode is not always less costly than the mixed mode, even though the hourly rate for the IP mode is substantially less than for the contract or the welfare staff mode. Counties report that it is difficult to obtain IPs due to the low hourly wage, particularly for recipients who need only a few hours of service per week. Some observers argue that without the availability of a contractor,

Table 7
Department of Social Services
In-Home Supportive Services
Average Monthly Cost Per Case—Selected Counties
October-December 1988

IP Mode Counties	*Average Cost Per Case*	*Mixed-Mode Counties*	*Average Cost Per Case*
Contra Costa	$391	San Diego	$388
Alameda	373	San Francisco	367
Orange	338	San Bernardino	334
Los Angeles	300	Santa Clara	263
Sacramento	254	San Joaquin	223
	Statewide Average	$317	

there is an incentive for counties to authorize higher hours of service so that the case will be more attractive to a worker. Contractors can serve several individuals who need a few hours of service each while still employing full-time workers. In addition, contractors maintain that they train and supervise their workers, thereby relieving county-employed IHSS social workers of this responsibility. A 100 percent IP mode could also increase county staff costs because social workers would need to assist recipients when IPs fail to show up or other problems arise. Since the average costs per case for IP counties is not necessarily lower than for mixed-mode counties, it is not clear that the proposal would actually save money in the long run.

3. ***The proposal does not specify what options counties will have if they are unable to find enough IPs to meet all of their needs.*** Many counties report difficulties in finding enough IPs, particularly for low-hour cases and in emergency situations. In fact, it is our understanding that some counties originally turned to the contract or welfare staff modes to ease this availability problem. The department's proposal does not address the issue of the availability of IPs or outline counties' options if they are unable to find enough providers to serve all of their IHSS recipients.

4. ***The proposal does not specify how the department will allocate $1 million set aside for IP supervision.*** The budget includes $1 million for the costs of county welfare department staff to supervise IPs. The department has not provided the details on how these funds will be used. Our analysis indicates that there are several options for using these funds. For example, Los Angeles County has developed a limited worker registry at a county cost of $60,000 annually. A portion of the $1 million could be used to help counties develop worker registries.

The *Supplemental Report of the 1988 Budget Act* required the DSS to report to the Legislature by July 1, 1989 on the "supervised IP" mode. The supervised IP mode involves using county staff to help recipients locate and supervise their providers. The report requires the DSS to compare the costs of this mode with the costs of the IP and contract modes. The department could use a portion of the $1 million to help counties establish supervised IP mode for some of their IHSS caseload. The department could also use a portion of the $1 million for training of IPs in the care needs of recipients and the provision of services.

Conclusion. The department's proposed "program refocus" is a major policy and fiscal proposal that the Legislature will have to consider in light of its overall fiscal priorities. In order to fully assess the merits of the proposal, however, we believe that the Legislature will need substantially

SOCIAL SERVICES PROGRAMS—Continued

more information than the department has currently provided. We therefore withhold recommendation on the $574 million proposed in the IHSS program, including the proposed $64 million reduction, and recommend that prior to budget hearings, the DSS provide the fiscal committees with the details of the proposal, the implementing legislation, and its assessment of the proposal's likely impact on the recipients, the counties, and the long-term costs of the IHSS program.

LICENSED MATERNITY HOME CARE

The Licensed Maternity Home Care (LMHC) program provides a range of services to unmarried pregnant women under the age of 21. The DSS negotiates annual contracts with seven homes that provide food, shelter, personal care, supervision, maternity-related services, and postnatal care (limited to two weeks after delivery) to women in the program. The department reimburses the homes at a monthly rate that ranges from $1,127 to $1,308 per client. The department estimates that the homes will provide services to 474 women in the current year.

Funds for LMHC are Overbudgeted

We recommend a General Fund reduction of $250,000 to reflect reduced costs in the LMHC program in 1989-90 (reduce Item 5180-151-001 by $250,000).

The budget proposes General Fund expenditures of $2.2 million for support of the LMHC program in 1989-90. Table 8 shows the amount of funds budgeted and spent by maternity homes in the past four years. As the table shows, expenditures have fallen short of the amount appropriated for the program in each year since 1986-87. For example, the department estimates that the homes will revert $255,466 to the General Fund in the current year.

Table 8
Department of Social Services
Appropriations and Expenditures in the Licensed Maternity Home Care Program
1985-86 through 1988-89
(dollars in thousands)

	1985-86	1986-87	1987-88	Est. 1988-89
Appropriation	$2,254	$2,254	$2,254	$2,154
Expenditures	2,287	2,048	1,962	1,899
Reversion to the General Fund	—[a]	$206	$292	$255

[a] Maternity homes used their own resources to cover the $33,000 "deficiency" in 1985-86.

The department advises that the reason maternity homes do not spend all of the funds appropriated for the program is because they are increasingly receiving reimbursement from the Aid to Families with Dependent Children-Foster Care (AFDC-FC) program. Homes that are licensed as AFDC-FC group homes typically receive higher rates—an average of $1,380 to $3,331 per month, depending on the service the home provides—than they receive through the LMHC program. In order to receive an AFDC-FC rate, the home must (1) be licensed by the department as a foster care group home and (2) provide services to women who meet AFDC-FC eligibility criteria. In general, a young woman is eligible for AFDC-FC if she has been adjudicated a dependent of the juvenile court due to abuse, neglect, or exploitation. Since not all women who seek services from maternity homes meet the eligibility criteria for AFDC-FC, maternity homes still seek reimbursement for some of their clients through the LMHC program. According to the department, however, maternity homes prefer to be reimbursed by the AFDC-FC program whenever possible because of the program's higher reimbursement rates.

Given the rate differential between the AFDC-FC and LMHC program, we believe that it is unlikely that the reimbursement preferences of maternity home providers will change substantially from the current to the budget year. Therefore, we recommend a General Fund reduction of $250,000 to more accurately reflect the program's anticipated spending level.

GREATER AVENUES FOR INDEPENDENCE

The Greater Avenues for Independence (GAIN) program provides education and training services to recipients of AFDC in order to help them find jobs and become financially independent. The budget proposes $215 million ($132 million General Fund, $80 million federal funds, $2.7 million reimbursements) for the GAIN program in 1989-90. 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 1989 Budget Bill.

Overview of the GAIN Budget Request

Table 9 displays expenditures from all funding sources proposed for GAIN in the current and budget years. The table also displays expenditures for each of the components of the GAIN 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.

Table 9

Department of Social Services
GAIN Program
Proposed Expenditures and Funding Sources
1988-89 and 1989-80
(dollars in thousands)

	Est. 1988-89[a]	*Prop.* 1989-90	*Change from 1988-89* Amount	Percent
EXPENDITURES BY COMPONENT				
Registration, orientation, and appraisal	$13,035	$13,639	$604	5%
Education	158,253	99,089	−59,164	−37
Job search	43,695	28,772	−14,923	−34
Assessment	15,170	10,404	−4,766	−31
Training	93,449	167,555	74,106	79
Long-term PREP	18,443	25,718	7,276	39
90-day child care	6,144	6,785	640	10
Planning	19,000	—	−19,000	−100
Child care licensing	309	64	−246	−79
Evaluation	541	643	102	19
County administration	365	368	3	1
Totals	$368,404	$353,036	−$15,367	−4%

SOCIAL SERVICES PROGRAMS—Continued

FUNDING SOURCES				
Funds appropriated for GAIN				
General Fund				
Department of Social Services	$153,500	$132,100	−$21,400	−14%
State Department of Education	13,100	13,100	—	—
Adult education	(5,900)	(5,900)	(—)	(—)
Match for JTPA education funds	(7,200)	(7,200)	(—)	(—)
Department of Finance	44,000	24,100	−19,900	−45
Subtotals, General Fund	($210,600)	($169,300)	(−$41,300)	(−20%)
Federal funds	61,800	80,400	18,600	30
Totals, funds appropriated for GAIN	$272,400	$249,700	−$22,700	−8%
Funds redirected for GAIN				
General Fund				
Existing ADA funds	$42,800	$32,400	−$10,400	−24%
Adult education	(13,900)	(11,000)	(−2,900)	(−21)
Regional occupation centers and programs	(2,000)	(7,000)	(5,000)	(250)
Community colleges	(26,900)	(14,400)	(−12,500)	(−46)
Career opportunity development programs	500	—	−500	−100
Cooperative agencies resources for education	700	700	—	—
Job agent/service center	1,000	1,000	—	—
Subtotals, General Fund	($45,000)	($34,100)	(−$10,900)	(−24%)
Employment Training Fund	$1,000	$1,700	$700	70%
Federal funds				
JTPA	$23,100	$38,700	$15,600	68%
Training	(7,600)	(29,700)	(22,100)	(291)
Education	(15,500)	(9,000)	(−6,500)	(−42)
Job service	6,100	6,623	523	9
Career opportunity development programs	4,100	—	−4,100	−100
Community services block grant	1,500	1,600	100	7
Vocational education block grant	4,800	7,100	2,300	48
Refugee social services	5,100	5,000	−100	−2
PELL grants	5,300	8,500	3,200	60
Subtotals, federal funds	($50,000)	($67,523)	($17,523)	(35%)
Totals, funds redirected for GAIN	$96,000	$103,323	$7,323	8%
Grand totals, all funding sources [b]	$368,400	$353,023	−$15,377	−4%

[a] Current-year figures have not been revised from those in the 1988 Budget Act.
[b] Figures do not add to expenditure totals due to rounding.

Expenditures. Table 9 shows that the budget proposes $353 million in expenditures for the GAIN program in 1989-90, which represents a decrease of $15 million, or 4.2 percent, below the amount provided in the 1988 Budget Act. The department indicates that this level of expenditures is $65 million *below* the amount needed to fully fund the GAIN program in 1989-90. We discuss the implications of this funding "shortfall" below. In addition, 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 Table 9 shows, the largest decreases are for (1) the costs to serve GAIN participants who are in the education component of the program (−$59 million) and (2) the costs to plan and implement the program (−$19 million). These decreases are partially offset by a $74 million increase in the costs to serve GAIN participants who are in the training component of the program.

Funds Appropriated for GAIN. Table 9 shows that the bulk of the support for the program is derived from funds specifically appropriated for GAIN. The largest appropriation is the $132 million General Fund appropriation proposed for the DSS. This represents a decrease of $21 million, or 14 percent, below the amount appropriated to the department in the current year.

Redirected Funds. As shown in the table, the budget assumes that $103 million in funds proposed for existing programs will be available to provide services to GAIN participants. For example, the budget assumes that GAIN participants will receive education and training services totaling $32 million, at no charge to the GAIN program, through ADA funds appropriated for adult education, community colleges, and regional occupational centers and programs. The budget also assumes that $39 million in federal Job Training Partnership Act (JTPA) funds will be spent on GAIN participants.

While Table 9 breaks out GAIN expenditures by program component, Table 10 shows how the $353 million proposed for GAIN would be distributed among expenditure categories. Table 10 shows that over one-half of the funds (56 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 $84 million, or 24 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, $72 million, or 21 percent of total costs, is for *administrative costs*, which consist primarily of county costs to administer the GAIN program.

Table 10
Department of Social Services
GAIN Expenditures by Category
1989-90
(dollars in millions)

	Proposed 1989-90	*Percent of Total*
Program costs		
Orientation	$1.3	0.4%
Testing and evaluation	11.3	3.2
Education	58.4	16.6
Job club/search	17.0	4.8
Assessment	7.4	2.1
Training and vocational education	101.6	28.8
Long-term PREP	—[a]	—
Subtotals, program costs	($197.0)	(55.8%)
Supportive services		
Child care	$49.9	14.1%
Transportation	30.4	8.6
Ancillary expenses[b]	3.3	0.9
Subtotals, supportive services	($83.6)	(23.7%)
Administration	$72.4	20.5%
Totals	$353.0	100.0%

[a] Supportive services for long-term PREP total $11 million. The actual "program" costs are AFDC grant payments made to GAIN participants.
[b] Includes workers' compensation costs for participants in certain training components.

SOCIAL SERVICES PROGRAMS—Continued

Status of GAIN Implementation

As of January 1989, 56 of the 58 counties had implemented GAIN programs. The department indicates that the two remaining counties—Calaveras and Tuolumne—will implement GAIN programs before May 1989.

Table 11 shows the distribution of counties according to when they implemented GAIN programs and compares it to the county implementation schedule anticipated at the time the 1988 Budget was enacted. The table shows that of the 58 counties, 16 counties implemented GAIN prior to October 1987 and 21 counties implemented GAIN programs between October 1987 and July 1988. Thus, the department estimates that 37 counties will operate GAIN programs for the full year in 1988-89. By comparison, the department anticipated that 46 counties would operate full-year GAIN programs at the time the 1988 Budget was enacted. In addition, the table shows that 8 counties started, or will start GAIN programs after September 1988. At the time the 1988 Budget Act was enacted, the department estimated that all counties which had not implemented GAIN by July 1988 would begin to operate GAIN programs by September 1988.

Table 11
Department of Social Services
GAIN Program Implementation Schedule
May 1988 Estimate Compared to Actual

	May 1988 Estimate of Implementation Schedule	*Actual Implementation Dates*
Date of implementation		
Prior to October 1987	16	16
October 1987-July 1988	30	21
Subtotals, full-year 1988	(46)	(37)
August 1988	2	5
September 1988	10	8
After September 1988	—	8
Totals	58	58

Current-Year Expenditures

We recommend that the department report to the fiscal committees prior to budget hearings, on its most recent estimate of current-year county allocations and expenditures and the amount of unspent funds that will revert to the General Fund.

As Table 11 shows, counties have not all implemented their GAIN programs according to the schedule that was anticipated at the time that the 1988 Budget Act was enacted. The delays in implementation should result in 1988-89 expenditures that are lower than those anticipated when the budget was approved. The department has not revised its expenditure estimates for the current year to reflect the slower implementation schedule shown on Table 11. Therefore, we recommend that the department report to the fiscal committees prior to budget hearings, on the most recent estimate of current-year allocations and expenditures and the amount of resulting carryover that could be reappropriated for the budget year.

Budget Shortfall

The budget proposes total GAIN expenditures from all funding sources of $353 million in 1989-90. The department estimates that this amount is $65 million less than the amount needed ($418 million) to fully fund the anticipated caseloads in all counties in 1989-90.

Statutory Participation Restrictions. Current law provides that when a county's GAIN budget is insufficient to cover program costs, the county must reduce its caseload according to a specified schedule. Specifically, counties must first exclude applicants for assistance under the AFDC-Unemployed Parent (AFDC-U) program, followed by applicants for assistance under the AFDC-Family Group (AFDC-FG) program. If these participation restrictions are not enough to bring costs within the amount allocated to the county it must restrict participation by specified categories of AFDC *recipients*. The department indicates that the level of funding proposed in the budget is sufficient to serve the entire anticipated statewide GAIN caseload in 1989-90 *except* all AFDC-U applicants and 60 percent of AFDC-FG applicants.

GAIN Program Funding and County Allocations. The actual GAIN caseload that will be served in 1989-90 depends on how the department allocates the available funds to the counties. This is because each county will serve the "mix" of participants that it can afford to serve based on its own costs and on the amount of its allocation. Thus, some counties may serve all of their potential caseload except for the AFDC-U applicants and 60 percent of the AFDC-FG applicants, while others may serve higher or lower shares of their potential caseloads. It is our understanding that in February 1989 the department will propose an allocation formula for 1989-90.

Legislature's Request for a Uniform County Allocation Plan. The 1988 Budget Act appropriated an amount of funds for the GAIN program that the Legislature recognized would not be sufficient to fully fund the anticipated GAIN caseloads in 1988-89. To accommodate any 1988-89 shortfall, the Legislature approved a two-tiered allocation formula for 1988-89. Specifically, the 1988 allocation gave higher levels of funding to the 18 counties that had implemented their GAIN programs by October 1987 than it gave to the remaining counties.

At the time the Legislature enacted the 1988 Budget Act, it recognized that this two-tiered funding approach should only be used temporarily. Thus, the *Supplemental Report of the 1988 Budget Act* declared the Legislature's intent to move toward a uniform, statewide method of allocating funds to the counties. To help accomplish this, the supplemental report requires the department to report to the Legislature by March 15, 1989 on its plans and timetable for implementing a uniform statewide allocation methodology for the GAIN program. We will provide our analysis of the department's proposed GAIN allocation methodology after we have reviewed the department's report.

The Federal Family Support Act of 1988

One of the major issues for the Legislature to consider in its deliberations on the 1989-90 GAIN budget, is the effect of the recently enacted

SOCIAL SERVICES PROGRAMS—Continued

federal Family Support Act (FSA). The FSA is designed to promote self-sufficiency among welfare recipients and reduce their dependence on the welfare system. We have provided our analysis of the FSA in a separate report entitled *Federal Welfare Reform in California: A Review of the Family Support Act of 1988* (Legislative Analyst's Office Report No. 89-2). Our analysis indicates that the state will need to make several changes in the GAIN program in order to comply with the requirements of the FSA.

Among other things, the FSA establishes the JOBS program to provide education, training, and employment services to AFDC recipients. The program is similar in most respects to the state's existing GAIN program. There are, however, several significant differences between these two programs, as we discuss in our report. The FSA requires states to implement a JOBS program by October 1, 1990, as a condition of continuing eligibility for federal AFDC funding. However, the act allows states to implement a JOBS program as early as July 1989 and provides additional federal financial participation (FFP) for states which choose to do so.

In our report, we advise the Legislature that its decision about when to implement JOBS depends on the extent to which it believes that the changes required by the FSA will disrupt the GAIN program. If the Legislature determines that the changes required by the FSA would be too disruptive to the GAIN program, it should use as much time as is available to plan and implement these changes in a way that minimizes any potential disruption. Alternatively, if the Legislature determines that the required changes pose only a minor disruption to the GAIN program, it could implement a JOBS program as early as July 1989 and thereby maximize the amount of FFP the state can receive for JOBS. It is important to note, however, that implementation of JOBS by July 1989 will *not* be easy, due to the statutory and administrative changes that must be made prior to starting California's JOBS program.

JOBS in the 1989-90 Budget. The department's 1989-90 GAIN proposal assumes that California will implement a JOBS program in *January 1990*. The department also assumes that the GAIN program will continue to operate as under current law, with one exception. This exception is to make participation in the GAIN program mandatory for AFDC parents whose youngest child is three years of age or older, as required by the FSA. Currently, the GAIN program exempts from participation AFDC parents whose youngest child is less than six years of age.

Table 12 shows the department's estimate of the fiscal effect of its assumptions with respect to JOBS. As the table shows, the net effect of the department's assumptions with respect to the JOBS program is to (1) increase the total costs of the program by $25 million and (2) *reduce* General Fund costs by $17 million.

It is important to note that both of the estimates shown in Table 12 reflect the department's assumption that counties will not provide GAIN services to AFDC-U applicants or 60 percent of the AFDC-FG applicants in 1989-90. Thus, neither estimate reflects the full implementation costs of the GAIN program.

Table 12
Department of Social Services
Effect of Implementing the New Federal JOBS Program
1989-90
(dollars in millions)

	GAIN Costs Without Implementation of the JOBS Program	*GAIN Cost Assuming January 1990 Implementation of the JOBS Program*	*Fiscal Effect of JOBS Implementation*
General Fund	$186.0	$169.3	−$16.7
Federal funds	38.4	80.4	42.0
Redirected funds	103.3	103.3	—
Total GAIN program	$327.7	$353.0	$25.3

Department of Social Services
COMMUNITY CARE LICENSING

Item 5180-161 from the General Fund and the Federal Trust Fund — Budget p. HW 175

Requested 1989-90	$15,589,000
Estimated 1988-89	14,804,000
Actual 1987-88	12,662,000
Requested increase $785,000 (+5.3 percent)	
Total recommended reduction	None

1989–90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-161-001—Local assistance	General	$10,044,000
5180-161-890—Local assistance	Federal	5,545,000
Total		$15,589,000

GENERAL PROGRAM STATEMENT

This item contains the General Fund appropriations and federal funds 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 6 children. Family day care homes are licensed to provide day care services for up to 12 children in the provider's own home.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes two appropriations totaling $15,589,000 ($10,044,000 General Fund and $5,545,000 federal funds) to reimburse

COMMUNITY CARE LICENSING—Continued

counties for licensing activities in 1989-90. This is an increase of $785,000, or 5.3 percent, over estimated current-year expenditures. The increase is due to (1) a projected 5.8 percent increase in the foster family home caseload ($621,000), (2) a projected 5.2 percent increase in family day care caseload ($400,000), and (3) a technical error in the department's estimate of family day care licensing costs in *1988-89* (−$236,000). (We anticipate that the department will correct the technical error in its current-year expenditure estimate at the time of the May revision.) 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
1987-88 through 1989-90
(dollars in thousands)

Program	*Actual 1987-88*	*Est. 1988-89*	*Prop. 1989-90*	*Change From 1988-89 Amount*	*Change From 1988-89 Percent*
Family day care licensing					
General Fund	$3,994	$4,336	$4,500	$164	3.8%
Foster family home licensing	8,668	8,468	9,089	621	7.3
General Fund	(3,313)	(4,093)	(4,544)	(451)	(11.0)
Federal funds	(3,355)	(4,375)	(4,545)	(170)	(3.9)
Foster family home recruitment	2,000	2,000	2,000	—	—
General Fund	(1,000)	(1,000)	(1,000)	—	—
Federal funds	(1,000)	(1,000)	(1,000)	—	—
Totals	$12,662	$14,804	$15,589	$785	5.3%
Funding Sources					
General Fund	*$8,307*	*$9,429*	*$10,044*	*$615*	*6.5%*
Federal funds	*4,355*	*5,375*	*5,545*	*170*	*3.2*

Our analysis indicates that the proposed budget is reasonable.

Department of Social Services
COST-OF-LIVING ADJUSTMENTS

Item 5180-181 from the Federal Trust Fund — Budget p. HW 177

Requested 1989-90 .... $27,323,000
Recommendation pending .... None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item appropriates $27.3 million to cover the federal share (50 percent) of the costs of the cost-of-living adjustments (COLAs) that the Department of Social Services (DSS) anticipates that counties will provide to their welfare department employees in 1989-90. This amount includes $2.9 million for the COLA for county employees in the Child Welfare Services (CWS) program and $24.4 million for the COLA for other county welfare department employees.

In accordance with the policy established by the Legislature in previous Budget Acts, the state will not pay for any of the costs of the 1989-90 COLA until 1990-91. The County Administration budget (Item 5180-141-001) includes $9 million and the CWS budget (Item 5180-151-001) includes $15 million for the General Fund share of the costs in 1989-90 of the COLA that counties provided their welfare department staff during 1988-89. We recommend that this item be approved.

Budget Proposes To Suspend Statutory COLAs

In previous years, this item has included appropriations from both the General Fund and federal funds to provide COLAs that are required by statute for grants provided to recipients of Aid to Families with Dependent Children-Family Group (AFDC-FG) and AFDC-Unemployed Parent (AFDC-U), Supplemental Security Income/State Supplementary Program (SSI/SSP), and the Refugee Cash Assistance program. The budget, however, assumes the enactment of legislation to suspend the requirement for COLAs in these programs. According to the DSS, the proposed suspension of the COLAs for the programs would result in a General Fund savings of $243 million ($105 million in AFDC-FG&U grant savings and $138 million in SSI/SSP grant savings). We discuss the impact of suspending the COLAs on AFDC and SSI/SSP grants in the analyses of each of these programs (please see Items 5180-101 and 5180-111).

Youth and Adult Correctional Agency
DEPARTMENT OF CORRECTIONS

Item 5240 from the General Fund and various funds — Budget p. YAC 1

Requested 1989-90	$1,862,131,000
Estimated 1988-89	1,651,227,000
Actual 1987-88	1,429,594,000
Requested increase (excluding amount for salary increases) $210,904,000 (+12.8 percent)	
Total recommended reduction	1,418,000
Recommendation pending	104,000,000