HEALTH AND WELFARE

The SEP has grown significantly in recent years, showing a 40 percent increase in caseload from 1987-88 to 1988-89. The department, however, does not have data on the effectiveness of the program.

The department will present revised estimates in May, which will be based on more recent caseload and expenditure data. Because the revised estimates will be based on more recent information, they will provide the Legislature with a more reliable basis for budgeting expenditures for 1990-91. Consequently, we withhold recommendation on the amount proposed for WAP and SEP, pending receipt of a detailed description of the Governor's proposed legislation and a review of the May estimates.

SUPPORT OF COMMUNITY FACILITIES

The department supports community-based services by providing technical consultation and grants to rehabilitation facilities and independent living centers.

As stated previously, the budget proposes to redirect $2.6 million from grants for rehabilitation facilities to augment case services in the VR Services Program.

The budget also proposes an augmentation of $150,000 from the General Fund to support two independent living center branch offices in Kern and Riverside Counties. These funds will replace federal funds currently used for this purpose. The independent living centers provide services to severely disabled individuals in order to assist them in achieving social and economic independence.

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 $11 billion for programs administered by the department in 1990-91. This is an increase of $644 million, or 6.2 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.

DEPARTMENT OF SOCIAL SERVICES—Continued

Table 1
Department of Social Services
Budget Summary
Expenditures and Revenues, by Program
All Funds
1988-89 through 1990-91
(dollars in thousands)

Program	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Change From 1989-90 Amount	Change From 1989-90 Percent
Departmental support	$228,580	$273,105	$260,119	−$12,986	−4.8%
AFDC [a]	4,846,163	5,388,451	5,847,888	459,437	8.5
Supplemental Security Income/State Supplementary Program [b]	1,976,109	2,182,412	2,230,532	48,120	2.2
Special adult	3,357	3,772	4,161	389	10.3
Refugee	33,561	44,782	51,058	6,276	14.0
County welfare department administration [a]	816,509	987,002	1,080,188	93,186	9.4
Social services [a,c]	1,242,315	1,496,114	1,485,502	−10,612	−0.7
Community care licensing	14,804	15,004	14,225	−779	−5.2
Special adjustments — COLA [a]	—	—	61,276	61,276	—
Totals	$9,161,398	$10,390,642	$11,034,949	$644,307	6.2%
Funding Sources					
General Fund [c]	*$5,238,647*	*$5,921,050*	*$6,230,639*	*$309,589*	*5.2%*
Federal funds [b]	*3,379,273*	*3,861,121*	*4,150,363*	*289,242*	*7.5*
County funds	*527,178*	*582,276*	*627,021*	*44,745*	*7.7*
Reimbursements	*10,542*	*15,027*	*12,825*	*−2,202*	*−14.7*
State Children's Trust Fund	*2,073*	*1,079*	*1,079*	—	—
Foster Family Home and Small Family Home Insurance Fund	*165*	*556*	—	*−556*	*−100.0*
Life-Care Provider Fee Fund	—	*192*	*157*	*−35*	*−18.2*
California Individual and Family Supplemental Grant Fund	*250*	—	—	—	—
State Legalization Impact Assistance Grant funds	*3,270*	*9,309*	*12,842*	*3,533*	*38.0*
Residential Care Facilities for the Elderly Administration Certification Fund	—	*32*	*23*	*−9*	*−28.1*

[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 8 in our analysis of the GAIN Program in Item 5180-151-001 displays all the funds appropriated in the Budget Bill for GAIN.

Table 2 shows the *General Fund* expenditures for cash grant and social services programs administered by the DSS. The budget requests a total of $6.2 billion from the General Fund for these programs in 1990-91. This is an increase of $310 million, or 5.2 percent, over estimated current-year expenditures. The increase is due largely to caseload increases in the AFDC Program.

Table 2
Department of Social Services
General Fund Expenditures
1988-89 through 1990-91
(dollars in thousands)

Program	*Actual 1988-89*	*Est. 1989-90*	*Prop. 1990-91*	*Change From 1989-90 Amount*	*Change From 1989-90 Percent*
Departmental support	$81,152	$109,497	$95,890	−$13,607	−12.4%
AFDC	2,352,859	2,628,897	2,902,009	273,112	10.4
Supplemental Security Income/State Supplementary Program	1,962,347	2,165,655	2,216,846	51,191	2.4
Special adult	3,286	3,697	4,086	389	10.5
County welfare department administration	154,053	182,887	200,943	18,056	9.9
Social services [a]	675,521	820,890	802,288	−18,602	−2.3
Community care licensing	9,429	9,527	8,577	−950	−10.0
Totals	$5,238,647	$5,921,050	$6,230,639	$309,589	5.2%

[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 8 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 176

Requested 1990-91	$260,119,000
Estimated 1989-90	273,105,100
Actual 1988-89	228,580,000
Requested decrease (excluding amount for salary increases) −$12,986,000 (−4.8 percent)	
Total recommended reduction	116,000
Recommendation pending	676,000

1990–91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-001-001—Support	General	$95,323,000
5180-001-131—Support	Foster Family Home and Small Family Home Insurance	740,000
5180-001-890—Support	Federal	153,358,000
5180-011-001—Support	General	504,000
5180-011-890—Support	Federal	236,000
Less General Fund transfer	—	−504,000
Less Federal Trust Fund transfer	—	−236,000
Subtotal, 5180-001-131		(—)
Reimbursements	—	9,590,000
Welfare and Institutions Code Section 1793—Appropriation	State Children's Trust	79,000
Health and Safety Code Section 1793—Appropriation	Life-Care Provider Fee	157,000

Departmental Support—Continued

Chapter 434, Statutes of 1989	Residential Care Facilities for the Elderly Administrative Certification	23,000
Health and Safety Code Section 1569.69—Appropriation	General	63,000
Control Section 23.50—Support	State Legalization Impact Assistance Grant	786,000
Total		$260,119,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis page

1. Child Welfare Services (CWS) — Development of Case Management System. Recommend that, prior to budget hearings, the department provide the Legislature with (a) a more realistic timeframe for issuing the department's request for proposal, (b) an estimate of the time it will take to resolve bidder protests, and (c) a revised estimate of staffing needs for the budget year. 678
2. Aid to Families with Dependent Children-Foster Care — Group Home Audits. Withhold recommendation on $427,000 ($235,000 General Fund) pending receipt of the department's plan for auditing group homes in the budget year and an estimate of the costs of the audits. 680
3. Audit Appeals. Withhold recommendation on $249,000 ($138,000 General Fund) pending information on current and revised staffing requirements. 681
4. ***Substance Exposed/HIV-Positive Infant Demonstration Project. Reduce reimbursements to Item 5180-001-001 by $116,000.*** Recommend deletion of funding for proposed expansion of the pilot program because the proposed use of federal funds is inconsistent with federal law. 682
5. Community Care Licensing — Family Day Care Licensing. Withhold recommendation on a proposed General Fund reduction of $1.4 million, which reflects a proposed restructuring of the Family Day Care Licensing Program. Recommend that the department, prior to budget hearings, provide the fiscal committees with specified information on the health and safety effects of the proposed reduction. 683

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 3,642.5 personnel-years in the current year to administer these programs.

MAJOR ISSUES

- ☑ The budget proposes a 43 percent reduction of effort in family day care licensing, for a total General Fund savings of $2.8 million ($1.4 million in this item).

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of $260.1 million from all funds, including reimbursements, for support of the department in 1990-91. This is $13 million, or 4.8 percent, less than estimated current-year expenditures. If $19.4 million in one-time earthquake disaster relief funds were removed from current-year estimated expenditures, however, the budget proposal would represent a 2.5 percent *increase*. Of the total amount requested, $105.7 million is from state funds ($95.9 million General Fund) and $154.4 million is from federal funds. Table 1 identifies the department's expenditures by program and funding source for the past, current, and budget years.

Table 1
Department of Social Services
Expenditures for Departmental Support
1988-89 through 1990-91
(dollars in thousands)

Program	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Change From 1989-90 Amount	Change From 1989-90 Percent
AFDC-Family Group and Unemployed Parent	$15,118	$16,112	$16,816	$704	4.4%
AFDC-Foster Care	3,279	4,192	4,822	630	15.0
Child support enforcement	10,164	12,526	12,302	−224	−1.8
Supplemental Security Income/State Supplementary Program	516	633	645	12	1.9
Special adult	359	345	355	10	2.9
Food stamps	20,036	22,155	22,546	391	1.8
Refugee programs	5,113	6,040	6,231	191	3.2
Child welfare services	4,765	6,885	7,832	947	13.8
County services block grant	1,050	1,200	1,195	−5	−0.4
In-home supportive services	1,688	2,241	1,982	−259	−11.6
Specialized adult services	837	762	812	50	6.6
Employment programs	7,127	7,737	7,885	148	1.9
Adoptions	8,650	10,112	10,312	200	2.0
Child abuse prevention	1,558	1,810	1,844	34	1.9
Community care licensing	35,321	39,941	42,272	2,331	5.8

Departmental Support—Continued

Table 1—Continued
Department of Social Services
Expenditures for Departmental Support
1988-89 through 1990-91
(dollars in thousands)

Program	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Change From 1989-90 Amount	Change From 1989-90 Percent
Disability evaluation	103,863	113,722	114,823	1,101	1.0
Administration	9,136	7,292	7,445	153	2.1
1989 earthquake relief	—	19,400	—	−19,400	−100.0
Totals	$228,580	$273,105	$260,119	−$12,986	−4.8%
Funding Sources					
General Fund	*$81,152*	*$109,497*	*$95,890*	*−$13,607*	*−12.4%*
Federal funds	*138,549*	*152,544*	*153,594*	*1,050*	*0.7*
Reimbursements	*7,911*	*9,301*	*9,590*	*289*	*3.1*
State Children's Trust Fund	*48*	*79*	*79*	—	—
State Legalization Impact Assistance Grant	*505*	*904*	*786*	*−118*	*−13.1*
Foster Family Home Insurance Fund	*165*	*556*	—	*−556*	*−100.0*
Life-Care Provider Fee Fund	—	*192*	*157*	*−35*	*−18.2*
California Individual and Family Supplemental Grant Fund	*250*	—	—	—	—
Residential Care Facilities for the Elderly Administrative Certification Fund	—	*32*	*23*	*−9*	*−28.1*

Proposed General Fund Changes

Table 2 shows the changes in the department's support expenditures that are proposed for 1990-91. Several of the individual changes are discussed later in this analysis.

Table 2
Department of Social Services
Departmental Support
Proposed 1990-91 Budget Changes
(dollars in thousands)

	General Fund	Other Funds [a]	Total Funds
1989-90 expenditures (revised)	$109,497	$163,608	$273,105
Workload adjustments			
Expiration of limited-term positions	−$1,444	−$1,539	−$2,983
Elimination of one-time costs — disaster relief	−19,400	—	−19,400
Greater Avenues for Independence — continuation of limited-term positions	851	786	1,637
Relinquishment adoptions program — continuation of limited-term positions	390	209	599
AFDC-Foster Care (FC) and county administration audits	138	111	249
Full-year funding of positions	608	27	635
Position reduction in Disability Evaluation Division	—	−545	−545
Other	56	150	206
Subtotals, workload adjustments	(−$18,801)	(−$801)	(−$19,602)

Cost adjustments			
Employee compensation	$1,496	$2,360	$3,856
Office expenses and equipment	−825	303	−522
Subtotals, cost adjustments	($671)	($2,663)	($3,334)
Program adjustments			
Implementation of Ch 1294/89:			
Development of child welfare services case management system	$904	—	$904
Implementation of AFDC-FC rate reform	310	$181	491
Community care licensing staff caseload growth	2,827	−114	2,713
Family day care home licensing — program reduction	−1,417	—	−1,417
Foster Family Home and Small Family Home Insurance Fund	320	−320	—
Expansion of pilot program for substance-exposed/HIV positive infants	—	116	116
Other	1,579	−1,104	475
Subtotals, program adjustments	($4,523)	(−$1,241)	($3,282)
1990-91 expenditures (proposed)	$95,890	$164,229	$260,119
Change from 1989-90:			
Amount	−$13,607	$621	−$12,986
Percent	−12.4%	0.4%	−4.8%

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

Proposed Position Changes

The budget requests authorization of 3,931 positions in 1990-91. This is a net increase of 70.9 positions, or 1.8 percent. The net increase consists of 158.5 additional positions, offset by a reduction of 87.6 positions. The increase is due primarily to (1) the department's proposal to establish 41 positions (18 in AFDC-FC and 23 in Child Welfare Services [CWS]) to implement the requirements of Ch 1294/89 (SB 370, Presley), (2) the continuation of 31.5 limited-term positions associated with the GAIN Program, and (3) the addition of 32.4 positions in community care licensing (CCL) due to caseload growth. The decrease is primarily due to (1) the elimination of 50.9 positions in CCL due to restructuring of the Family Day Care Program and (2) the elimination of 30.5 positions in the Disability Evaluation Division to reflect savings due to automation.

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following major change that is not discussed elsewhere in this analysis:

- A decrease of $0.5 million in federal funds and 30.5 positions in the Disability Evaluation Division due to automation.

Departmental Support—Continued

Table 3
Department of Social Services
Proposed Position Changes
1990-91

Program	*Existing Positions*	*Reductions*	*Additions*	*Total Proposed Positions*	*Net Changes Amount*	*Net Changes Percent*
AFDC-Family Group and Unemployed Parent	285.6	−0.1	0.6	286.1	0.5	0.2%
AFDC-Foster Care	47.6	—	24.5	72.1	24.5	51.5
Child support	90.2	−2.0	0.3	88.5	−1.7	−1.9
Supplemental Security Income/State Supplementary Program	8.1	—	—	8.1	—	—
Special adult	5.5	—	—	5.5	—	—
Food stamps	273.5	−0.1	0.6	274.0	0.5	0.2
Refugee programs	70.9	—	—	70.9	—	—
Immigration Reform and Control Act	8.2	—	7.0	15.2	7.0	85.4
Child welfare services	87.0	—	24.6	111.6	24.6	28.3
County services block grant	16.6	—	0.3	16.9	0.3	1.8
In-home supportive services	39.3	—	—	39.3	—	—
Specialized adult services	3.9	—	—	3.9	—	—
Employment programs	48.2	—	31.5	79.7	31.5	65.4
Adoptions	158.7	−0.1	12.6	171.2	12.5	7.9
Child abuse prevention	26.2	—	—	26.2	—	—
Community care licensing	793.9	−54.8	54.5	793.6	−0.3	—
Disability evaluation	1,798.3	−30.5	—	1,767.8	−30.5	−1.7
Administration	98.6	—	2.0	100.6	2.0	2.0
Totals	3,860.3	−87.6	158.5	3,931.2	70.9	1.8%

Department's Schedule for the Development of the Child Welfare Services Case Management System Needs Revision

We recommend that the department provide the Legislature, prior to budget hearings, with (1) a more realistic timeframe for issuing the department's request for proposal to develop the Child Welfare Services case management system, (2) an estimate of the amount of time it will take to resolve any bidder protests, and (3) a revised estimate of the department's staffing needs in the budget year.

The budget proposes expenditures of $3.1 million ($2.6 million General Fund) to implement the provisions of Ch 1294/89 (SB 370, Presley). This represents an increase of $1.4 million ($1.2 million General Fund) over current-year expenditures for this purpose. Chapter 1294 requires the department to implement a new rate-setting system for foster care providers and to develop and implement a statewide automated Child Welfare Services (CWS) case management system. The budget proposal includes:

- $1.4 million ($972,000 General Fund) to provide full-year funding to develop and implement the new rate-setting system for the AFDC-Foster Care (AFDC-FC) Program. This represents an increase of $491,000 ($310,000 General Fund), or 53 percent, above current-year expenditures.

- General Fund expenditures of $1.7 million to develop a CWS case management system. This represents an increase of $904,000, or 121 percent, above current-year expenditures. This is due to increases of (1) $301,000 to provide full-year funding for 17.5 positions that were authorized in the current year and funded through an appropriation in Chapter 1294 and (2) $603,000 to cover the costs for the initial payment to the vendor who is awarded the contract for the system.

Our analysis indicates that the department's estimate of the costs to implement the AFDC-FC rate reform established by Chapter 1294 is reasonable. We therefore recommend approval of this component of the proposal.

However, we have three concerns regarding the department's proposal for development of the CWS case management system in 1990-91:

- *The department's schedule for issuing a request for proposal (RFP) is unrealistic.* The budget assumes that the department will issue an RFP for the case management system on May 1, 1990. At the time this analysis was prepared, however, the department advised that it will not complete the RFP before July 1990. In fact, we believe that it may be difficult for the department to achieve the July deadline. This is because the department has not filled all of the positions it estimated it would need to complete the RFP in the current year. Specifically, the department has filled only three of the 17.5 positions funded by Chapter 1294 in the current year for development of the case management system. To the extent that the department fails to meet the July deadline for issuing the RFP, other aspects of the development of the system will also be delayed in the budget year.
- *The department has not included in its timetable or budget the potential for contractor protests.* It is standard practice among state agencies to build into their automation system development schedules a period of time for contractor protests. For example, the department is estimating that it may take as much as six months to resolve contractor protests for its proposed statewide automated child support system. However, the department's CWS case management system development schedule does *not* include time to resolve any protests that might arise. This could affect (1) the department's staffing needs to manage the contract and (2) the timing of the initial payment for the vendor who is awarded the contract.
- *The proposal includes funds for staff activities that will not be performed in the budget year.* The department estimates that it will require the equivalent of two full-time staff to perform tasks, such as writing a training manual for users of the case management system and developing procedures to monitor enhancements to the system that cannot be undertaken until the department determines how the system will operate. Since the department's current schedule assumes that the contract for design of the system will be awarded in March 1991, we believe that it is unlikely that the department will be able to begin performing these types of tasks in the budget year.

Departmental Support—Continued

In enacting Chapter 1294, the Legislature recognized that the case management system represents a major opportunity to improve the performance of the program by (1) improving the ability of social workers to manage their clients' cases and (2) providing social workers, county administrators, the Department of Social Services (DSS), and the Legislature with the information about children and families they need in order to effectively operate, manage, and monitor the CWS and the AFDC-FC programs. Thus, it is especially important that the department develop a quality system. In order to allow the Legislature to closely monitor the department's development effort, therefore, we recommend that the department provide the Legislature, prior to budget hearings, with (1) a more realistic timeframe for issuing the RFP, (2) an estimate of the amount of time it will take to resolve any bidder protests, and (3) a revised estimate of the department's staffing needs in the budget year.

Proposal for Group Home Audits Lacks Justification

We withhold recommendation on $427,000 ($235,000 General Fund) for foster care group home audits, pending receipt of (1) the department's plan for auditing foster care group homes under the provisions of Chapter 1294 and (2) its estimate of the costs of the audits.

The budget includes $427,000 ($235,000 General Fund) to cover the costs of foster care group home audits. According to the department, this is because the department intends to continue performing fiscal audits of group home providers under the new rate-setting system established by Chapter 1294.

In the current year and in previous years, the department has contracted with the State Controller's Office (SCO) to audit the cost reports of one-third of the group homes in the state each year. This practice allowed the SCO to audit each group home once every three years. This frequency of auditing is warranted under the current rate-setting system because each group home is paid a rate for the board and care of foster care children that is based on the home's reported costs. Under the provisions of Chapter 1294, however, group homes will be paid a flat rate, beginning in July 1990, that is based on the level of services they provide, *not* on each home's reported costs. Accordingly, the department cancelled its contract with the SCO for group home audits in the current year. The department has *not* eliminated the funds for the contract from its budget, however.

According to the department, this is because the department intends to develop a plan for auditing group homes, pursuant to the requirements of Chapter 1294. Chapter 1294 requires the department to perform fiscal audits "as needed" to collect cost data. This cost data would potentially be useful to the Legislature in 1993 in adjusting the flat rates enacted in Chapter 1294. In fact, the measure states the Legislature's intent to develop a system for updating the rates to take effect in 1993. (It is important to note that the budget includes $355,000 and 5.7 personnel-years to review the level of care that each group home provides to ensure that the level of care justifies the rate of payment that the homes actually receive under the new rate-setting system.)

We believe that the department could maintain reliable cost data without auditing *all* group homes. Specifically, under the provisions of Chapter 1294, the department could audit a *sample* of representative group homes across the state to obtain information about the costs incurred by the average group home. Moreover, since the cost data will not be needed until 1993, it is not clear that *any* audits would have to be performed in 1990-91. At the time this analysis was prepared, however, the department had not provided a plan, or any cost estimate to implement the requirements of Chapter 1294. We therefore withhold recommendation on the proposed funding for foster care group home audits, pending receipt of (1) the department's plan for auditing foster care group homes under the provisions of Chapter 1294 and (2) its estimate of the costs of the audits.

Audit Appeals Workload Justification Is Incomplete

We withhold recommendation on $249,000 ($138,000 General Fund and $111,000 federal funds) and 3.3 personnel-years for audit appeals support pending receipt of information on current and revised staffing requirements.

Background. As noted above, under the current foster care group home rate-setting system, the department audits group homes once every three years. When these audits determine that a group home has been overpaid, the department seeks recoupment of the overpayments. Before the department can recoup any overpayments, however, the affected provider has the right to due process through an administrative appeal process. Under the new rate-setting system enacted by Chapter 1294, the department will seek to recoup overpayment whenever a review of the service level provided by a group home determines that the home provided a lower level of service than the level of service on which its rate was based.

State regulations also currently provide that when a state audit of county administrative expense claims results in demand for repayment of state and federal funds, the county is entitled to an administrative hearing.

Budget Proposal. The budget proposes an increase of $249,000 ($138,000 General Fund and $111,000 federal funds) for the extension of 3.5 limited-term positions (3.3 personnel-years) to process current and backlogged appeal hearings. The department advises that the backlog is largely due to group home audit appeals and county administrative appeals.

At the time this analysis was prepared, the department had not provided the following information necessary to evaluate this request:

- *Information on how the past and current workload has been processed, which resulted in the large backlog.* The department reports that, since 1986-87, it has used several limited-term positions to reduce a large backlog of state audit appeals and other hearing and

Departmental Support—Continued

legal work. The department has not provided workload and staffing information from previous years, however, to explain the continued accumulation of backlogged cases. Further, the department has not provided a timetable for elimination of the backlogged cases with the requested staff.

- *Estimate of the effect of Chapter 1294.* As noted above, the basis for identifying overpayments will change under the new group home rate-setting procedure enacted by Chapter 1294. The department has not, however, accounted for the effect of Chapter 1294 on its projected audit appeals workload.

We therefore withhold recommendation on the proposed funding for audit appeals support pending receipt of (1) information regarding past workload and staffing patterns that have produced the backlog of cases awaiting appeal and (2) revised workload and staffing estimates based on the provisions of Chapter 1294.

Proposed Funding Source for Pilot Expansion Is Inappropriate

We recommend deletion of funding for the proposed expansion of the DSS' foster care pilot program because the proposed use of federal funds is inconsistent with federal law. (Reduce reimbursements to Item 5180-001-001 by $116,000.)

The budget proposes an increase of $116,000 in reimbursements to this item and $500,000 in reimbursements to the DSS social services item (Item 5180-151-001) to expand implementation of a foster care pilot program. Under the provisions of the proposal, the DSS would receive federal Alcohol, Drug Abuse, and Mental Health Services funds from the Department of Alcohol and Drug Programs to provide support services to foster parents of substance-exposed and HIV-positive infants. We recommend deleting funding for the expansion because the proposal is inconsistent with the federal criteria for use of these funds. We discuss the proposal in further detail in our analysis of the DSS social services item (please see Item 5180-151-001).

COMMUNITY CARE LICENSING DIVISION

The Community Care Licensing (CCL) Division develops and enforces health and safety regulations concerning community day care and 24-hour residential care facilities for the mentally ill, the developmentally disabled, the elderly, and socially dependent children, as well as child day care facilities.

Budget Proposes a Workload-Related Increase

We recommend approval.

The budget proposes an increase of $2,827,000 from the General Fund and a $114,000 reduction in federal funds, for a net increase of $2,713,000 (39.3 personnel-years), to fund workload growth and facilities reorganization. Of the 39.3 additional personnel-years requested by the department, 30.3 permanent positions are proposed to meet increased workload due to an expected 5.3 percent increase in the number of licensed community care facilities for 1990-91. The remaining 9 personnel-years are one-year, limited-term positions necessary to address a prior-year backlog of legal actions against licensed community care facilities. In addition, this proposal includes funds to lease and equip new regional offices in San Diego, Los Angeles, and the San Jose area. The department's proposal appears reasonable. We therefore recommend approval.

Budget Proposes to Restructure Family Day Care Licensing Program

We withhold recommendation on the proposed General Fund reduction of $1,417,000, which reflects a proposal to restructure the Family Day Care Licensing Program. We recommend that the department, prior to budget hearings, provide the fiscal committees with (1) data that indicate the number and relative significance of enforcement actions that would not occur as a result of the proposal, (2) data that substantiate the department's ability to absorb ongoing workload with reduced staff, and (3) the implementing legislation for this proposal.

The Department of Social Services (DSS) and certain counties, under contract with the department, license family day care homes. These homes provide child day care services for up to 12 children in the provider's own home. The budget proposes a General Fund reduction of $1.4 million, and a reduction of 34.6 personnel-years. The 34.6 personnel-years represents a 43 percent reduction in the current DSS family day care licensing staff. As discussed in our analysis of Item 5180-161-001, moreover, the department would no longer reimburse counties for certain activities associated with family day care licensing, thereby achieving an additional $1,408,000 in General Fund savings. The department advises that it will propose legislation to implement the program changes needed to accommodate this reduction. At the time this analysis was prepared, however, the department had not submitted the proposed legislation.

According to the department, the proposed restructuring would eliminate the following licensing activities:

- *Processing of Renewal Applications.* State law requires family day care operators to submit an application for license renewal every three years. The department proposes to eliminate this requirement.
- *Renewal Visits.* The evaluation of a renewal application currently includes a site visit and a plan of correction for any deficiencies discovered during the visit. Under the department's proposal to eliminate the renewal process, these visits would no longer occur.
- *Evaluation Visits.* State law requires evaluators to annually make unannounced site visits to 10 percent of all licensed family day care homes (about 2,260 site visits in 1990-91, based on the department's caseload estimate of 22,597 homes). The department's proposal would eliminate these visits. The result of eliminating the 10 percent annual visits would be that evaluators would only visit homes to investigate complaints.

In addition, the proposed restructuring would require submission of all complaints of unlicensed activities in writing. Current law requires

Departmental Support—Continued

evaluators to investigate reports of unlicensed operation of a family day care home. If a report is substantiated, the state may order such a home to stop operating, assess civil penalties, and/or pursue criminal prosecution. The department indicates that requiring written complaints will reduce the number of unsubstantiated complaints received, and thereby reduce its evaluators' workload.

Data to Support Proposal Not Available

The budget proposal to restructure the Family Day Care Licensing Program is a policy issue for the Legislature. At the time this analysis was prepared, however, the department had not provided sufficient information to enable the Legislature to assess the proposal's potential effects on the health and safety of children in family day care homes.

Specifically, the department could not provide the following data, which we believe would enable the Legislature to evaluate the department's assertion that its proposal would not adversely affect the health and safety of children: (1) the proportion of all administrative actions against family day care homes that currently result from complaints against licensed facilities, license renewal and renewal visits, complaints of unlicensed activity, and evaluation site visits, (2) the number of complaints about unlicensed operators received in 1986-87, 1987-88 and 1988-89 and the number of these complaints that were substantiated upon investigation, (3) the number of unlicensed activity complaints that the department anticipates receiving under the proposed restructuring, (4) an assessment, based on existing workload standards, of the ability to absorb the investigation of these complaints within the proposed reduced staffing levels, and (5) details of the implementing legislation for this proposal. We therefore recommend that the department, prior to budget hearings, provide the fiscal committees with the above information.

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 177

Requested 1990-91	$5,614,489,000
Estimated 1989-90	5,170,218,000
Actual 1988-89	4,650,967,000
Requested increase $444,271,000 (+8.6 percent)	
Recommendation pending	5,614,489,000

1990–91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-101-001—Payments for children	General	$2,902,009,000
5180-101-890—Payments for children	Federal	2,710,756,000
Control Section 23.50—local assistance	State Legalization Impact Assistance Grant	1,724,000
Total		$5,614,489,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS *Analysis page*

1. Aid to Families with Dependent Children (AFDC) Estimate. Withhold recommendation on $5.6 billion ($2.9 billion General Fund) pending review of revised estimates in May. 692
2. AFDC-Family Group (AFDC-FG) and Unemployed Parent (AFDC-U) Statutory COLA. The budget proposes to suspend the statutory COLA for AFDC-FG and U recipients for a savings of $229 million ($104 million General Fund). 692
3. AFDC-FG Caseload. The department estimates that growth in AFDC-FG caseloads during 1989-90 and 1990-91 will be double the average annual rate experienced during the previous eight-year period. 693
4. Seriously Emotionally Disturbed (SED) Children in Foster Care. The budget proposes to eliminate foster care grants to these children, for a savings to the Foster Care Program of $27.4 million ($26 million General Fund), which would be offset by a $26 million General Fund increase to the State Department of Education to continue providing for the board and care of these children. 698
5. Child Support Enforcement — Performance Enhancement Process. Recommend adoption of supplemental report language requiring the Department of Social Services (DSS) to incorporate into the state plan a specified administrative review procedure for low-performing counties. 707
6. ***Child Support Enforcement — Supplemental State Incentives. Reduce Item 5180-101-001 by $2,653,000.*** Recommend reducing the amount proposed for supplemental state incentive payments by $2.7 million due to overbudgeting the statutory requirement. 713
7. Child Support Enforcement — Job Opportunities and Basic Skills Training (JOBS) Demonstration Project. Recommend that the DSS report to the fiscal committees as to whether the department intends to apply for the federal demonstration project to evaluate the benefits of permitting unemployed noncustodial parents who have child support obligations to participate in the JOBS Program. 714
8. Adoption Assistance Program. Recommend that the Legislature adopt supplemental report language requiring the DSS to report on its proposal for establishing standards linking the amount and duration of grants to the extent of 720

Aid to Families With Dependent Children—Continued

the child's special needs and the resources available to adoptive parents.

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 553,300 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 70,300 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 56,700 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 9,100 children will receive assistance each month through this program.

OVERVIEW OF THE BUDGET REQUEST

The budget anticipates expenditures of $5.8 billion ($2.9 billion from the General Fund, $2.7 billion in federal funds, and $233 million in county funds) for AFDC cash grants in 1990-91, including $1.7 million proposed in Control Section 23.50 for assistance to newly legalized persons under the federal Immigration Reform and Control Act (IRCA). Table 1 shows expenditures for AFDC grants by category of recipient for 1988-89 through 1990-91. As the table shows, the AFDC-FG program accounts for $4.3 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.

MAJOR ISSUES

- The budget proposes to suspend the statutory COLA for AFDC-FG and U recipients in 1990-91, for a General Fund savings of $112 million.
- The department estimates that AFDC-FG caseloads will grow by 4.7 percent in 1989-90 and 1990-91, which is double the average annual rate during the previous eight-year period.
- The budget proposes $26 million from the General Fund for a new transitional child care program.
- The budget proposes to eliminate foster care grants for seriously emotionally disturbed children, for a General Fund savings of $26 million in the foster care program, offset by an equal *increase* in the State Department of Education budget.

Table 1
Expenditures for AFDC Grants by Category of Recipient
1988–89 through 1990–91
(in thousands)

	Actual 1988–89				*Estimated 1989–90*				*Proposed 1990–91*			
Recipient Category	*State*	*Federal*	*County*	*Total*	*State*	*Federal*	*County*	*Total*	*State*	*Federal*	*County*	*Total*
Family group	$1,699,010	$1,897,907	$204,052	$3,800,969	$1,843,921	$2,016,454	$223,459	$4,083,834	$1,963,035	$2,121,442	$237,893	$4,322,370
Unemployed parent	302,181	338,414	35,022	675,617	332,016	414,817	40,484	787,317	356,190	419,752	43,415	819,357
Foster care	407,798	117,830	21,888	547,516	500,094	169,114	26,320	695,528	605,348	210,220	31,856	847,424
Adoptions program	21,085	7,810	—	28,895	30,107	11,704	—	41,811	38,211	14,952	—	53,163
Child support incentive payments to counties	17,494	34,026	−54,538	−3,018	25,775	36,629	−62,404	—	26,736	39,289	−66,025	—
Child support collections	−94,709	−97,879	−11,228	−203,816	−105,459	−109,839	−12,617	−227,915	−113,975	−119,639	−13,740	−247,354
Transitional child care	—	—	—	—	2,443	2,442	—	4,885	26,464	26,464	—	52,928
Subtotals	$2,352,859	$2,298,108 [a]	$195,196	$4,846,163	$2,628,897	$2,541,321 [a]	$215,242	$5,385,460	$2,902,009	$2,712,480 [a]	$233,399	$5,847,888
AFDC cash grants to refugees:												
Time-expired	($215,608)	($199,656)	($24,397)	($439,661)	($251,961)	($273,184)	($30,634)	($555,779)	($303,931)	($330,624)	($36,937)	($671,492)
Time-eligible	—	(74,299)	—	(74,299)	—	(70,299)	—	(70,299)	—	(24,708)	—	(24,708)
Totals	$2,352,859	$2,298,108	$195,196	$4,846,163	$2,628,897	$2,541,321	$215,242	$5,385,460	$2,902,009	$2,712,480	$233,399	$5,847,888

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

Increases in Current-Year AFDC Grant Costs. The department estimates that AFDC expenditures in the current year will *exceed* the amount appropriated in the 1989 Budget Act by $134 million ($76 million General Fund). Table 2 shows the factors resulting in this net increase and shows that the main increases include:

- A $104 million ($33 million General Fund) increase for higher-than-anticipated AFDC-FG caseloads and increased costs per case based on more recent data than was used when the budget was adopted.
- A $25 million General Fund increase due to the reduction in the time limit on federal eligibility for 100 percent federal funding of programs providing welfare assistance to refugees.

Table 2
Department of Social Services
Proposed 1990-91 Budget Changes for the AFDC Program
(dollars in thousands)

	General Fund	*All Funds*
1989 Budget Act (Item 5180-101)	$2,450,834	$5,021,795
1989 Budget Act (Item 5180-181)	101,918	224,302
SLIAG	—	5,205
Totals, 1989 Budget Act	$2,552,752	$5,251,302
Adjustments to appropriations:		
AFDC-FG & U		
Increase in caseload estimate	$32,528	$104,149
Change in Refugee Program	25,169	—
Reestimate of homeless assistance	2,836	6,248
Reestimate of Greater Avenues for Independence (GAIN) savings	−705	−4,180
Other changes	2,519	6,078
SLIAG	—	−2,567
Subtotals, AFDC-FG & U	($62,347)	($109,728)
AFDC-FC		
Reestimate of basic caseload and grant costs	−$1,346	$7,898
Chapter 1294, Statutes of 1989 (foster family home COLA)	9,500	14,700
Other changes	1,737	446
SLIAG	—	−1,034
Subtotals, AFDC-FC	($9,891)	($22,010)
Child support enforcement program		
Increased collections	−$1,112	−$1,982
Increased incentive payments	1,270	—
Subtotals, child support enforcement	($158)	(−$1,982)
Adoption Assistance Program reestimate	$1,306	−$483
Transitional child care	2,443	4,885
Total changes	$76,145	$134,158
1989-90 expenditures (revised)	$2,628,897	$5,385,460
1990-91 adjustments:		
AFDC-FG & U		
Caseload increase	$75,033	$190,424
Change in Refugee Program	31,891	—
Chapter 1285, Statutes of 1989 (beginning date of aid)[a]	21,838	48,030
Reduced GAIN savings	19,762	44,310
Proposed settlement of *WRL v. McMahon*	−6,806	−15,550

Aid to Families With Dependent Children—Continued

Table 2—Continued
Department of Social Services
Proposed 1990-91 Budget Changes for the AFDC Program
(dollars in thousands)

	General Fund	All Funds
Other changes	1,570	3,281
SLIAG	—	81
Subtotals, AFDC-FG & U	($143,288)	($270,576)
AFDC-FC		
Increase in basic caseload and grants costs	$82,731	$117,813
Elimination of grant costs for seriously emotionally disturbed children	−26,030	−27,400
Chapter 1294, Statutes of 1989:		
Foster family home COLA	18,065	27,985
New group home rate-setting system	28,741	37,613
Other changes	1,747	−4,154
SLIAG	—	39
Subtotals, AFDC-FC	($105,254)	($151,896)
Child support enforcement program		
Increased collections	−$8,516	−$19,439
Increased incentive payments	961	—
Subtotals, child support enforcement	(−$7,555)	(−$19,439)
Adoptions Assistance Program	$8,104	$11,352
Transitional child care	24,021	48,043
Total adjustments	$273,112	$462,428
1990-91 expenditures (proposed)	$2,902,009	$5,847,888
Change from 1989-90 Budget Act:		
Amount	$349,257	$596,586
Percent	13.7%	11.4%
Change from 1989-90 estimated expenditures:		
Amount	$273,112	$462,428
Percent	10.4%	8.6%

[a] These costs are contingent on court approval of a proposed settlement of the *Welfare Recipients League (WRL) v. McMahon* court case.

Budget Proposes Several Major Increases in AFDC Expenditures in 1990-91. The budget proposes expenditures for AFDC grants in 1990-91 of $5.8 billion. This is $462 million, or 8.6 percent above the total of $5.4 billion estimated for the current year. The total General Fund request of $2.9 billion is $273 million, or 10 percent, above the estimated $2.6 billion for the current year. Table 2 shows the factors resulting in the net increase of $462 million proposed for the AFDC Program in 1990-91. We discuss the AFDC-FG and U caseload increase, the transitional child care proposal, the proposed elimination of grants for SED children, and the increases in the Adoption Assistance Program in detail later in this analysis of the AFDC item. The major changes *not* discussed elsewhere in this analysis are as follows:

- A $118 million ($83 million General Fund) increase in the AFDC-FC Program primarily due to (1) anticipated caseload growth of 11 percent and (2) an estimated 4.5 percent increase in the average foster care grant. While the foster care increase *is* substantial, it is consistent with the program's growth in recent years. We discussed this growth in our 1989-90 *Analysis* (please see page 579).

- A $44 million ($20 million General Fund) increase due to reduced AFDC savings resulting from the Greater Avenues for Independence (GAIN) Program in 1990-91, reflecting the reduction in funding for the GAIN Program (please see our analysis of Item 5180-151-001 for a discussion of the proposed reductions in funding for services provided through the GAIN Program).
- A $38 million ($29 million General Fund) increase in the AFDC-FC Program to implement the group home rate-setting system established by Ch 1294/89 (SB 370, Presley). Under prior law, group home providers received a rate that was based on their actual costs. Under Chapter 1294, beginning July 1, 1990, however, group homes will receive a rate that is based on the service they provide.
- A net $32 million ($15 million General Fund) increase primarily due to an earlier date for granting aid under the AFDC Program, as *potentially* required by Ch 1285/89 (SB 991, Watson). These costs are contingent on the approval of a proposed settlement in the *Welfare Recipients League v. McMahon* court case.
- A $32 million increase in General Fund costs due to a reduction in the time limit on federal eligibility for 100 percent federal funding of AFDC grants to refugees. Specifically, effective January 1, 1990, the federal government reduced from 24 to 4 the number of months for which it will pay 100 percent of the costs of AFDC grants to eligible refugees. The effect of this change is to shift to the state and counties a portion of the grant costs formerly paid by the federal government.
- A $28 million ($18 million General Fund) increase in the AFDC-FC Program to fund the cost-of-living adjustments (COLAs) for foster family homes that are required by Ch 1294/89. Chapter 1294 requires that foster family homes receive a 12 percent COLA, effective January 1, 1990, and a 5 percent COLA, effective July 1, 1990.

The $462 million increase proposed for 1990-91 represents an 8.6 percent increase over the department's revised estimate of expenditures in the current year. The level of expenditures proposed in the budget, however, is $597 million, or 11 percent, above the amount appropriated by the 1989 Budget Act.

Number of Persons Receiving Assistance to Increase in 1990-91. Table 3 shows that in 1990-91, the Department of Social Services (DSS) expects AFDC recipients to increase by 103,500 persons, or 5.5 percent, from the revised estimate in 1989-90. As the table shows, this increase reflects an addition of 81,000 persons, or 5.5 percent, in the AFDC-FG Program, an increase of 14,300 persons, or 4.3 percent in U caseload, and an increase of 6,400 children, or 11 percent, in the AFDC-FC Program.

Aid to Families With Dependent Children—Continued

Table 3
Department of Social Services
Aid to Families with Dependent Children
Average Number of Persons Receiving Assistance Per Month
1988-89 through 1990-91

Program	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Change From 1989-90 Amount	Change From 1989-90 Percent
AFDC-family group	1,417,419	1,484,100	1,565,100	81,000	5.5%
AFDC-unemployed parent	329,941	330,500	344,800	14,300	4.3
AFDC-foster care	50,443	58,100	64,500	6,400	11.0
Subtotals, AFDC	(1,797,803)	(1,872,700)	(1,974,400)	(101,700)	(5.4%)
Adoption assistance	7,190	9,100	10,900	1,800	19.8%
Refugees [a]					
—Time-eligible	(37,660)	(30,488)	(14,334)	(−16,154)	(−53.0%)
—Time-expired	(196,697)	(235,390)	(345,025)	(109,635)	(46.6)
Totals	1,804,993	1,881,800	1,985,300	103,500	5.5%

[a] During 1988-89, grants to refugees who had been in the United States 24 months or less (time-eligible) were funded entirely by the federal government. Beginning in January 1990, the federal government has reduced from 24 to 4 the number of months for which it will pay 100 percent of the costs of these grants. After this 4-month period, eligible refugees may qualify and receive AFDC grants supported by the normal funding sharing ratio.

ANALYSIS AND RECOMMENDATIONS

AFDC Estimates are Expected to Change in May

We withhold recommendation on $5.6 billion ($2.9 billion General Fund and $2.7 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 1990-91 are based on actual caseloads and costs through June 1989, updated to reflect the department's caseload and cost projections through 1990-91. In May, the department will present revised estimates of AFDC costs based on actual caseload and grant costs through December 1989. 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 1990-91 expenditures. Therefore, we withhold recommendation on the amount requested for AFDC grant costs pending review of the May estimate.

Budget Proposes to Suspend Statutory COLA

The budget assumes the enactment of legislation suspending the statutory COLA of 4.62 percent for AFDC-FG and U recipients for a savings of $247 million ($112 million General Fund).

Current state law requires that the AFDC-FG and U grant levels be adjusted, effective July 1, 1990, based on the change in the California Necessities Index (CNI) during calendar year 1989. 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. The commission has determined that the actual change in the CNI for calendar year 1989 is 4.62 percent.

The budget assumes enactment of legislation to waive the requirement for a COLA for AFDC-FG and U grants in 1990-91. The cost of providing the COLA would add $247 million ($112 million General Fund, $121 million federal funds, and $14 million county funds) to AFDC-FG and U grant costs in 1990-91 as compared to the amounts proposed in the budget.

Table 4 displays the AFDC-FG and U grants for 1989-90 and for 1990-91 with no COLA (the Budget Bill proposal) and with a COLA of 4.62 percent.

Table 4
Department of Social Services
Maximum AFDC-FG and AFDC-U Grant Levels
1989-90 and 1990-91

		1990-91	
Family Size	*1989-90*	*Budget Proposal (No COLA)*	*Statutory Requirement*[a]
1	$341	$341	$357
2	560	560	586
3	694	694	726
4	824	824	862
5	940	940	983

[a] Assumes a 4.62 percent COLA, effective July 1, 1990, based on the change in the CNI.

The Department Is Investigating the Unusually High AFDC-FG Caseload Growth

According to the department's estimates, the AFDC-FG dependency rate in 1990-91 will be at its highest level since 1976-77, while the unemployment rate will be lower than at any time during the period 1972-1990.

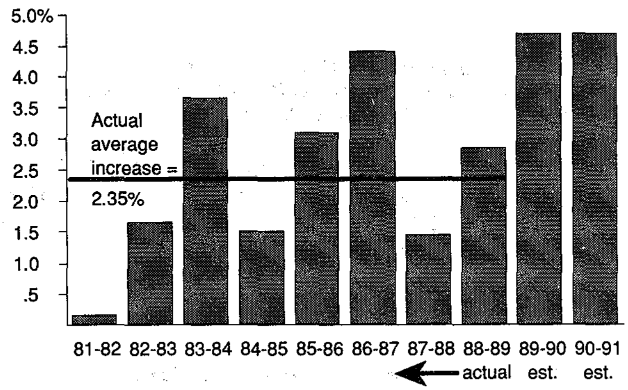
Department Estimates Higher-than-Normal Caseload Growth. As shown in Table 2, the budget includes $190 million ($75 million General Fund) for increased costs associated with higher AFDC-FG and U caseloads. Most of this increase is due to the estimated increases in the AFDC-FG caseload. Specifically, the DSS estimates that the AFDC-FG caseload will be 4.7 percent higher in 1989-90 than the actual caseload in 1988-89 and anticipates an additional 4.7 percent increase in 1990-91. This represents an unusually high level of growth as compared to caseload growth during the period 1981-82 through 1988-89. Specifically, as Chart 1 shows, actual caseload growth exceeded 4 percent only once during the period 1981-82 through 1988-89 (in 1986-87). In fact, the 4.7 percent is *double* the average annual rate of 2.35 percent during the period 1981-82 through 1988-89.

Aid to Families With Dependent Children—Continued

Chart 1

AFDC-FG Caseload
Annual Percent Change

1981-82 through 1990-91



The Department's Estimate Seems Reasonable. The department's estimate of 1989-90 and 1990-91 AFDC-FG caseloads consists of two separate estimates — one for Los Angeles County and one for the remaining 57 counties. The final caseload projection — an overall increase in AFDC-FG caseloads of 4.7 percent in 1990-91 — 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 1989, Los Angeles County experienced a caseload *decrease* of 6.9 percent while caseloads for the remaining 57 counties *increased* by 14 percent.

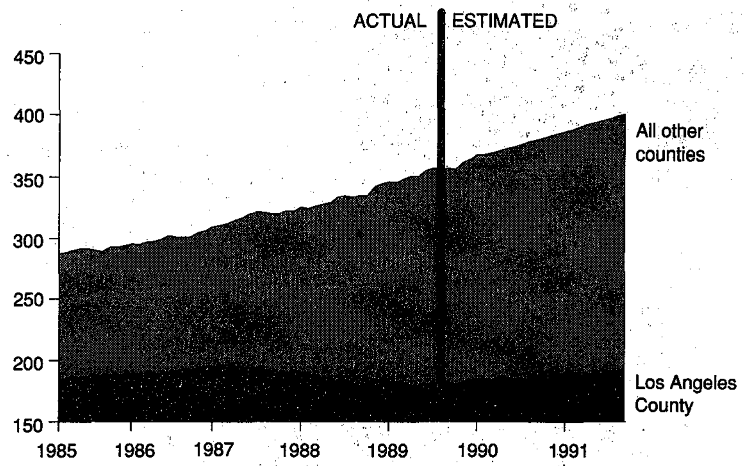
The decline in Los Angeles County's AFDC-FG caseload appears to be related to the enactment of the federal Immigration Reform and Control Act (IRCA) of 1986. Specifically, it appears that a significant number of individuals in Los Angeles who were eligible for amnesty under IRCA voluntarily removed their children from the AFDC Program. Apparently, certain individuals had acted on incorrect information and 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. In fact, leaving their eligible children on aid would not jeopardize these individuals' chances of obtaining permanent residency status.

Chart 2 displays actual AFDC-FG caseloads during the period January 1985 to October 1989 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 decline in Los Angeles County's caseload continued until July 1988, at which time it began to increase but at a much lower rate than that for the rest of the state.

Chart 2

AFDC-FG Caseload
Los Angeles County and All Other Counties

January 1985 through June 1991 (in thousands)



The chart also displays the department's caseload projection for the period November 1989 through June 1991. The projection assumes that Los Angeles County's caseload will continue to grow at a slower rate (roughly half) than the rest of the state's caseload. The combined effect of Los Angeles County's relatively slow growth and the rest of the state's higher growth accounts for the department's projection of a 4.7 percent increase in AFDC-FG caseload in 1989-90 and 1990-91.

Based on our review of the department's caseload estimating methodology, we conclude that the department's estimate of the AFDC-FG caseload is reasonable, even though it indicates that the caseload growth

Aid to Families With Dependent Children—Continued

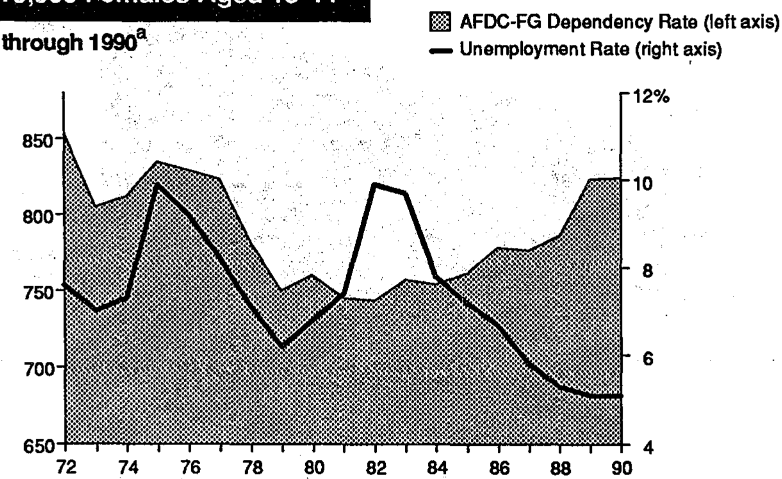
will be higher than it has been in recent years. The department indicates that it is investigating the *causes* of this caseload increase and expects to be better able to explain the increase at the time of the May revision.

Welfare Dependency is Up, While Unemployment is Down. Two factors that are generally regarded as having significant effects on AFDC caseloads are increases in the state's population and fluctuations in unemployment. In order to understand how caseloads may be affected by population increases, we reviewed the AFDC-FG dependency rate — the number of AFDC-FG cases compared to the state's population of women between the ages of 15 and 44. The number of AFDC-FG cases per 10,000 females in this age bracket is a good indicator of the welfare dependency rate because more than 95 percent of AFDC-FG households are headed by women 15 to 44 years of age. Chart 3 displays this rate over a 19-year period (1972 through 1990).

Chart 3

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

1972 through 1990[a]



[a] Data shown are for fiscal year beginning in year specified. Data for 1989 and 1990 are estimates.

The chart shows that the AFDC-FG dependency rate has increased steadily over the past several years. During this same period, California's unemployment rate has steadily declined. In fact, if the caseload and unemployment rate estimates for 1990-91 are accurate *the dependency* *rate will be at its highest level since 1976-77 at the same time that the unemployment rate is at its lowest during the 19-year period shown.* Obviously, there are many economic and noneconomic factors which could be affecting welfare dependency rates. We also recognize that the unemployment rate is only one measure of the economy and does not necessarily reflect the employment opportunities available to AFDC recipients. Nevertheless, the chart is noteworthy because it shows that since 1981-82, the dependency rate and the unemployment rate have been moving steadily in opposite directions. This divergence in rates could have important implications for AFDC costs in the long-term, as well as for the GAIN Program's efforts to assist AFDC recipients to enter the labor market and reduce welfare dependency.

Transitional Child Care Proposal Requires Urgency Legislation

The Governor's Budget proposes $4.9 million ($2.4 million General Fund) and $53 million ($26 million General Fund) in 1989-90 and 1990-91, respectively, for a new transitional child care program. The funding level assumes enactment of urgency legislation to implement the program by April 1, 1990. This proposal is in response to the requirements of the federal Family Support Act (FSA) of 1988.

The federal FSA requires states, effective April 1, 1990, to provide transitional child care for 12 months following the month a family becomes ineligible for AFDC due to increased earnings, increased hours of employment, or loss of an earned income disregard, if the state determines that child care is necessary for an individual's employment. Families that receive transitional child care must pay a portion of the cost of care according to a fee scale to be established by the state.

Under current state law, families who participate in the GAIN Program are eligible for *3* months of transitional child care after they complete the GAIN Program. Thus, state law must be changed to conform to the FSA requirement that these benefits be provided for 12 months to *all* AFDC families who leave AFDC for the federally specified reasons, not just to GAIN participants.

Federal law requires the department to submit by February 15, 1990 the state's plan to provide transitional child care. The department indicates that it plans to provide transitional child care through a program that is similar to the current program for providing transitional child care to individuals completing the GAIN Program. The current program provides for counties to (1) determine eligibility for transitional child care benefits and (2) reimburse eligible ex-recipients for the cost of child care at their actual cost or at a cost within a specified range of the regional market rate, whichever is lower.

There is no practical alternative to enacting urgency legislation to conform state law to the transitional child care requirements of the FSA by April 1, 1990. Failure to do so would jeopardize the state's federal funding for the entire AFDC Program. Our analysis indicates that the Legislature has several options, however, with respect to *how* it implements the requirements. These options primarily relate to (1) how the state will provide for these benefits — for example by using a voucher

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system, providing services directly through contract providers, or providing a reimbursement to the recipient, (2) the fee scale the state will use to determine how much of the cost of child care is to be paid by the former AFDC recipients, and (3) whether counties will pay a share of the child care costs, as they do for other programs required by Title IV-A (AFDC) of the federal Social Security Act. The actual costs of providing transitional child care in California could be substantially higher or lower than the $53 million reflected in the budget, depending on the specifics of the enabling legislation. Moreover, our analysis indicates actual costs may be substantially higher or lower than the department estimates due to the lack of data on the extent to which eligible individuals will make use of this program.

AID TO FAMILIES WITH DEPENDENT CHILDREN-FOSTER CARE

Budget Proposes to Transfer Responsibility for Seriously Emotionally Disturbed Children in Foster Care from the Department of Social Services to the State Department of Education

The budget proposes to eliminate foster care grants to seriously emotionally disturbed (SED) children for a savings to the Foster Care Program of $27.4 million ($26.0 million General fund, $1.4 million county funds). The budget also includes a General Fund augmentation of $26.0 million to the State Department of Education (SDE), which would presumably be used to continue providing for the board and care of these children.

The budget proposes to eliminate foster care grants to approximately 840 SED children who were placed in foster care pursuant to an Individualized Education Program (IEP). This will result in savings to the Foster Care Program of $27.4 million ($26.0 million General Fund, $1.4 million county funds). The budget includes a General Fund augmentation of $26.0 million to the State Department of Education (SDE), which would presumably be used to continue providing for the board and care of these children. The proposal assumes the enactment of legislation to repeal the provisions of current law that require the DSS to pay for the board and care of SED children who are placed in foster care pursuant to an IEP.

The SED Program was established by Ch 1747/84 (AB 3632, Willie Brown), as amended by Ch 1274/85 (AB 882, Willie Brown). The two chapters require the Department of Mental Health (DMH), the DSS, and the SDE, as well as various local agencies, to enter into interagency agreements to ensure coordinated service delivery to SED children. In addition, Chapters 1747 and 1274 require the DSS to pay for 95 percent, and county welfare departments to pay for 5 percent, of the costs of foster care grants for SED children. The DMH is required to fund mental health services and the SDE is required to fund educational services for SED children. These children receive case management services through their county mental health departments.

The budget assumes the repeal of Chapters 1747 and 1274, and proposes to transfer the fiscal and programmatic responsibility for SED children to the SDE. We discuss this proposal further, including the issue of which agencies will take responsibility for the county share of these children's board and care costs, in our analysis of the SDE's budget (please see Item 6110-161-001).

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 (66 percent) and county governments (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 them to maximize collections. The incentive payments are based on each county's child support collections. In federal fiscal year 1990 (FFY 90), the federal government pays counties an amount equal to 6.5 percent of AFDC and 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 5 shows, the child support enforcement program is estimated to result in *net savings* of $83 million to the state's General Fund in 1990-91. The federal government is estimated to spend $62 million more in 1990-91 than it will receive in the form of grant savings. California counties are expected to experience a net savings from the program of $10 million in 1990-91.

Table 5 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.

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Table 5
Department of Social Services
Child Support Enforcement Program
1990-91
(in thousands)

Program costs	*General Fund*	*Federal Funds*	*County Funds*	*Total*
County administration:	—	$133,967	$69,573	$203,540
AFDC	—	(89,758)	(46,614)	(136,372)
Non-AFDC	—	(44,209)	(22,959)	(67,168)
State administration	$4,101	8,201	—	12,302
Incentive payments [a]	26,736	39,289	−66,025	—
Savings				
Welfare collections [b]	−113,975	−119,639	−13,740	−247,354
Net fiscal impact	−$83,138	$61,818	−$10,192	−$31,512

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

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 6 shows the change in statewide collections of child support from 1982-83 through 1988-89. As the table shows, statewide collections increased at an average annual rate of 10.5 percent during this period.

Table 6
Department of Social Services
Statewide Child Support Collections [a]
1982-83 through 1988-89
(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	187.3	160.0	347.2	9.3
1986-87	198.1	189.3	387.4	11.6
1987-88	213.5	215.8	429.3	10.8
1988-89	235.1	241.5	476.6	11.8
Average annual increase				10.5%

[a] Data provided by Child Support Management Information System, Department of Social Services. Figures for 1988-89 do not tie to Governor's Budget because of differences in the accounting and reporting of the data.

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 7 shows the recoupment rate from 1982-83 through 1988-89. During this period, the state recouped an average of 6.3 percent of state, federal, and county expenditures through the child support enforcement program.

Table 7
Department of Social Services
Child Support Enforcement "Recoupment Rates" [a]
All Counties
1982-83 through 1988-89

1982-83	6.3%
1983-84	6.2
1984-85	5.8
1985-86	6.3
1986-87	6.1
1987-88	6.6
1988-89	6.6
Average rate	6.3%

[a] AFDC collections as percent of grant expenditures.

Potential Fiscal Penalty From the Federal Government

As we noted in last year's *Analysis*, 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 was 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.

Potential Penalties in the AFDC Program. Because the state was found to be out of compliance with federal requirements, the DHHS notified the state that it must develop and implement a corrective action plan or face a 1 percent to 2 percent penalty against the total amount of Title IV-A (AFDC) funds paid to the state, beginning with payments for the November 1988 quarter. The notice further stated that, should the state submit an acceptable corrective action plan, the imposition of the penalty would be deferred pending the outcome after one year of corrective action.

Corrective Action Plan. The DSS submitted a corrective action plan in January 1989 and it was approved by the DHHS. The plan has been implemented, and as of December 1989 all but 12 counties have been found to be in compliance with the federal regulations.

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The state expects the DHHS to begin a follow-up audit in April 1990 to determine whether the corrective action plan was successful. The DHHS will use the results of that audit to determine whether to impose a fiscal penalty. According to the DSS, the "worst case" scenario would find that the state had failed to implement its corrective action plan, which would result in a 1 percent to 2 percent penalty effective for the December 1988 quarter through the September 1989 quarter, a 2 percent to 3 percent penalty for the following year, and a 3 percent to 5 percent penalty for the final year.

The DSS estimates that the penalty could range from about $23 million annually (at the 1 percent level) to $115 million annually (at the 5 percent level). The potential loss of federal funds is not reflected in the budget for either the current 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 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, as well as the state as a whole, is in compliance with federal requirements, especially since failure to comply can result in multi-million dollar losses of federal funds in the AFDC Program.

County Performance and the Incentive Payment Structure

Table 8 shows the performance of all 58 counties in the child support enforcement program, as measured by the AFDC recoupment rate in 1988-89.

Table 8
Department of Social Services
Child Support Enforcement Program
Counties' AFDC Recoupment Rates [a]
1988-89

County	*Recoupment Rate*	*Ranking*	*County*	*Recoupment Rate*	*Ranking*
Ventura	19.2%	1	Santa Clara	9.7	30
Napa	17.0	2	Fresno	9.6	31
El Dorado	16.9	3	San Francisco	9.2	32
Plumas	15.6	4	Monterey	9.2	32
Sonoma	15.6	4	Mariposa	8.9	34
Inyo	15.6	4	Imperial	8.7	35
Santa Barbara	15.1	7	Lake	8.4	36
Nevada	14.0	8	Tehama	8.1	37
San Mateo	13.9	9	Del Norte	7.9	38
Tuolumne	13.4	10	Lssen	7.9	38
Madera	13.3	11	Solano	7.8	40
Sutter	13.3	11	Yuba	7.6	41
Shasta	12.8	13	Tulare	7.6	41
Alpine	12.7	14	Riverside	7.6	41
Merced	11.9	15	San Benito	7.5	41
Orange	11.7	16	Trinity	7.3	45
San Luis Obispo	11.5	17	Stanislaus	7.0	46
Placer	11.3	18	Alameda	7.0	46
Colusa	11.2	19	Calaveras	6.9	48
Humboldt	11.0	20	Modoc	6.9	48
Contra Costa	10.8	21	San Bernardino	6.8	50
Kings	10.8	21	Kern	6.8	50
Glenn	10.8	21	Amador	6.4	52
Santa Cruz	10.7	24	Mono	6.4	52
Yolo	10.7	24	San Diego	5.3	54
Siskiyou	10.6	26	San Joaquin	5.3	55
Marin	10.2	27	Sacramento	3.8	56
Butte	10.0	28	Los Angeles	3.6	57
Mendocino	10.0	28	Sierra	2.5	58
			Average	6.6%	—

[a] Child support collections for AFDC families as a percentage of AFDC-FG grant expenditures.

The AFDC recoupment rate is total child support collections for AFDC children as a percentage of total AFDC-FG grant payments. We selected this measure because it reflects the state savings that result from child support operations (due to the reduction in AFDC grants), and therefore bears a close relationship to the underlying rationale for state incentive payments to the counties.

Table 9 shows performance and fiscal data for child support enforcement in selected counties in 1988-89, as well as the statewide totals for all 58 counties.

Table 9
Department of Social Services
Child Support Enforcement Program
Performance and Fiscal Data for Selected Counties
1988-89
(dollars in thousands)

	AFDC Recoupment[a]		Federal and State Funds					
County	*Rate*	*Ranking*	*Federal Reimbursements*	*Incentive Payments*[b]	*County AFDC Savings*[c]	*Total Revenues and Savings*	*Total Administrative Expenditures*	*Net Revenue/Savings (Net Costs)*
Alameda	7.0%	46	$5,547	$2,489	$662	$8,698	$8,149	$549
Fresno	9.6	31	3,794	2,087	744	6,625	5,578	1,047
Riverside	7.6	41	3,219	2,186	510	5,915	4,722	1,193
Sacramento	3.8	56	4,907	1,067	393	6,367	7,212	(845)
San Bernardino	6.8	50	4,697	3,218	865	8,780	6,903	1,877
San Mateo	13.9	9	2,017	647	186	2,850	2,960	(110)
Santa Barbara	15.1	7	2,207	644	183	3,034	3,230	(196)
Shasta	12.8	13	1,174	618	180	1,972	1,725	247
Ventura	19.2	1	3,439	1,290	383	5,112	5,055	57
Statewide — 58 counties	6.6%		$107,108	$47,171	$12,694	$166,973	$157,339	$9,634

[a] Recoupment rate is total collections for AFDC (FG) children as a percentage of total AFDC (FG) grant expenditures in the county. Ranking based on all 58 counties.
[b] Federal and state incentives, including state bonus/paternity incentive.
[c] Based on 5.4 percent of AFDC collections.
Source: Data derived from Child Support Mangement Information System, Department of Social Services.

Table 9 relates performance to the relevant fiscal data in child support operations, from the perspective of the county. Specifically, the table shows the county's total administrative expenditures in its child support operations and the total reimbursements, revenues, and savings (from federal administrative allowances, state and federal incentive payments, and local AFDC grant savings, respectively). The table, therefore, reveals whether the county made a "profit" (excess of revenues and savings over costs) or whether the county devoted some of its own resources to finance its child support enforcement operations (excess of costs over revenues and savings).

As discussed below, the data raise the following question related to the manner in which incentive payments are distributed: Is the formula for distributing the state incentive payments effective in inducing counties to improve their performance in collecting child support awards?

Effectiveness of the Incentive Payment Distribution Formula. As noted previously, the state distributes its incentive payments to the counties based on a fixed percentage — 7.5 percent — of each county's collections for AFDC children. (The state provides an additional payment of $90 for each paternity established.) Federal incentive payments are based on a specified percentage of AFDC and non-AFDC collections. Presumably, the intent is to induce counties to make a greater effort in collections, since the incentive payments increase as collections increase.

Table 9 illustrates a problem in the incentive payment formula. Even though incentive payments increase with collections, counties that perform poorly in collections can be more profitable — from the county's fiscal perspective — than counties that perform well in collections. This is evident when comparing, for example, Riverside — a low performance/high profit county — to Santa Barbara, which performed well in collections but did so at a net cost to the county.

This suggests that the incentive structure is inadequate. While the purpose of the incentive payments (exclusive of the paternity incentive) is to induce counties to improve their performance in collections, the current system permits counties — by holding down their costs — to emerge with net revenues/savings apparently without maximizing collections. It is therefore appropriate to determine whether the incentive payment distribution formula could be improved.

In this connection, the DSS is in the process of developing statewide performance standards for child support enforcement in response to the *Supplemental Report of the 1989 Budget Act*, which directs the department to incorporate such standards into the state plan by March 31, 1990. The department intends to propose that the state and federal incentive payment formulas be revised pursuant to the new standards. While the standards have not been finalized, the department indicates that each county would receive (1) a base level of incentive payments if federal audit criteria are met and (2) additional incentive payments based on a variable rate (applied to total collections), which depends on the county's

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performance on three measures: location of absent parents, establishment of paternities, and establishment of support orders.

We are concerned that the department's proposal (specifically the second component dealing with variable rate incentive payments) may not result in higher collections. While, in theory, it *might* be beneficial to induce counties to place more emphasis on the three areas included in the department's model, there is no empirical evidence to support this. In fact — as we discuss below — we could find no statistically significant relationship between performance and the variables included in the department's model.

Currently, counties allocate their resources among a variety of activities that comprise the child support enforcement process. In addition to the three activities in the department's model, this process includes outreach, processing applications, enforcement of support orders, and collection and distribution of the awards. To the extent that counties are induced to make *collections* (particularly AFDC collections) their goal, they will allocate their resources among the various operational activities in a manner that is consistent with the purpose of the state incentive payments.

We are reluctant to suggest changing the existing incentive structure by providing a fiscal incentive for counties — particularly those that are performing well — to reallocate their resources without an analytical basis for predicting that such a reallocation will be effective. In this respect, we found virtually no correlation between performance of counties, as ranked according to the department's model, and recoupment rates, based on a statistical analysis. We also selected one of the variables in the department's model — paternity establishment — for statistical analysis. Again, we found no correlation between paternity establishment (1983-84) and either the increase in total collections from 1983-84 to 1988-89 or the recoupment rate in 1988-89.

Given the lack of evidence that counties should place more emphasis on selected operational activities, we believe that it would be preferable to continue to base incentive payments on performance in collections. In this way, the incentive formula will continue to be related directly to the desired *output*, rather than specific inputs in the process.

With respect to the aforementioned supplemental report language directing the DSS to develop statewide performance standards for incorporation into the state plan, we believe that performance in the program could be improved by adopting a "performance enhancement process," which uses the incentive system so as to facilitate a review of low-performing counties and to induce program changes, where appropriate. Our suggested performance enhancement process would *supplement* the existing incentive payment system. In contrast, the department's proposed performance standards model would *replace* the existing incentive system.

Legislative Analyst's Suggested "Performance Enhancement Process"

We recommend that the Legislature adopt supplemental report language requiring the DSS to incorporate into the state plan for the child support enforcement program an administrative review procedure — or "performance enhancement process" — for counties that rank low in performance, as measured by the AFDC recoupment rate. Under this process, low-performing counties that have relatively low levels of administrative effort would be required to increase their administrative effort, pursuant to a three-year plan, subject to withholding of incentive payments for failure to comply.

Under our suggested performance enhancement process, incentives would be based on a percentage of AFDC collections, as is the case for the existing state incentive payments. The process would consist of an administrative review procedure, as explained below.

- ***Rank the counties on the basis of performance in AFDC collections.*** Each county would be ranked relative to the other counties, as measured by the AFDC recoupment rate. We recognize that it is in the state's interest to increase non-AFDC collections, due to the cost-avoidance benefits of keeping families off of the AFDC rolls. These potential benefits, however, apply to a relatively small portion of non-AFDC collections. We are concerned, moreover, that giving equal emphasis to both AFDC and non-AFDC collections might have the unintended consequence of inducing counties to emphasize the latter due to the relatively high level of awards in this group.

  In using only AFDC collections as the measure of performance, a distinction is drawn between measuring performance for purposes of (1) distributing incentive payments and (2) rating a county's overall level of service. In the latter case, factors such as non-AFDC collections should be included.
- ***Identify, for more intensive review, those counties that are (1) performing poorly and (2) showing a relatively low level of improvement in performance.*** We define this group as counties that (1) rank in the bottom quartile in performance and (2) are below the median in improvement over the prior year. Table 10 shows that of the 14 counties in the bottom quartile in the AFDC recoupment rate in 1988-89, 12 were below average in improvement over 1987-88, indicating little improvement within the low-performing group.

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- ***Among the counties that are not performing well and not showing adequate improvement in performance, calculate the level of resources, or administrative effort, allocated to the program. Require those counties making a low level of effort to increase the resources allocated to the program, and require the DSS to conduct a program review of the other counties in this group.*** Administrative effort would be measured by the county's total administrative expenditures as a percentage of total AFDC grant expenditures. This measure is selected because AFDC grant expenditures reflect potential AFDC child support collections. Thus, the measure of administrative effort — like the measure of performance — is directly related to the purpose of the state incentive payments.

We also note that this index of administrative effort explained 40 percent of the variation in recoupment rates in 1988-89 — generally considered a relatively high correlation in this type of statistical analysis. This high degree of correlation is apparent when comparing the administrative effort of the highest and lowest performing counties, as shown in Table 11. The table indicates that the counties that performed the best in AFDC recoupment devoted about *three times* as much administrative effort to the program as did the counties that performed the worst.

Table 10
Department of Social Services
Child Support Enforcement Program
AFDC Recoupment Rates [a]
Lowest Performing Counties in 1988-89 and Change in Performance Over 1987-88

	Recoupment Rate		*Change in Rate From 1987-88*	
County	*1987-88*	*1988-89*	*Amount*	*Statewide Ranking [b]*
Trinity	8.2%	7.3%	−0.9	49
Stanislaus	8.0	7.0	−1.0	52
Alameda	7.2	7.0	−0.2	33
Calaveras	6.7	6.9	0.2	23
Modoc	7.6	6.9	−0.7	45
San Bernardino	7.5	6.8	−0.7	45
Kern	6.1	6.8	0.7	18
Amador	9.2	6.4	−2.8	58
Mono	7.6	6.4	−1.2	53
San Diego	6.1	5.5	−0.6	41
San Joaquin	5.4	5.3	−0.1	30
Sacramento	4.0	3.8	−0.2	33
Los Angeles	3.8	3.6	−0.2	33
Sierra	2.9	2.5	−0.4	38

[a] AFDC child support collections as a percentage of AFDC-FG grant expenditures.

[b] This reflects how the counties ranked, among all 58 counties, in the change in recoupment rate over 1987-88.

Table 11
Department of Social Services
Child Support Enforcement Program
Administrative Effort of High- and Low-Performing Counties [a]

High-Performing Counties (Top Quartile)			*Low-Performing Counties (Bottom Quartile)*		
County	*AFDC Recoupment Rate*	*Administrative Effort*	*County*	*AFDC Recoupment Rate*	*Administrative Effort*
Ventura	19.2%	13.7%	Sierra	2.5%	7.4%
Napa	17.0	8.4	Los Angeles	3.6	2.6
El Dorado	16.9	14.8	Sacramento	3.8	3.8
Plumas	15.6	10.7	San Joaquin	5.3	2.8
Sonoma	15.6	8.6	San Diego	5.5	3.4
Inyo	15.6	16.7	Mono	6.4	6.0
Santa Barbara	15.1	14.4	Amador	6.4	9.0
Nevada	14.0	10.8	Kern	6.8	4.0
San Mateo	13.9	11.9	San Bernardino	6.8	2.9
Tuolumne	13.4	6.6	Modoc	6.9	5.7
Madera	13.3	4.0	Calaveras	6.9	4.5
Sutter	13.3	7.4	Alameda	7.0	4.6
Shasta	12.8	6.6	Stanislaus	7.0	4.0
Alpine	12.7	11.8	Trinity	7.3	4.5
Weighted average		10.5%			3.1%
Unweighted average		10.5			4.7

[a] Performance is measured by AFDC recoupment rate (AFDC child support collections as a percentage of AFDC grant expenditures). Administrative effort is measured by total administrative expenditures as a percentage of AFDC grant expenditures.

Source: Data derived from Child Support Management Information System, Department of Social Services.

This component of the performance enhancement process could be put into effect by requiring the "low-performance/low-improvement" counties that are also below average in administrative effort to bring this effort up to the average by increasing their expenditures, subject to a reduction in incentive payments for failure to comply.

Table 11 shows the *administrative effort* of the 14 lowest-performing counties. As we noted from Table 10, only two of these counties—Calaveras and Kern—were above average in performance improvement over the prior year. Of the 12 counties in the "low-performance/low-improvement" category, 6 were below the statewide average in administrative effort, using the mean (4.4 percent — not shown in the table) as the average. (Ten of the 12 counties were below the statewide average as measured by the median.)

In the case of the "low-performance/low-improvement" counties that are making a relatively *high* level of administrative effort, the DSS would conduct a program review in an attempt to (1) discover the causes for the county's low level of collections — such as ineffective management, inefficient allocation of resources, the lack of automation, and demographic factors beyond the control of the county — and (2) make recommendations to address these problems. The intent is not to impose sanctions on these counties but to assist them in improving their performance. Referring to Table 11, Amador would be an example of a county that fits in this category.

Aid to Families With Dependent Children—Continued

Conclusion. This performance enhancement process differs from the department's model in two principal respects: (1) the manner in which performance is defined and (2) the inclusion, in our suggested process, of a procedure to review and improve the performance of low-performing counties. With regard to the definition of performance, we believe that it would be prudent to use the AFDC recoupment rate because it reflects the basic purpose of incentive payments. There is no empirical evidence that performance would be improved by inducing the counties to reallocate resources in favor of the program components that are emphasized in the department's approach.

In conclusion, we reiterate that the intent of the existing incentive distribution formula is to improve the counties' performance in collections. The large variation in performance suggests that the incentive structure has not had the intended effect in many counties. We believe that this has occurred partly because the incentive system does not give adequate attention to the counties' administrative effort. In fact, it permits low-performing counties — by holding down their costs — to make a profit from their child support enforcement programs. The process presented above addresses this problem by making this option less feasible, and by requiring the department to take appropriate remedial action in the case of counties that are performing poorly.

Based on our review, we believe that this performance enhancement process would result in significant improvement in the performance of counties — particularly those that are performing the worst — in their child support enforcement program. Consequently, we recommend that the Legislature adopt supplemental report language requiring the department to incorporate the basic features of this process into the state plan for the child support enforcement program. Specifically, we recommend adoption of the following language (Item 5180-001-001):

> The Department of Social Services shall, by March 1, 1991, incorporate into the state plan for the child support enforcement program an administrative review procedure for counties that rank low in performance, as measured by AFDC recoupment rates. Under this review, low-performing counties that have relatively low levels of administrative effort would be required to increase their effort, pursuant to a three-year plan, subject to withholding of incentive payments for failure to comply, as authorized by Section 11475.2 of the Welfare and Institutions Code.

Three-Year Plan to Improve Los Angeles County Performance

In last year's analysis of the child support enforcement program, we documented the relatively poor performance of Los Angeles County. In response, the Legislature adopted language in *The Supplemental Report of the 1989 Budget Act* directing the DSS, in conjunction with Los Angeles County, to develop a three-year plan by September 1, 1989 in order to improve the performance of the county. The Legislature directed that the plan contain specified objectives and actions, including the requirement that the county raise its performance — according to several measures — up to the average of all the other counties within a specified period of time.

Plan Does Not Comply With the Legislature's Directive. The DSS submitted its plan to the Legislature prior to the September deadline. The plan complies with some of the requirements of the supplemental report language, but falls short in several respects. Rather than require Los Angeles County to raise its performance to the average of the other counties, the plan would subject Los Angeles to (1) the requirements of the department's proposed program performance standards (as described above) and (2) federal requirements imposed on the county pursuant to an agreement related to federal funding for the county's new automation system.

Table 12 summarizes the principal components of the supplemental report language and the department's plan for Los Angeles County. In order to make meaningful comparisons, we have converted the requirements of the two plans into specific statistics, where possible.

Table 12
Department of Social Services
Child Support Enforcement Program
Performance Plan for Los Angeles County
Comparison of 1989 Supplemental Report Language
and Department of Social Services Plan

	Los Angeles County	*Supplemental Report Language* [a]		*Department of Social Services Plan*	
Component	*1987-88*	*Amount*	*Date*	*Amount*	*Date*
Aid to Families with Dependent Children (AFDC) recoupment rate	3.8%	8.3%	1/1/93	3.9% [b]	1/1/93
AFDC collections per child	$132	$282	1/1/93	$164 [b]	1/1/93
Non-AFDC collections per child	$25	$40	1/1/93	$32 [b]	1/1/93
Annual increase in collections	1.8%	13.4%	1/1/93	15%	1/1/93
Collections/costs	2.6%	3.2%	1/1/93	— [c]	
Location of parents	9%	39%	1/1/91	Rated by county comparison [d]	
Establishment of support orders	11%	20%	1/1/91	Rated by county comparison [d]	
Establishment of paternities	14%	20%	1/1/91	Rated by county comparison [d]	

[a] The *Supplemental Report of the 1989 Budget Act* requires a plan to raise the performance of Los Angeles County to the 1987-88 average of all other counties. Specific amounts are estimated by the Department of Social Services (DSS) and the Legislative Analyst's Office (LAO).
[b] Estimated by the LAO, based on minimum requirements for annual collections, as specified in the DSS plan, and LAO projections for AFDC (FG) grants and AFDC and non-AFDC children in 1992-93.
[c] Cost projections not available.
[d] Performance in these components would be rated in comparison to other counties, pursuant to development and implementation of DSS program performance standards.

In explaining why its plan varies from the supplemental report requirements, the department indicated that it would be inequitable, and possibly illegal, to subject one county to requirements tied to potential

Aid to Families With Dependent Children—Continued

fiscal sanctions that would not apply to the other counties. While this is a reasonable argument, the Legislature believed that the consequences of failing to take immediate action with respect to Los Angeles County — due to its impact on the statewide level of child support collections — justified singling out this specific county.

The issue, however, is whether the requirements imposed by the supplemental report language would be effective. Clearly, they would result in a significantly higher level of collections if the requirements were met, but is it reasonable to expect the county to meet these targets? If not, the resulting sanctions would be counterproductive.

We have no analytical basis for answering the foregoing question. It seems reasonable to expect Los Angeles County to improve its performance to the point where it is doing as well as the average of all the other counties. On closer examination, however, it may not be reasonable to expect the county to reach all of the targets within the timeframes specified in the supplemental report.

In the case of the goals for the AFDC recoupment rate, for example, we estimate that in order to reach the supplemental report target of 8.3 percent by 1992-93, the county would have to increase its AFDC collections by more than 30 percent *annually*. On the other hand, an analysis of the DSS plan's goals for AFDC collections indicates that the county would be expected to make hardly any improvement in its recoupment rate — from 3.8 percent in 1987-88 to 3.9 percent in 1992-93. In other words, the targeted increase in AFDC child support collections is not much greater than our projected increase in total AFDC welfare payments in the county.

Administrative Effort. Ultimately, Los Angeles County's performance will be determined primarily by the effort the county makes to improve in this area. Thus, we suggest moving the focus of this issue from the performance targets to the level of effort that should be expected of the county.

One way of gauging the county's level of effort would be to compare its administrative expenditures to the corresponding expenditures in other counties. In this respect, we note from the preceding analysis of the incentive payment system that Los Angeles County's total administrative expenditures in 1988-89 — reported at $32.3 million — amounted to 2.6 percent of the county's AFDC grant expenditures. This index of administrative effort is 41 percent below the statewide average and 52 percent below the average of all counties besides Los Angeles.

Thus, Los Angeles County's level of administrative effort — according to the foregoing measure — appears to be relatively low. Given (1) the clear intent expressed by the Legislature that Los Angeles improve its performance and (2) the fact that the DSS plan does not comply with the supplemental report language, we believe it is reasonable to expect the county to bring its administrative effort into line with the other counties. This could be accomplished by adoption of the performance enhancement process that was explained above. Under this process, Los Angeles

County would be required to increase its administrative expenditures (within a specified period of time) by 69 percent, or $22 million, over the 1988-89 levels, excluding inflation and workload adjustments.

With respect to the burden that this requirement would place on the county, it is important to recognize that approximately two-thirds of the increase in total expenditures would be funded by the federal government. Part of the remaining amount, moreover, would be funded by federal and state incentive payments, depending on the extent to which total collections increase. The county would be responsible for estimating the amount that would be funded from these sources in order to determine the increase that would be necessary from the county's own general fund to meet the required increase in total expenditures. The county would be held accountable for its budgeting because any shortfall (based on a review of actual expenditures) would, under the foregoing performance enhancement process, result in a corresponding reduction in incentive payments. We note, in this respect, that the county has budgeted for 1989-90 a $10 million increase in expenditures over the 1988-89 level — indicating that the county has recognized the need to increase its effort in this area.

The case of Los Angeles County serves the purpose of illustrating how the performance enhancement process could be implemented. Given the relationship that we found between administrative effort and AFDC recoupment rates, we believe that this would be an effective way to meet the Legislature's intent that the county improve its performance.

Supplemental State Incentive Payments Overbudgeted

We recommend that the budget proposal for supplemental state incentive payments in the child support enforcement program be reduced by $372,000 in the current year and $2,653,000 in the budget year to correct for overbudgeting of the statutory requirement. (Reduce Item 5180-101-001 by $2,653,000.)

As noted previously, the federal government reimburses the counties for a portion of their costs of administering the child support enforcement program. Federal PL 98-378 provides that the scheduled reimbursement for 1989-90 and 1990-91 shall be 66 percent of the counties' costs. Federal law also provides "enhanced" funding — 90 percent of total costs — for automation projects and laboratory costs of establishing paternities. Pursuant to the federal Budget Reconciliation Act of 1989, however, the federal share of administrative costs will be reduced from 66 percent to 64.4 percent and — for the enhanced funding allowances — from 90 percent to 87.9 percent for FFY 90.

Chapter 1451, Statutes of 1986 (SB 738, Royce) provides that if the federal administrative allowances are reduced from the scheduled rate of 66 percent, the reduction shall be offset by additional state incentive payments. The budget proposes $2.6 million from the General Fund in 1989-90 and $3.2 million in 1990-91 to fund this statutory requirement. Our analysis, however, indicates that the budget proposal exceeds the amount

Aid to Families With Dependent Children—Continued

needed by $372,000 in 1989-90 and $2,653,000 in 1990-91. This overbudgeting is the result of three factors, as explained below.

Technical Error. The proposed amount for supplemental incentives in 1989-90 contains a technical error, resulting in overbudgeting of $240,000.

Effective Date of Federal Reductions. The budget assumes that the federal reductions will be in effect for the entire state fiscal year 1990-91. The reductions, however, are effective only until September 30, 1990, at which time the reimbursement rates will be restored to their pre-existing levels. As a result, the budgeted supplemental incentive payments exceed the amount required to offset the federal reductions by $2,462,000 in 1990-91.

Enhanced Funding Allowances. The budget includes $132,000 and $254,000 in 1989-90 and 1990-91, respectively, to supplant the federal reductions in the *enhanced* (90 percent) funding allowances. Because state law authorizing the supplemental incentive payments specifically refers only to reductions in the *regular* allowance of 66 percent, we conclude that the budget proposal to offset the reduction in the enhanced allowances is inconsistent with the underlying budgetary assumption of funding the statutory requirement. The Legislature, of course, might choose to offset this reduction as a policy decision, depending on its priorities.

In summary, we identify overbudgeting in the amount of $372,000 in 1989-90 and $2,653,000 in 1990-91. (The amount for 1990-91 is less than the sum of the components identified above in order to avoid double-counting.) Consequently, we recommend that the budget be reduced accordingly, for a total General Fund savings of $3,025,000.

Demonstration Project for the Job Opportunity and Basic Skills Training (JOBS) Program

We recommend that the DSS report to the fiscal committees during the budget hearings as to whether the department intends to apply for the federal demonstration project to evaluate the benefits of permitting unemployed noncustodial parents who have child support obligations to participate in the JOBS Program.

The federal Family Support Act (FSA) of 1988 revised the child support enforcement program and established the JOBS program to provide education, training, and employment services to AFDC recipients. As will be discussed in more detail later in our analysis, the JOBS Program is similar to the state's Greater Avenues for Independence (GAIN) Program.

The FSA requires the Secretary of Health and Human Services to select up to five states to evaluate the benefits of permitting unemployed noncustodial parents who have child support obligations to participate in the JOBS Program. Federal departmental staff informed us that no additional funding would be provided to expand the JOBS Program under this demonstration project, although partial funding for the evaluation may be forthcoming.

The DSS indicates that a decision on whether to apply for this project will be made after receipt of the applicable federal action transmittal, which is expected in February of this year. In our judgment, an evaluation of this nature could be a worthwhile effort. The benefits of providing JOBS services to noncustodial parents — including the direct fiscal benefits to the state from reducing welfare aid and increasing earnings — could be compared to (1) the benefits of providing these services to currently-eligible participants in order to determine which group is more cost-effective to serve and (2) the costs of providing the services to noncustodial parents in order to determine whether the benefits to the state are sufficient to warrant development of a permanent, state-funded program. This study, moreover, would complement an evaluation currently in progress on the existing JOBS/GAIN Program.

We agree with the department that a decision to apply for the demonstration project should await the federal transmittal so as to review the funding, timelines, and other relevant conditions. In order to ensure that the Legislature can maintain adequate oversight of this issue, however, we recommend that the department be prepared to discuss its intentions during the budget hearings.

ADOPTION ASSISTANCE PROGRAM

Overview. The Adoption Assistance Program (AAP) provides grants to parents who adopt "difficult to place" children. State law defines "difficult to place" children as those who, without assistance, would likely be unadoptable because they are:

- Three years of age or older.
- Members of a racial or ethnic minority.
- Members of a sibling group that should remain intact.
- Physically, mentally, emotionally, or medically handicapped, or from "adverse parental backgrounds" (presumably this refers to the increased risk of developing emotional or mental problems that result from abuse, especially sexual abuse, at an early age).

Adoptive parents receive these grants until their child is 18 years of age, or until age 21 if the child has a chronic condition or disability that requires extended assistance. The adopted children remain eligible for Medi-Cal benefits as long as their adoptive parents are receiving an Adoption Assistance grant on their behalf.

Adoption Assistance grants are limited to the amount of the foster care rate that the child would have received if she or he had remained in foster care. In most cases, this means that the grant cannot exceed the foster family home monthly rate. The family home rate ranges from $329 to $461, depending on the age of the child. If the child was in a foster care group home prior to adoption, however, the adoption worker can set the Adoption Assistance grant as high as the foster care group home rate — an average of $2,589 per month in 1989-90. Also, if the child has specialized care needs (such as 24-hour monitoring) that would have been covered by a special grant if the child had remained in foster care, the worker can set the grant as high as the foster family home rate plus

Aid to Families With Dependent Children—Continued

the specialized care increment — generally this would fall between the family home rate and the group home rate.

For federally eligible children, the federal government pays for 50 percent of any grant that is less than the foster family home rate. For grants above the family home rate, the federal share is limited to 50 percent of the family home rate. The state General Fund pays for all grant costs not covered by the federal government.

Prior to the enactment of the AAP in 1982, the state administered a similar, totally state-funded program — The Aid for Adoption of Children (AAC) Program — which provided cash grant payments to adoptive parents of children with special needs. Aside from the funding, the major differences between the AAC program and the AAP is that AAC grants were limited to five years, except for physically or mentally handicapped children requiring extended assistance. Some parents who adopted before 1982 continue to receive AAC grants.

Budget Proposal. The budget proposes $53.2 million ($38.2 million from the General Fund and $15.0 million from federal funds) for the AAP. The General Fund request represents an increase of $8.1 million, or 27 percent, above estimated 1989-90 expenditures. As we discuss in more detail below, this relatively high rate of growth is characteristic of program growth in recent years.

Adoption Assistance Costs Have Increased 861 Percent in the Past Seven Years

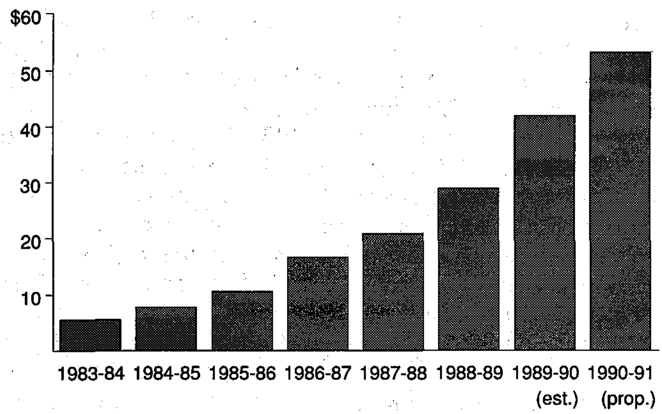
Chart 4 displays expenditures from all funds for Adoption Assistance grants since 1983-84. As the chart indicates, expenditures have grown rapidly over the past seven years. Specifically, the cost of the program has grown from $5.5 million in 1983-84 to a proposed $53.2 million in the budget year. This represents an increase of 861 percent during the seven-year period, which is an average annual increase of nearly 39 percent. This increase is primarily attributable to two factors: caseload growth and increases in the average amounts granted to each adoptive family.

- ***Caseload Growth.*** The average monthly Adoption Assistance caseload (including both AAP grants and grants under the old AAC Program) has grown from 2,300 in 1983-84 to an estimated 10,900 in 1990-91. This constitutes a 374 percent increase over the period, or an average annual increase of 25 percent.
- ***Grant Increases.*** Between 1983-84 and 1990-91, the average Adoption Assistance grant per case grew by 88 percent, from $208 per month to $390 per month. This represents an annual increase of 10 percent, almost two and one-half times the rate of growth in the California Consumer Price Index.

Chart 4

Adoption Assistance Expenditures are Growing Rapidly

(dollars in millions)



Lack of Standards for Adoption Workers Results in Large Variations in Adoption Assistance Grants Across Counties

State and county adoption agencies are responsible for determining eligibility for Adoption Assistance and for setting the amount and the beginning date of any grants awarded. Currently, there are no standards for adoption workers to use when determining the amount or the beginning date of the assistance, except for the limit on the *maximum* amount of the grant. As discussed above, this is equal to the level of the foster care grant that a child would have received had he or she remained in foster care, which, in most cases, is equal to the foster care family home rate. Below this maximum, however, adoption workers have total discretion in setting grant levels. They also have wide discretion in determining when grants will begin. Specifically, they can provide for the grant to commence as early as the date of the adoption or as late as several years after the adoption. While state law requires adoption workers to consider the resources of the family, the needs of the child, and the availability of services in the parents' community, the department has never issued any regulations specifying how the worker should translate these considerations into an actual dollar amount or beginning date.

Aid to Families With Dependent Children—Continued

The lack of standards in the grant-setting process has resulted in significant differences in the levels of the grants awarded by the various counties. In 1988-89, for example, the statewide average Adoption Assistance grant was $358 per month, while the average in the counties with the 10 largest Adoption Assistance caseloads ranged from a low of $240 per case in San Bernardino to $415 per case in San Diego.

Table 13 provides another indication of the extent of variation in county policies regarding grant levels. The table compares the 10 largest AAP counties in terms of the percentage of awards that fall into each of three ranges: (1) $95 to $199 per month, (2) $200 to $424 (foster family rates in California vary with the age of the child, but in 1986-87 all of the family home rates fell within this middle range), and (3) more than $425 per month. The table shows that, in 1986-87 (the most recent year for which data were available), there were large variations between the 10 counties with respect to the percent of cases receiving grants in the low, medium, and high ranges. For example, Contra Costa, Los Angeles, and Orange Counties awarded grants of less than the foster family rate in a significant percentage of their cases, while Sacramento and San Francisco awarded virtually no grants in the lower range. Conversely, three counties (Ventura, San Bernardino, and Orange) awarded grants higher than the foster family rate to over 20 percent of their Adoption Assistance cases, while three counties (San Francisco, Contra Costa, and Riverside) awarded the higher grants to less than 5 percent of their cases.

Table 13
Department of Social Services
Variation in Adoption Assistance Grants
Ten Largest County Adoption Agencies
1986-87

	Percent of Grants Awarded in Each of Three Payment Ranges		
County [a]	*$25 to $199*	*$200 to $424*	*$425 and over*
Alameda	2.6%	81.1%	16.1%
Contra Costa	22.4	77.6	—
Los Angeles	13.1	76.6	10.5
Orange	12.7	64.7	22.6
Riverside	9.6	88.0	2.4
Sacramento	—	93.1	6.8
San Bernardino	4.5	71.7	23.9
San Diego	9.7	74.4	15.9
San Francisco	—	100.0	—
Ventura	10.2	59.3	30.5

[a] Details shown for each county may not sum to 100 percent due to rounding. Note: The foster family home rate depends on the age of the child. In 1986-87, foster family home rates ranged from $294 for infants to $412 for teenagers.

Some of the variation reflected in Table 13 may be due to differences in the characteristics of the children and adoptive parents in the counties' caseloads. Specifically, counties with children having relatively more expensive special needs or with relatively more lower-income parents would be justified in awarding more grants in the higher range.

Conversely, counties with less needy children or fewer low-income parents would probably award more grants in the lower range.

It seems unlikely, however, that differences of the magnitude reflected in the table can be explained *solely* by variations in caseload characteristics. For example, while there are some demographic differences between Ventura and Riverside Counties, they are both fairly large counties with major urban centers and diverse populations. We know of no demographic differences between the two that would explain why Ventura awards approximately 15 times as many grants in the higher range as Riverside. A more likely explanation of the variations reflected in the table is that they result to a large degree from different grant-setting policies in the counties. In fact, adoption staff that we spoke with in one county indicated that it is their policy to minimize the number of grants awarded that are greater than the foster family rate, while staff in another county stated that their county has no such policy. This points to the possibility that children with similar needs and families of comparable resources may be receiving substantially different grants, depending solely on the county in which they happen to reside.

The Adoption Assistance Program Has Not Substantially Increased the Number of Adoptions in the State

The primary goal of the Adoption Assistance Program is to facilitate the placement of special needs children into adoptive homes. One way to gauge the success of the program, therefore, is to determine whether it has increased the number of relinquishment adoptions in the state. Chart 5 compares the cumulative percent increases in Adoption Assistance grant expenditures — 861 percent during the period 1983-84 through 1990-91 — with the growth in relinquishment adoptions — which are expected to increase by 59 percent over the same period. This discrepancy between costs — Adoption Assistance grants — and results — adoptions — is even more pronounced when the increase in adoption staffing that occurred between 1983-84 and 1990-91 is taken into account. Specifically, the number of adoptive placements per adoption worker has increased by only 17 percent. This suggests that the AAP has had only a slight effect in making it easier for adoption agencies to find suitable adoptive placements for special needs children.

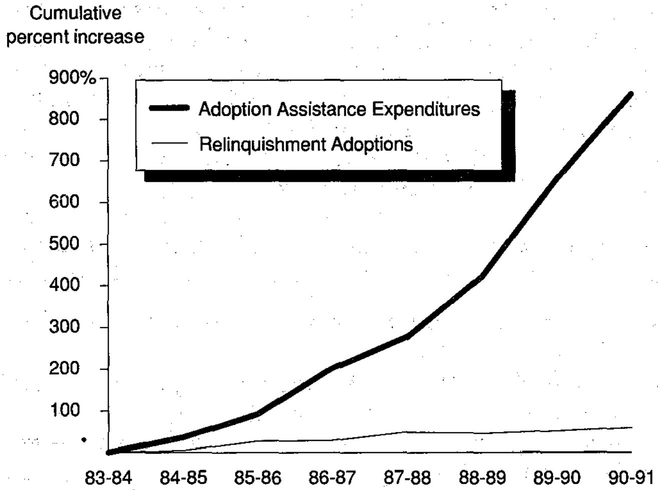
Summary. Over the past seven years, the cost of the Adoption Assistance Program has skyrocketed. Yet this growth in the program does not seem to have made it easier for adoption workers to find suitable adoptive placements. Moreover, the lack of standards for adoption workers to use in setting the amounts and starting dates of the grants has resulted in substantial variations around the state, which suggests that there may be serious inequities in the criteria that counties apply in setting grant levels. These variations are all the more disturbing since counties bear *none* of the costs of this program.

Aid to Families With Dependent Children—Continued

Chart 5

Adoption Assistance Program
Expenditures Versus Relinquishment Adoptions

1983-84 through 1990-91



The Adoption Assistance Program Needs Better Controls

We recommend that the Legislature adopt supplemental report language expressing its intent to establish statutory standards for adoption workers to use when setting Adoption Assistance awards. In order to assist the Legislature in designing specific standards, we further recommend that the supplemental report language require the Department of Social Services to report to the Legislature by December 1, 1990 on its proposals for Adoption Assistance standards that link the amount and starting date of grants to the extent of the child's special needs and the resources of the adoptive parents.

The Adoption Assistance Program is unique among the major grant programs operated by the DSS in that it allows individual workers broad discretion in determining both the amount and the beginning date of the grants. In light of the variations that undoubtedly exist in the needs of individual children and the resources available to the adoptive parents to meet these needs, some degree of flexibility for workers to set grants on a case-by-case basis is probably warranted. Yet the analysis presented above suggests that the program needs to have *some* standards, both to control program costs and to ensure equity in the awarding of grants.

In order to assist the Legislature in developing legislation to establish Adoption Assistance standards, we believe the department should develop a proposal for standards and provide an assessment of the fiscal and programmatic effects of its proposal. The standards should be specific enough to allow adoption workers to use them to set grant levels and beginning dates of aid, based on their assessment of the child's special needs and the resources available to the adoptive parents. They should also contain some degree of flexibility in order to account for the unique circumstances of some cases. One possible way to achieve this flexibility would be to allow adoption workers to request exemptions from the standards if they believe use of the standards would yield an inappropriate or inequitable award, and institute a process for review of exemption requests.

The department advises that implementation of standards could not be achieved administratively because current eligibility and grant-setting criteria are established in statute. Therefore, modifying grant-setting criteria would require legislation. We therefore recommend that the Legislature adopt the following supplemental report language requiring the department to report on its proposal for Adoption Assistance standards and to include in its report the fiscal and programmatic information that the Legislature will need to develop legislation to implement standards:

> It is the Legislature's intent to establish statutory standards for adoption workers to follow in determining the amount and duration of Adoption Assistance grants. In order to assist the Legislature in designing these standards, the Department of Social Services shall report to the Legislature by December 1, 1990 on its proposals for establishing specific standards that would link the amount and beginning dates of grants to an assessment of the child's needs and the resources of the adoptive parents. The proposal shall specify (1) the conditions under which adoption workers would be allowed to request awards higher than the standards and (2) a process whereby such requests would be reviewed. The report shall also include the department's estimate of the costs and savings that would result from the implementation of the proposed standards and of any impact that the standards may have on the performance of the AAP.

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 181

Requested 1990-91	$2,230,532,000
Estimated 1989-90	2,182,412,000
Actual 1988-89	1,967,109,000
Requested increase $48,120,000 (+2.2 percent)	
Total recommended reduction	None
Recommendation pending	2,230,532,000

1990–91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-111-001—Payments to aged, blind, and disabled	General	$2,216,846,000
5180-111-890—Payments to aged, blind, and disabled refugees	Federal	3,691,000
Control Section 23.50—Payment to aged, blind, and disabled	State Legalization Impact Assistance Grant—Federal	9,995,000
Total		$2,230,532,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis page

1. Withhold recommendation on $2.2 billion from the General Fund pending review of revised estimates in May. 726

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.

MAJOR ISSUES

☑ The budget assumes enactment of legislation to waive the statutory requirement for a state COLA (4.62 percent) for SSI/SSP grants in 1990-91 for a General Fund savings of $141 million.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of $2.2 billion from the General Fund for the state's share of the SSI/SSP Program in 1990-91. The budget also includes $3.7 million from the Federal Trust Fund to reimburse the state for the grant costs of refugees and $10 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 $48.1 million, or 2.2 percent, above estimated current-year expenditures.

The budget also assumes that federal expenditures for SSI grant costs will be $1.9 billion. This is an increase of approximately 9 percent over estimated federal expenditures in the current year. The combined state and federal expenditure anticipated by the budget for the SSI/SSP Program is $4.2 billion, which is an increase of 5.2 percent above estimated current-year expenditures.

Table 1 shows SSI/SSP expenditures by category of recipient and by funding source, for the years 1988-89 through 1990-91.

State Supplementary Program for the Aged, Blind, and Disabled—Continued

Table 1
Department of Social Services
SSI/SSP Expenditures
1988-89 through 1990-91
(dollars in thousands)

Category of Recipient	*Actual 1988-89*	*Est. 1989-90*	*Prop. 1990-91*	*Percent Change From 1989-90*
Aged	$1,026,756	$1,225,702	$1,270,391	3.6%
Blind	104,006	118,616	124,808	5.2
Disabled	2,437,949	2,609,559	2,765,085	6.0
Totals	$3,568,711	$3,953,877	$4,160,284	5.2%
Funding Sources				
Included in Budget Bill:				
General Fund	*$1,962,347*	*$2,165,655*	*$2,216,846*	*2.4%*
Federal funds (reimbursements for refugees)	*11,537*	*10,527*	*3,691*	*−64.9*
SLIAG	*2,225*	*6,230*	*9,995*	*60.4*
Subtotals, Budget Bill	*($1,976,109)*	*($2,182,412)*	*($2,230,532)*	*(2.2%)*
Not included in Budget Bill:				
SSI grants	*$1,592,602*	*$1,771,465*	*$1,929,752*	*8.9%*

Table 2 shows the factors resulting in the 1990-91 net increase of $213 million in all funds over estimated current-year expenditures. The table also shows that expenditures from all funds in the current year are estimated to be $46 million ($23 million General Fund) *more* than the amounts appropriated in the 1989 Budget Act.

For the budget year, the largest projected cost increases are attributable to:

- A $144 million ($79 million General Fund) increase to fund an estimated 3.7 percent caseload growth.
- A $138 million General Fund increase to fund the full-year cost in 1990-91 of the 4.6 percent cost-of-living adjustment (COLA) provided for SSI/SSP grants on January 1, 1990.

These increases are partially offset by a decrease of $172 million in General Fund costs resulting from COLAs in the federal SSI Program and social security benefits. These adjustments are counted as increased beneficiary income and thus reduce the state share of grant costs.

ANALYSIS AND RECOMMENDATIONS

Eligibility Requirements

The Social Security Administration (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.

Table 2
Department of Social Services
SSI/SSP Budget Changes
1990-91
(dollars in millions)

	General Fund	*All Funds* [a]
1989 Budget Act	$2,142.5	$3,897.0
1989-90 adjustments to appropriations		
Higher-than-anticipated caseload growth	$17.0	$51.6
Baseline change for January 1990 COLA	3.4	−10.0
Federal reimbursement for refugees	−6.2	—
Refugee Program reduction	8.7	—
Newly legalized persons	—	2.7
Newly legalized persons (SLIAG)	—	1.7
Transfer to intermediate care	0.2	0.4
Subtotals, 1989-90 adjustments	($23.1)	($46.4)
1990-91 adjustments		
Increase in caseload	$78.9	$143.9
Full-year costs of January 1990 state COLA	138.0	138.0
Full-year costs of January 1990 federal COLA	−88.8	−44.5
January 1991 federal COLA (4.7 percent)	−83.5	−33.5
Federal reimbursement for refugees	−3.5	—
Refugee Program reduction	10.4	—
Newly legalized persons	—	6.4
Newly legalized persons (SLIAG)	—	3.8
Transfer to intermediate care	−0.4	−0.8
1990-91 expenditures (proposed)	$2,216.8	$4,156.6 [b]
Change from 1989-90 (revised):		
Amount	$51.2	$213.2
Percent	2.4%	5.4%

[a] Includes federal SSI payments not appropriated in the state budget as well as General Fund amounts.
[b] Does not tie to the Governor's Budget display (Table 1) due to an error in the budget display.

General Fund Deficiency of $23 Million in 1989-90

The budget anticipates that General Fund expenditures for SSI/SSP during 1989-90 will exceed the amount appropriated by $23.1 million, or 1.1 percent. As Table 2 shows, the deficiency is primarily attributable to an unanticipated increase in caseload and federal budget reductions in cash assistance programs for refugees.

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 1990 an aged or disabled individual can receive up to $630 per month, while a blind individual can receive up to $704. 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

State Supplementary Program for the Aged, Blind, and Disabled—Continued

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.

Existing state law requires that the total SSI/SSP payment levels be adjusted, effective January 1, 1991, based on the change in the California Necessities Index (CNI) during calendar year 1989. 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 1989 was not available. The commission's preliminary estimate of the change is 4.28 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 1990-91. The budget estimates that this will result in General Fund savings of $141 million in the budget year, based on the estimated increase in the CNI of 4.62 percent.

Table 3 displays the SSI/SSP grants for 1990 and for 1991 with no state COLA (the budget proposal) and with a COLA of 4.62 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, 1991 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 $29 to $33 higher in 1991 than the grants in 1990.

Estimates Will Be Updated In May

We withhold recommendation on $2.2 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 1989. The department will present revised estimates in May, which will be based on program costs through February 1990. Because the revised estimates will be based on more recent experience, the estimates will provide the Legislature with a more reliable basis for budgeting 1990-91 expenditures.

Basic Caseload Estimate May Be Too Low. The budget proposal assumes an average monthly SSI/SSP caseload of 832,100, which is an increase of 3.7 percent above estimated current-year caseloads. Table 4 compares the caseload in each recipient category for 1988-89 through 1990-91.

Table 3
Department of Social Services
Maximum Monthly SSI/SSP Grant Levels
Calendar Years
1990 and 1991

		1991	
Category of Recipient [c]	*1990*	*Budget Proposal (no state COLA)* [a]	*Statutory Requirement (with state COLA)* [b]
Aged or disabled			
Individual:			
Total grant	$630	$630	$659
SSI	386	404	404
SSP	244	226	255
Couple:			
Total grant	$1,167	$1,167	$1,221
SSI	579	606	606
SSP	588	561	615
Blind			
Individual:			
Total grant	$704	$704	$737
SSI	386	404	404
SSP	318	300	333
Couple:			
Total grant	$1,372	$1,372	$1,435
SSI	579	606	606
SSP	793	766	829
Aged or disabled individual			
Nonmedical board and care:			
Total grant	$709	$709	$742
SSI	386	404	404
SSP	323	305	338

[a] Assumes no state COLA in SSI/SSP grants and a 4.7 percent increase in SSI grants January 1, 1991.
[b] Assumes a 4.62 percent increase in SSI/SSP grants, based on the estimated CNI, and a 4.7 percent increase in SSI grants, both effective January 1, 1991.
[c] Unless noted, recipients are in independent living arrangements.

Table 4
Department of Social Services
SSI/SSP
Average Monthly Caseload
1988-89 through 1990-91

Category of Recipient	*Actual 1988-89*	*Est. 1989-90*	*Prop. 1990-91*	*Percent Change From 1989-90*
Aged	291,520	301,900	311,600	3.2%
Blind	20,748	21,000	21,200	1.0
Disabled	458,957	479,500	499,300	4.1
Totals	771,225	802,400	832,100	3.7%

The budget projects a decrease in the *rate* of growth of the SSI/SSP caseload in 1990-91 as compared to the growth rate experienced to date in the current year. The 1990-91 caseload is projected to increase by 3.7 percent. Table 5 shows that between the first five months of 1988-89 and the same period in 1989-90 the number of recipients increased by 4.6 percent. Although this is only a difference of 0.9 percent above the 3.7 percent projected by the Department of Social Services, the higher

State Supplementary Program for the Aged, Blind, and Disabled—Continued

growth rate would result in a General Fund cost above the proposed level of approximately $19 million.

Table 5
Department of Social Services
SSI/SSP
Actual Change in Average SSI/SSP Caseload
July through November 1988-89 and 1989-90

	July-November		*Percent Change*
Eligibility Category	*1988-89*	*1989-90*	*From 1988-89*
Aged	288,588	300,340	4.1%
Blind	20,715	20,962	1.2
Disabled	453,368	476,457	5.1
Totals	762,671	797,759	4.6%

DEPARTMENT OF SOCIAL SERVICES
Special Adult Programs

Item 5180-121 from the General Fund and the Federal Trust Fund — Budget p. HW 182

Requested 1990-91	$4,161,000
Estimated 1989-90	3,772,000
Actual 1988-89	3,357,000
Requested increase $389,000 (+10.3 percent)	
Total recommended reduction	None

1990–91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-121-001—Special Adult programs	General	$4,086,000
5180-121-890—Special Adult programs	Federal	75,000
Total		$4,161,000

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 $4.2 million for the Special Adult programs in 1990-91. This is $389,000, or 10 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 183

Requested 1990-91	$51,058,000
Estimated 1989-90	44,490,000
Actual 1988-89	33,421,000
Requested increase $6,568,000 (+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 one year 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.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes expenditures of $51 million in federal funds in 1990-91 for cash assistance to time-eligible refugees through the Refugee Cash Assistance (RCA) Program. This is an increase of $6.6 million, or 15 percent, above estimated current-year expenditures.

This increase is the result of (1) an $8.6 million increase in the RCA Program primarily due to a 20 percent increase in caseloads anticipated in 1990-91 and (2) a $2 million decrease primarily due to a reduction in the time limit on federal eligibility. The anticipated caseload increase is the result of federal increases in the number of refugees admitted into this country of 29 percent and 7.3 percent in federal fiscal years 1989 and 1990, respectively.

Reduction in the Time Limit on Federal Eligibility. Prior to January 1, 1990, the federal government paid 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 were in this country. These

Refugee Cash Assistance Programs—Continued

individuals are designated as "time-eligible" refugees. Time-eligible refugees who were needy, but who did not meet the eligibility requirements of the AFDC or SSI/SSP programs, received cash assistance under the RCA Program for the first 12 months that they were in this country, after which period, some of these individuals qualified for assistance under county general assistance programs.

In state fiscal years 1989-90 and 1990-91, the federal government will continue to pay 100 percent of the costs for assistance under the RCA Program. Eligible refugees will continue to receive assistance under the RCA Program for the first 12 months that they are in this country.

Beginning in January 1990, the federal government will reduce from 24 to 4 the number of months for which it will pay 100 percent of the costs of all other public assistance for refugees. One effect of this change is to eliminate 100 percent federal funding for refugees who have been in this country for 13 to 24 months. This will shift the responsibility for the general assistance costs of these refugees from the federal government to the counties, beginning in January 1990.

The effect of the reduction of the federal time limit on the AFDC and SSI/SSP programs is to shift to the state and local governments a portion of the costs of aid to time-eligible refugees who receive aid under *these* programs. We discuss these shifts under Items 5180-101-001 (AFDC) and 5180-111-001 (SSI/SSP).

DEPARTMENT OF SOCIAL SERVICES

County Administration of Welfare Programs

Item 5180-141 from the General Fund and the Federal Trust Fund — Budget p. HW 182

Requested 1990-91	$836,481,000 [a]
Estimated 1989-90	728,963,000
Actual 1988-89	586,694,000
Requested increase $107,518,000 (+15 percent)	
Total recommended reduction	None
Recommendation pending	836,481,000

[a] Includes $20,542,000 proposed in Item 5180-181-890 to provide a 4.6 percent cost-of-living adjustment.

1990–91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-141-001—County administration	General	$200,943,000
5180-141-890—County administration	Federal	614,659,000
5180-181-890—Cost-of-living adjustment	Federal	20,542,000
Control Section 23.50—Local assistance	State Legalization Impact Assistance Grant	337,000
Total		$836,481,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis page

1. County Administration Budget. Withhold recommendation on $836 million ($201 million General Fund, $636 million federal funds) pending review of revised estimates in May. 734
2. Work Measurement Study. Recommend that: 736
   a. The Departments of Social Services (DSS) and Health Services (DHS) report at budget hearings on the status of the work measurement study.
   b. The Legislature adopt supplemental report language requiring the DSS and DHS to submit a report on the findings of the study and their plans to incorporate these findings into the budgeting process.

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 — including the proposed Transitional Child Care Program, (2) the Food Stamp Program, (3) the Child Support Enforcement Program, (4) special benefits for aged, blind, and disabled adults, (5) the Refugee Cash Assistance Program, and (6) the Adoption Assistance Program. In addition, this item supports the cost of training county eligibility staff.

MAJOR ISSUES

- A significant amount of work remains to be done before the Legislature can use the results of the Work Measurement Study to budget and allocate funds to county welfare departments.

County Administration of Welfare Programs—Continued

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of $201 million from the General Fund as the state's share of the costs that counties will incur in administering welfare programs during 1990-91. This is an increase of $18 million, or 9.9 percent, over estimated current-year General Fund expenditures for this purpose. The $201 million includes $6.5 million to fund increased General Fund costs resulting from the state's share of the ongoing costs of the estimated 4.4 percent cost-of-living adjustment (COLA) granted by the counties to their employees during *1989-90.* Similarly, counties will pay for any COLAs granted to county employees in 1990-91 using county and federal funds. The state will fund its share of the ongoing costs resulting from COLAs granted in 1990-91 starting in *1991-92.*

The budget proposes total expenditures of $1.1 billion for county administration of welfare programs during 1990-91, as shown in Table 1. This is an increase of $131 million, or 13 percent, over estimated current-year expenditures.

Table 1
County Welfare Department Administration
Budget Summary
1988–89 through 1990–91
(in thousands)

Program	*Actual 1988–89* State	*Actual 1988–89* Federal	*Actual 1988–89* County	*Actual 1988–89* Total	*Estimated 1989–90* State	*Estimated 1989–90* Federal	*Estimated 1989–90* County	*Estimated 1989–90* Total	*Proposed 1990–91* State	*Proposed 1990–91* Federal	*Proposed 1990–91* County	*Proposed 1990–91* Total
1. AFDC administration	$119,380	$185,567	$132,809	$437,756	$133,783	$221,909	$141,491	$497,183	$146,265	$227,976	$143,076	$517,317
2. Nonassistance food stamps	28,033	122,285	39,509	189,827	42,802	170,546	46,108	259,456	46,849	178,081	46,782	271,712
3. San Diego food stamp cash out [a]	—	—	—	—	—	9,758	—	9,758	—	56,726	—	56,726
4. Child support enforcement	—	112,902	54,158	167,060	—	128,278	66,291	194,569	—	133,967	69,573	203,540
5. Special adult programs	2,537	—	103	2,640	2,828	—	—	2,828	3,044	—	—	3,044
6. Refugee cash assistance	539	6,844	30	7,413	—	8,364	562	8,926	—	9,680	1,240	10,920
7. Adoption assistance	431	218	8	657	334	487	12	833	413	594	—	1,007
8. Staff development	3,133	4,825	3,198	11,156	3,081	6,676	3,575	13,332	3,577	7,178	3,578	14,333
9. Transitional child care	—	—	—	—	59	58	—	117	795	794	—	1,589
10. Estimated 4.6 percent COLA for county staff (1990–91)	—	—	—	—	—	—	—	—	— [c]	20,542	17,676	38,218
Totals	$154,053	$432,641 [b]	$229,815	$816,509 [b]	$182,887	$546,076 [b]	$258,039	$987,002 [b]	$200,943	$635,538 [b]	$281,925	$1,118,406 [b]

[a] Amounts shown are to provide cash grants in lieu of food stamp coupons to eligible individuals, and thus are not "administrative" costs as typically defined.
[b] Includes State Legalization Impact Assistance Funds. These funds are budgeted under Control Section 23.50.
[c] The state will not share in the costs of COLAs granted to welfare department employees for 1990–91 until 1991–92.

County Administration of Welfare Programs—Continued

Table 2 shows the budget adjustments that account for the net $131 million increase in county administration expenditures proposed for 1990-91. Significant changes include:

- A $47 million increase in federal funds (no General Fund or county funds) due to an expansion of the San Diego Food Stamp Cash-Out Demonstration Project. Under this demonstration project, San Diego County provides cash rather than food stamps to eligible individuals. Thus, these costs are not "administrative" costs as typically defined.
- A $38 million increase in federal and county funds (no General Fund monies) to provide a 4.6 percent COLA estimated for 1990-91. The General Fund share of the ongoing costs of this COLA will be covered in the state budget beginning in 1991-92.
- A $35 million increase ($8.5 million General Fund) to fund administration costs related to estimated increases in public assistance caseloads (basic costs). Of the total increase, $22 million ($5.7 million General Fund) is due to increased caseloads in the AFDC Program.
- A $7.2 million increase ($2.9 million General fund) to fund increased costs related to development and implementation of a statewide automated welfare system (SAWS). The $7.2 million increase ($4.6 million for AFDC administration and $2.6 million for nonassistance food stamp administration) reflects (1) additional development and procurement costs related to the counties that are preparing to implement their automated systems and (2) the costs for additional counties to prepare advanced planning documents for their automated systems.
- A net increase of $2 million ($6.4 million General Fund cost, $1.1 million federal funds cost, and $5.5 million county funds *savings*) to fund the estimated 4.4 percent retroactive COLA for 1989-90. The net increase is primarily the result of higher caseloads in 1990-91. The General Fund increase — and the county savings — is due to a shift in costs from the counties to the state. The cost shift occurs because in 1990-91, the state will pick up its share of the ongoing costs of the COLA provided by counties to their employees in 1989-90.

The fact that no General Fund monies are used for the two largest cost increases in 1990-91 — the San Diego Food Stamp Demonstration Project ($47 million) and the 1990-91 COLA for county employees ($38 million) accounts for the large difference between expenditure increases for the General Fund ($18 million) and all funds ($131 million).

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on $836 million ($201 million General Fund and $636 million federal funds) requested for county administration of welfare programs pending receipt of revised estimates of county costs to be submitted in May.

The proposed expenditures for county administration of welfare programs in 1990-91 are based on 1989-90 budgeted costs updated to reflect

Table 2
County Administration of Welfare Programs
Proposed 1990-91 Budget Changes
All Funds
(dollars in thousands)

	General Fund	*All Funds*
1989-90 expenditures (revised)	$182,887	$987,002
Adjustments to ongoing costs or savings		
AFDC administration:		
Basic caseload costs	$5,683	$22,170
Court cases/legislation	−1,610	−6,537
Reduced GAIN savings	−545	−2,189
Statewide Automated Welfare System (SAWS)	1,853	4,556
Change in Refugee Program	2,144	—
Other	7	1,419
Subtotals, AFDC	($7,532)	($19,419)
Child support administration:		
Basic caseload costs	—	$1,511
Los Angeles County — increased administrative costs	—	5,998
Other	—	514
Subtotals, child support administration	(—)	($8,023)
Nonassistance food stamps administration:		
Basic caseload costs	$1,468	$6,369
SAWS	1,059	2,618
Other	190	2,955
Subtotals, food stamps	($2,717)	($11,942)
Other programs:		
Basic caseload costs	$1,384	$4,768
San Diego food stamp cashout	—	46,968
Immigration Reform and Control Act	—	58
Subtotals, other programs	($1,384)	($51,794)
New costs:		
Retroactive COLA (4.4 percent)	$6,423	$2,008
Estimated COLA for 1990-91	—	38,218
Subtotals, new costs	($6,423)	($40,226)
1990-91 expenditures (proposed)	$200,943	$1,118,406
Change from 1989-90 estimated expenditures:		
Amount	$18,056	$131,404
Percent	9.9%	13.3%

the department's caseload estimates for 1990-91. In May, the department will present revised estimates of county costs based on actual county costs in 1989-90. 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 1990-91 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 Legislature with a more reliable basis for budgeting 1990-91 expenditures. Therefore, we withhold recommendation on the amount requested for county administration of welfare programs pending review of the May estimate.

County Administration of Welfare Programs—Continued

Update on Work Measurement Study — Legislative Oversight

We recommend that the Legislature require the Departments of Social Services (DSS) and Health Services (DHS) to report to the fiscal committees during budget hearings on the status of the work measurement study of the Aid to Families with Dependent Children (AFDC), Nonassistance Food Stamp (NAFS), and Medi-Cal programs.

In addition, we recommend that the Legislature adopt supplemental report language requiring the DSS and the DHS to report by October 1, 1990 on the findings of the completed study and their plans to incorporate these findings into the 1991-92 budget process.

Background. The Legislature took action in the 1975 Budget Act that resulted in a plan for controlling the counties' costs of administering the AFDC, Medi-Cal, and NAFS programs. The Legislature took this action because it was concerned about (1) increases in administrative costs for public assistance programs and (2) large differences in administrative costs per case among counties.

The cost control plan allows the state to budget and control the costs of administering public assistance programs by:

- Establishing productivity standards for county eligibility workers (expressed in terms of the average number of cases a county worker is required to process during a month).
- Determining the number of budgeted eligibility workers per county based on the productivity standards and anticipated county caseloads.
- Determining county overhead and supervisory costs based on the number of budgeted eligibility staff.

Legislative Intent With Respect to Productivity Standards. The productivity standards play a key role in the cost control plan because they are the primary basis for determining the amount of administrative funds a county will receive. During the last five years, the Legislature has required the DSS and the DHS, in conjunction with the County Welfare Director's Association (CWDA), to report on various issues relating to the productivity standards. Among other things, the Legislature required the departments, in conjunction with the CWDA, to evaluate the current procedure used to determine productivity targets for the AFDC, NAFS, and Medi-Cal programs and to identify alternative approaches to setting these targets. (The approach used to conduct this evaluation is referred to as the work measurement study.)

Based on our review, we conclude that the progress of the work measurement study has not met legislative expectations. Specifically, the Legislature had planned to use the results of the study during the 1989-90 budget process. This was not possible because the departments and the counties did not complete the study in time to do so. Moreover, based on the timetable that the department and the counties have agreed to, it does not appear that the Legislature will be able to use the results of the work measurement study for budgeting county administration costs for

1990-91. Thus, the earliest the Legislature can reasonably expect to implement the results of the work measurement study would be in the 1991-92 budget, two years later than originally planned.

Current Status of Work Measurement Study. In January 1990 the Joint State/CWDA Work Measurement Steering Committee briefed legislative staff on the status of the study. The committee reported that certain activities had been completed, including (1) separating the 40 largest counties into three groups based on similarities in caseload characteristics and the level of automation, (2) selecting from each group, three counties — one for each program — to be studied (AFDC, NAFS, and Medi-Cal), which resulted in nine study sites, and (3) developing and testing a methodology for conducting the site studies.

The committee indicates that it expects to complete the AFDC and NAFS reviews and report its findings in March 1990. In addition, the committee postponed until the spring of 1990 the work measurement studies for the Medi-Cal Program, due to recent significant changes in the program. The committee indicated that it expects to complete these studies and report their finding by August 1990.

Significant Amount of Work Still Required. The tasks remaining to be completed with respect to work measurement are significant. They include the completion of work measurement studies for the Medi-Cal program, analysis of the findings of all nine studies, and development of a process to link these findings to the budgeting process for county administrative costs. Given the amount of work that needs to be done before the Legislature can use the results to budget for county administration, we do not believe that the Legislature can reasonably expect to incorporate the findings of even the AFDC and NAFS studies into the budget process for the 1990-91 fiscal year. On this basis, we recommend that the Legislature (1) require the DSS and the DHS to report at the time of the budget hearings on the status of the work measurement study and (2) adopt supplemental report language requiring the DSS and the DHS to report by October 1, 1990 on the findings of the completed work measurement study and its plan for incorporating these findings into the 1991-92 budget process.

Specifically, we recommend the adoption of the following supplemental report language:

> By October 1, 1990 the DSS and the DHS shall submit a joint report to the Legislature regarding the findings of the work measurement study on a county-specific basis. The report shall include:
>
> 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.
> 2. A description of the methodology that would be used to set county productivity targets using the results of the study.
> 3. An estimate of the cost of fully implementing the findings of the study taking into account salary expenditures (direct salary, fringe benefits, and overhead), caseload size, number of supervisors, and appropriate supportive eligibility functions.

County Administration of Welfare Programs—Continued

4. Other options for implementing the study findings and the fiscal impacts related to each option.

DEPARTMENT OF SOCIAL SERVICES

Social Services Programs

Item 5180-151 from the General Fund and the Federal Trust Fund — Budget p. HW 183

Requested 1990-91	$1,396,863,000 [a]
Estimated 1989-90	1,387,119,000
Actual 1988-89	1,154,098,000
Requested increase $9,744,000 (+0.7 percent)	
Total recommended reduction	750,000
Recommendation pending	589,880,000

[a] Includes $2,591,000 proposed in Item 5180-181-890 to provide a 4.6 percent cost-of-living adjustment.

1990–91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-151-001—Social services programs—local assistance	General	$802,288,000
5180-151-890—Social services programs—local assistance	Federal	587,749,000
5180-181-890—Social services programs—local assistance COLA	Federal	2,591,000
Reimbursements	—	3,235,000
Welfare and Institutions Code Section 18969—Appropriation	Children's Trust	1,000,000
Total		$1,396,863,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS *Analysis page*

1. Child Welfare Services (CWS) — Program Growth Adjustment. Recommend that the department report to the Legislature, prior to budget hearings, on (a) how it intends to limit the effect of the reduction to the Family Maintenance, Family Reunification, and Permanent Placement components of the CWS Program, (b) how it expects counties to absorb the reduction, and (c) its estimate of the full fiscal effect of the reduction. 745
2. ***CWS — Expansion of Pilot Project for Substance-Exposed Infants in Foster Care. Reduce reimbursements to Item 5180-151-001 by $500,000 and reimbursements to Item 5180-001-001 by $116,000.*** Recommend deletion of funding for the proposed expansion of the Department of Social Services' 747

(DSS) foster care pilot project, because the proposed funding is inconsistent with federal law.

3. In-Home Supportive Services (IHSS). Withhold recommendation on $590 million for support of the IHSS Program, pending receipt of the May revision. Further recommend that the department's May revision of the IHSS budget estimate reflect the fiscal effects of (a) potential overestimation of average hours of service, (b) recent changes in workers' compensation law, (c) potential budget-year payments related to the *Miller v. Woods* decision, and (d) the statutory adjustment of IHSS maximum service awards. 750
4. IHSS — Program Reduction. Recommend that the department, prior to budget hearings, provide the following information to the fiscal committees: (a) details of the legislation needed to implement the proposal, (b) a summary of the function-by-function scores of individuals with functional index scores of 2.5 or less, (c) the effect on estimated savings of potential additional Supplemental Security Income/State Supplementary Program costs, (d) the effect of potential implementation delays on estimated savings, and (e) a more reliable estimate of the number of individuals with relative providers who will be affected by the proposal. 755
5. IHSS — Potential to Reduce Costs by Reducing Average Hours of Service. Recommend that the department report to the fiscal committees, prior to budget hearings, on (a) the cost of administrative efforts to reduce average hours of service in 12 specified counties, (b) the potential effects of such efforts on IHSS expenditures and recipients, and (c) the likely timing of these effects. 757
6. ***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. 759
7. Greater Avenues for Independence (GAIN). Proposed GAIN allocation would make no progress toward a uniform statewide methodology. 766
8. Child Abuse Prevention. Proposed elimination of the Child Abuse Prevention Training Act Program is a policy decision. Options to elimination include refocusing the preschool component and scaling back the remainder until an evaluation of program effectiveness can be conducted. 768

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 seven major programs providing these services are (1) Child Welfare Services (CWS), (2) County Services Block Grant (CSBG), (3) In-Home Supportive Services (IHSS), (4)

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Greater Avenues for Independence (GAIN), (5) Adoptions, (6) Refugee programs, and (7) Child Abuse Prevention.

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

MAJOR ISSUES

- ✔ The budget proposes to reduce General Fund support for the Child Welfare Services Program by $24 million.
- ✔ The budget proposes to restrict eligibility for the In-Home Supportive Services Program, for a General Fund savings of $71 million.
- ✔ The budget proposes $164 million *less* for the GAIN program than the amount needed to serve total anticipated caseloads in all counties.
- ✔ The budget proposal to eliminate funding for the Child Abuse Prevention Training Act Program represents a policy issue for the Legislature.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes $1.4 billion in expenditures from state funds ($802 million General Fund and $1 million State Children's Trust Fund), federal funds ($590 million), and reimbursements ($3.2 million), to support social services programs in 1990-91. In addition, the budget anticipates that counties will spend $112 million from county funds for these programs. Thus, the budget anticipates that spending for social services programs in 1990-91 will total $1.5 billion. Table 1 displays program expenditures and funding sources for these programs in the past, current, and budget years.

Table 1
Department of Social Services
Social Services Program Expenditures
1988-89 through 1990-91 [a]
(dollars in thousands)

				Change From 1989-90	
Program	*Actual 1988-89*	*Est. 1989-90*	*Prop. 1990-91* [b]	*Amount*	*Percent*
Child welfare services	$379,188	$462,025	$505,516	$43,491	9.4%
County services block grant	82,224	84,775	86,600	1,825	2.2
In-home supportive services	566,187	628,241	609,101	−19,140	−3.0
Maternity home care	2,154	2,154	2,154	—	—
Access assistance for deaf	3,452	3,442	3,442	—	—
Greater Avenues for Independence [c]	132,147	232,600	221,000	−11,600	−5.0
Adoptions	27,439	31,589	29,728	−1,861	−5.9
Refugee assistance	40,250	27,685	39,769	12,084	43.6
Child abuse prevention	23,224	23,645	11,250	−12,395	−52.4
Totals	$1,256,265	$1,496,156	$1,508,560	$12,404	0.8%
Funding Sources [b]					
General Fund	*$689,471*	*$820,890*	*$802,288*	*−$18,602*	*−2.3%*
Federal Trust Fund	*459,971*	*562,494*	*590,340*	*27,846*	*5.0*
County funds	*102,167*	*109,037*	*111,697*	*2,660*	*2.4*
State Children's Trust Fund	*2,025*	*1,000*	*1,000*	—	—
Reimbursements	*2,631*	*2,735*	*3,235*	*500*	*18.3*

[a] Includes actual 1988-89 and anticipated 1989-90 and 1990-91 county expenditures.

[b] Includes funds for 1990-91 COLAs ($2.6 million from the Federal Trust Fund and $20.5 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 1989-90.

[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 8 in our analysis of the GAIN Program in this item displays all the funds appropriated in the Budget Bill for GAIN. Amount shown for 1988-89 includes funds for the now-defunct federal Work Incentive Demonstration Program.

Significant Budget Changes

Table 2 shows that the proposed level of expenditures from all funds for social services programs in 1990-91 represents an increase of $12 million, or 0.8 percent, above estimated current-year expenditures. It also shows the major changes proposed for social services programs. The major changes displayed in the table that are *not* discussed elsewhere in this analysis of the social services programs item are as follows:

- A $43 million ($35 million General Fund) increase due to the anticipated growth in CWS caseloads.
- A $1.4 million net reduction for cost-of-living adjustments (COLAs) that counties granted to CWS workers in 1989-90. The primary reason for the reduction is that the department reduced its estimate of the COLA downward, from 5.2 percent to 4.4 percent. The net reduction consists of (1) an increase of $16 million in General Fund costs that results because, consistent with the state's "retroactive" COLA policy, the state did not share in the 1989-90 costs of these COLAs during 1989-90, but will begin providing its share of these costs in 1990-91, (2) a reduction of $18 million in county costs, also due to the

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"retroactive" COLA policy, and (3) a reduction of $79,000 in the federal costs associated with the 1989-90 COLA due to the department's reestimate.

- A $23 million increase in federal and county funds for the cost of the COLAs to be granted to county CWS workers in 1990-91. Under the "retroactive" COLA policy, the state share of these costs will be provided beginning with the 1991-92 budget.

Table 2
Department of Social Services
Social Services Programs
Proposed 1990-91 Budget Changes
(dollars in thousands)

	General Fund	*All Funds*
1989-90 expenditures (revised)	$820,890	$1,496,156
1990-91 adjustments		
Child welfare services (CWS):		
Caseload increase	$35,069	$43,373
Program growth adjustment	−24,127	−24,127
Increased costs of Substance-Exposed Infant Pilot Program	2,185	2,685
Prior-year COLA	16,314	−1,400
Other adjustments	1,368	−98
Subtotals, CWS	($30,809)	($20,433)
County services block grant caseload increase	$1,976	$1,825
In-home supportive services (IHSS):		
Increased caseload and average hours of service	$53,374	$62,217
Settlement of *Miller v. Woods* court case	−12,159	−12,159
Program reduction	−71,100	−71,100
Increased costs for payrolling contracts and workers' compensation	1,902	1,902
Subtotals, IHSS	(−$27,983)	(−$19,140)
Greater Avenues for Independence Program [a]	−$11,100	−$11,600
Adoptions	−902	−1,861
Refugee programs:		
Increased targeted assistance caseload	—	3,047
Increased employment/social services caseload	—	9,037
Subtotals, refugee programs	(—)	($12,084)
Child abuse prevention:		
Elimination of Child Abuse Prevention Training Program	−$10,050	−$10,050
Other	−1,352	−2,345
Subtotals, child abuse prevention	(−$11,402)	(−$12,395)
Estimated 1990-91 COLA for county CWS staff (4.6 percent) [b]	—	$23,058
1990-91 expenditures (proposed)	$802,288	$1,508,518
Change from 1989-90:		
Amount	−$18,602	$12,404
Percent	−2.3%	0.8%

[a] Excludes General Fund expenditures for GAIN from Control Section 22 and other items of the Budget Bill.

[b] The state share of the COLAs that counties grant to their child welfare services workers during 1990-91 will be included in the base funding for the program beginning with the 1991-92 budget.

The proposed increase of $12 million from all funds consists of (1) a General Fund decrease of $19 million, or 2.3 percent, (2) a federal fund increase of $28 million, or 5 percent, (3) an increase in county funds of $2.7 million, or 2.4 percent, and (4) a $500,000, or 18 percent, increase in reimbursements.

ANALYSIS AND RECOMMENDATIONS

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.

Proposed Expenditures

The budget proposes expenditures of $505 million ($339 million General Fund, $88 million federal funds, and $78 million county funds) for the CWS Program in 1990-91. The total General Fund request represents an increase of $31 million, or 10 percent, above estimated 1989-90 expenditures. As Table 2 shows, the significant changes that account for the increase are as follows:

- A $35 million General Fund ($43 million total funds) increase to fund an estimated 9.9 percent increase in the basic CWS caseload.
- A $24 million General Fund reduction due to a proposed "program growth adjustment," which is designed to limit the growth of General Fund support for the CWS Program in the budget year.
- A $16 million General Fund increase ($1.4 million total funds *reduction*) to fund the state's share of the cost-of-living adjustments (COLAs) that counties granted their workers in 1989-90.
- A $2.2 million General Fund increase ($2.7 million total funds) to fund continued implementation and expansion of a pilot program for substance-exposed infants in foster care.

CWS Costs Have Increased Substantially in Recent Years

Chart 1 displays CWS Program expenditures, by funding source, for the past 10 years. As the chart shows, expenditures for the program have more than tripled since 1981-82. Specifically, costs have increased from $134 million in 1981-82 to a proposed $505 million in 1990-91. This represents an average *annual* increase of 16 percent.

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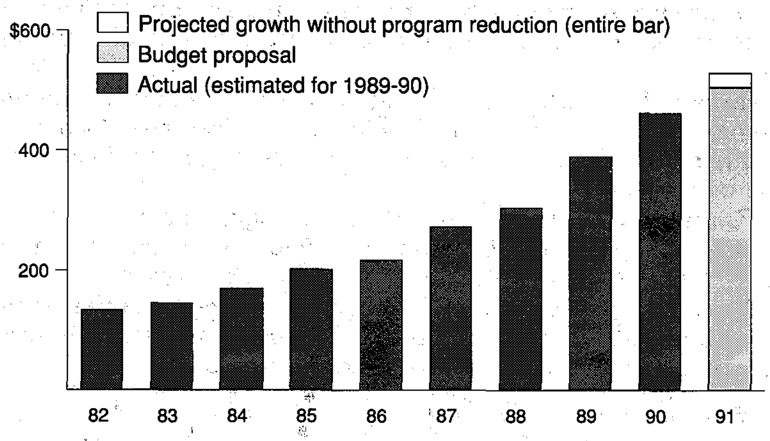
Chart 1

Child Welfare Services Expenditures

1981-82 through 1990-91(in millions)



There are three reasons for the rapid growth in CWS costs:

- An increase in the number of county welfare department social workers in the four components of the CWS Program. Between 1981-82 and 1988-89 — the last year for which actual county expenditure data are available — the number of social workers increased from 2,902 to 4,497, an increase of 55 percent. This increase, in turn, is attributable to two factors. First, since 1984-85, the state has budgeted the costs of the CWS Program based on cases-per-worker standards designed to cover the full range of social worker activities mandated by the program. Second, the program has experienced considerable growth in the number of children and families it serves. Although comparable data are not available since 1981-82 for the Emergency Response and Family Maintenance components of the Program, caseload data from the Family Reunification and Permanent Placement components provide an example of the kinds of caseload increases the program has experienced. Between 1981-82 and 1988-89, the number of children in these two programs increased from 28,000 to 65,000, an increase of 132 percent, or 11 percent per year. The department anticipates that increases of this magnitude will continue in the current and budget years.

- An increase in the average cost of CWS social workers. The average cost per worker in the program, including salary, benefits, and administrative overhead costs increased from $42,100 per worker in 1981-82 to an estimated $77,000 in 1989-90, an increase of almost 83 percent.
- Substantial expansion of the purchase of services for CWS clients since the enactment of Ch 978/82 (SB 14, Presley). Beginning in 1982, counties have been required by state law to provide a variety of services that are not usually provided by CWS social workers, such as counseling, transportation, and in-home caretakers, to children and families in the CWS Program. The department estimates that counties will spend $43 million to purchase these types of services for CWS clients in 1990-91.

Proposed Program Growth Adjustment Is a Policy Decision for the Legislature

We recommend that the department report to the Legislature prior to budget hearings on the following issues regarding the proposed $24 million General Fund reduction in the Child Welfare Services Program: (1) how it intends to limit the effect of the reduction to the FM, FR, and PP components of the CWS Program, as the budget assumes; (2) how it expects counties to absorb the reduction; and (3) its estimate of the full fiscal effect of the reduction.

The budget proposes to limit the projected growth in General Fund expenditures for the CWS Program through a "program growth adjustment" of $24 million. As Chart 1 shows, this proposal would bring the total costs of the CWS Program down from $529 million to $505 million, for a savings of 4.5 percent.

This proposal represents the first time since the CWS Program was reformed in 1982 that the administration has proposed to fund the program at less than its full estimated costs. This is a major policy decision which the Legislature will have to evaluate in light of its overall fiscal priorities. However, we have identified three concerns with the proposal, which we discuss below.

1. The proposal does not specify how the department would limit staffing reductions to the FM, FR, and PP components of the CWS Program. The department advises that the proposed reduction corresponds to what it would cost to fund the anticipated amount of caseload growth in the FM, FR, and PP components of the program. Specifically, the proposal eliminates funding for the additional social workers that would be needed to cover the anticipated caseload growth in these three components in 1990-91. However, the budget includes funds that the department advises would be needed for additional social workers to cover the anticipated caseload growth in the ER component. The department indicates that the reduction was limited to the FM, FR, and PP programs because counties cannot control caseloads in the ER

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component due to statutory requirements that county ER workers respond to all reports of child abuse and neglect.

However, the department lacks a mechanism to ensure that counties will limit staffing only in the FM, FR, and PP components of the program. Under the department's current allocation and cost control plans for the CWS Program, counties have broad discretion in allocating staff among the four CWS components, consistent with their own programmatic and fiscal priorities. In order to implement the "program growth adjustment" consistent with the administration's proposal (that is, with no reductions in the ER component), the department would have to establish new procedures requiring the counties to staff the ER component at the levels specified by the department. At the time this analysis was prepared, however, the department had not developed a method to ensure that ER staffing levels would be unaffected by the proposed reduction, consistent with the assumption in the budget.

2. The department has not determined whether counties would absorb the reductions by increasing efficiency or by failing to perform some of the tasks required under current law. Since the proposed reduction is relatively small — 4.5 percent — it is *possible* that counties could absorb the reduction through increased efficiency in their administration of the CWS Program. To the extent that counties *cannot* achieve $24 million in efficiencies, however, the reduction would result in social workers being able to perform fewer of the tasks required of them under current state law. If this is the case, it would be better public policy to statutorily eliminate some of the currently required tasks, than to force counties into the position of having to choose which statutory requirements to ignore. We believe that the department needs to consider the method in which counties will achieve the proposed reduction, in order to advise the Legislature about any potential program modifications that would be necessary to implement the reduction.

3. The DSS' Estimate Does Not Address the Full Fiscal Effect of the Proposed "Program Growth Adjustment." At the time the budget was prepared, the department estimated that the program growth adjustment would result in General Fund savings of $24 million. However, the budget does not take into account the following factors:

- The loss of federal funds that would result from reduced General Fund support of the FR and PP programs. Current federal law allows states to claim federal financial participation at the rate of 50 percent for certain FR and PP costs associated with federally eligible children.
- Additional General Fund, federal funds, and county funds savings due to the reduced costs of 1989-90 and 1990-91 COLAs that would result from the lower staffing levels associated with the proposal.

Based on data provided by the department, we estimate that these factors would increase the savings to all funds resulting from the proposed "program growth adjustment" by $11.5 million ($1.1 million General Fund, $9.3 million federal funds, and $1.1 million county funds).

However, the department advises that this estimate would be subject to change based on the department's May revision of the CWS estimate.

Summary. In order to evaluate the merits of the department's proposal, we believe that the Legislature will need more detail from the department addressing these concerns. Therefore, we recommend that the department report to the Legislature, prior to budget hearings, on (1) how it intends to limit the reduction to the FM, FR, and PP components of the CWS Program, as the budget assumes, (2) how it expects counties to absorb the reduction, and (3) its estimate of the full fiscal effect of the reduction.

Proposed Funding Source for Pilot Project Expansion Is Inappropriate

We recommend deletion of funding for the proposed expansion of the DSS' foster care pilot project, because the proposal is inconsistent with federal law. (Reduce reimbursements to Item 5180-151-001 by $500,000 and reimbursements to Item 5180-001-001 by $116,000.)

The budget proposes $4 million ($3.4 million General Fund and $616,000 in reimbursements), including $3.8 million from this item and $206,000 from the DSS' departmental support budget (please see Item 5180-001-001) for the Services for Pregnant and Parenting Women and Their Children pilot projects. These projects are administered jointly by county health, welfare, and alcohol and drug program departments in four counties. The projects are jointly supervised by the Departments of Health Services (DHS) and Alcohol and Drug Programs (DADP), and the DSS. In addition to the expenditures proposed in the DSS portion of the budget, the budget proposes $3.6 million for the DHS and $7.1 million for the DADP to support the pilot in 1990-91.

The pilot projects were authorized by Ch 1385/89 (SB 1173, Royce) and the 1989 Budget Act. They provide (1) medical care, substance abuse treatment, and case management to pregnant and parenting *women* and (2) services to the *foster parents* of substance-exposed infants who have been removed from the custody of their mothers. The DSS' responsibility with respect to the pilots is to supervise the recruitment, training, and support services to foster parents in the four pilot counties.

The $4 million proposed in the DSS' budget consists of the following two components.

- *$3.3 million in General Fund expenditures to provide full-year funding for the existing pilot projects in Los Angeles, Sacramento, Alameda, and San Diego Counties.* This represents an increase of $2.2 million, or 205 percent, above current-year expenditures. This increase is to (1) continue providing services to the foster parents who began participating when the pilot projects were first phased in, starting in November 1989, and (2) begin providing services to new foster parents who are anticipated to join the projects in 1990-91. The department estimates that approximately 82 additional foster parents will begin receiving services through the pilot projects in each month of the budget year.
- *$616,000 in reimbursements from the DADP to expand implementation of the pilot projects to additional counties.* Specifically, the

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proposal is to expand the pilot projects to up to two additional counties and provide planning grants to 10 other counties. At the time this analysis was prepared, the DSS, DADP, and DHS had not fully developed the details of this proposal. We discuss this issue in our analysis of the DADP budget (please see Item 4200-001-001).

The department's proposal to provide full-year funding for the existing pilot project counties is consistent with the Legislature's intent, as expressed in Ch 1385/89 and the 1989 Budget Act, to provide for a three-year pilot project in four counties. We therefore recommend approval of the General Fund portion of the proposal.

However, we are concerned about the department's proposal to use reimbursements from the DADP to expand the DSS' portion of the pilot projects to other counties. The department is proposing to fund the expansion of the foster care portion of the pilots with federal Alcohol, Drug Abuse, and Mental Health Services (ADMS) block grant funds, which are proposed as reimbursements from the DADP to the DSS. According to the DADP, the federal funds proposed for the pilot are the federal women's set-aside portion of the ADMS funds, which, under federal law, must be used for "alcohol and drug programs and services designed for women (especially pregnant women and women with dependent children) and demonstration projects for the provision of residential treatment services to pregnant women." However, the department's proposal would provide training and support services to the *foster parents of children* of drug abusing women, *not* treatment or services to the women themselves. For this reason, we conclude that the department's proposal to use federal drug treatment funds to expand services to foster parents is inconsistent with the federal criteria for the use of these funds. Therefore, we recommend eliminating funding for the proposed expansion of the DSS' portion of the pilot project and reducing $616,000 in reimbursements to the DSS, of which $500,000 is proposed in this item and $116,000 is proposed in the DSS departmental support item (Item 5180-001-001). We make a conforming recommendation in our analysis of the DADP's budget (please see Items 4200-001-890 and 4200-101-890).

It is important to note that the effect of the above recommendation would be to increase the amount of women's set-aside funds budgeted for treatment in the DADP budget, which will in turn increase the number of pregnant and parenting women who can receive drug treatment. We believe that this would help to achieve one of the primary goals of the CWS Program: to maintain abused and neglected children safely in their homes by providing services to end the abuse or neglect. When substance-exposed infants are referred to the CWS Program, their mothers must agree to drug treatment as a condition of keeping or being reunified with their children. According to county social workers, as well as DSS and DADP staff, the current shortage of treatment slots for women in California results in many substance-exposed infants being removed from their mothers and placed into foster care, regardless of their mothers' willingness to enter treatment, because the treatment is not available.

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.

Budget Proposal

The budget proposes expenditures of $609 million for the IHSS Program in 1990-91. This is a decrease of $19 million, or 3 percent, below estimated current-year expenditures. Several significant proposed changes account for this decrease:

- A $62 million increase to fund an estimated 5.7 percent increase in total caseload and a 4.4 percent increase in average hours of service per case.
- A $12 million reduction due to completion of payments to claimants in the *Miller v. Woods* case (the department expects to make all remaining payments in 1989-90).
- A $71 million reduction due to the proposed "program reduction," that would deny IHSS eligibility to individuals who are relatively more capable of living safely at home than others or who, under specified circumstances, have an individual provider who is their own relative.

Table 3 displays IHSS Program expenditures, by funding source, for the past, current, and budget years. The table shows that while expenditures from all funds are expected to decrease by $19 million, or 3 percent, expenditures from the General Fund are projected to decrease by $28

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million, or 9.5 percent. This is because the program reduction will result in savings exclusively to the General Fund. County funds will be unchanged 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
1988-89 through 1990-91
(dollars in thousands)

	Actual 1988-89	*Est. 1989-90*	*Prop. 1990-91*	*Change From 1989-90* Amount	Percent
Funding Sources					
General Fund	$241,098	$293,034	$265,051	–$27,983	–9.5%
Federal funds	305,868	315,986	324,829	8,843	2.8
County funds	19,221	19,221	19,221	—	—
Totals	$566,187	$628,241	$609,101	–$19,140	–3.0%

The department expects to achieve this expenditure reduction by reducing the IHSS caseload. Table 4 displays the average monthly IHSS caseload by service delivery type for the past, current, and budget years. The budget anticipates a net caseload reduction of 33,900, or 24 percent, between 1989-90 and 1990-91 largely due to the proposed program reduction.

Table 4
Department of Social Services
In-Home Supportive Services
Average Monthly Caseload
by Provider Type
1988-89 through 1990-91

	Actual 1988-89	*Est. 1989-90*	*Prop. 1990-91* [a]
Service provider types			
Individual providers	118,900	126,400	96,600
Contract agencies	14,300	15,300	11,600
County welfare staff	1,300	1,400	1,000
Totals	134,500	143,100	109,200

[a] Reflects the department's proposed program reduction.

Estimates Will Be Updated in May

We withhold recommendation on $590 million ($265 million General Fund and $325 million federal funds) for support of the IHSS Program, pending receipt of the May revision. We further recommend that the department address the fiscal effects of the following issues in its May revision of the IHSS budget estimate: (1) the potential overestimation of average hours of service, (2) the recent changes in workers' compensation law, (3) the potential budget-year payments related to the Miller v. Woods decision, and (4) the statutory adjustment of IHSS maximum service awards.

The proposed expenditures for IHSS are based on program trends through June 1989. The department will present revised estimates in May, which will be based on program costs through February 1990. In addition to updating its estimate based on additional data, we believe that the department should also revise its estimate to address several technical flaws, which we discuss below. We therefore withhold recommendation on $590 million proposed for support of the IHSS Program, pending receipt of the department's revised estimates in May.

1. Hours of Service May be Overbudgeted. Table 5 displays the average hours of service per case by service delivery type for the past, current, and budget years. As shown in the table, the department estimates that hours of service per case will grow by 4.4 percent between 1989-90 and 1990-91. This estimate is based on data available through June 1989. Actual hours of service data for the period July 1989 through December 1989, however, indicate a much slower rate of growth. If a lower-than-estimated rate of growth continues through the last half of 1989-90 and into 1990-91, IHSS IP hours per case could be as much as 6.6 percent lower than the hours per case estimated in the budget. A decrease of this magnitude in hours per case would result in decreased General Fund costs of $40 million in 1990-91.

Table 5
Department of Social Services
In-Home Supportive Services
Average Monthly Hours of Service Per Recipient
by Provider Type
1988-89 through 1990-91

	Actual 1988-89	*Est. 1989-90*	*Prop. 1990-91*	*Percent Change From 1989-90*
Service provider types				
Individual providers	75.53	79.17	82.70	4.5%
Contract agencies	26.84	26.84	26.84	—
County welfare staff	9.92	10.84	10.84	—
Annual average	69.71	72.89	76.08	4.4%

2. Miller v. Woods Payments May Be Underbudgeted. As a result of the *Miller v. Woods* court case, the department is required to retroactively pay all spouses and housemates who provided protective supervision to IHSS recipients during specified periods. The department assumes that it will make *all* remaining *Miller v. Woods* payments in the current year. The department, however, has not yet reached an agreement with the plaintiffs' attorneys concerning the mailing and processing of notices to 113,000 additional potential claimants. Consequently, a substantial portion of the estimated $8.6 million in claims resulting from this mailing could be paid in the budget year, instead of the current year.

3. Workers' Compensation Costs May Be Understated. The budget proposes $8.4 million from the General Fund to pay workers' compensation in 1990-91 to individuals who have become disabled while working as IHSS providers. The department advises that this estimate does not take

Social Services Programs—Continued

into account recent changes in workers' compensation law enacted by Ch 893/89 (SB 47, Lockyer). The statute could increase the department's costs of processing and paying claims, because it increases the minimum weekly payment to beneficiaries and decreases the amount of time permitted for processing and deciding a claim.

4. Increase in Statutory Maximum Grant Not Funded. Existing law limits the *number of hours* of service that counties may award to recipients. Effective July 1, 1990, however, the law will limit IHSS service awards to a maximum *dollar amount* of services, instead. This amount will be adjusted annually for the percentage increase in the California Necessities Index, with the first adjustment scheduled to take place on July 1, 1990 (simultaneous with the change in the basis of the limit). The effect of this change from an hours of service-based limit to a dollar amount-based limit is that clients at or near the maximum will receive more hours of service beginning on July 1, 1990. The department estimates that this will result in increased General Fund costs of $2.8 million in 1990-91. The budget, however, does *not* propose the funds to cover this cost.

Perspectives on IHSS Costs

Chart 2 displays expenditures for the IHSS Program for a 10-year period, from 1981-82 through 1990-91. As the chart shows, expenditures grew at a relatively slow rate (2.9 percent) between 1981-82 and 1983-84. This was the result of the implementation of Ch 69/81 (SB 633, Garamendi). This statute reduced services available under the program, permitted counties to make program cuts to stay within their IHSS allocations, and required counties to provide a matching share of any increases in program costs.

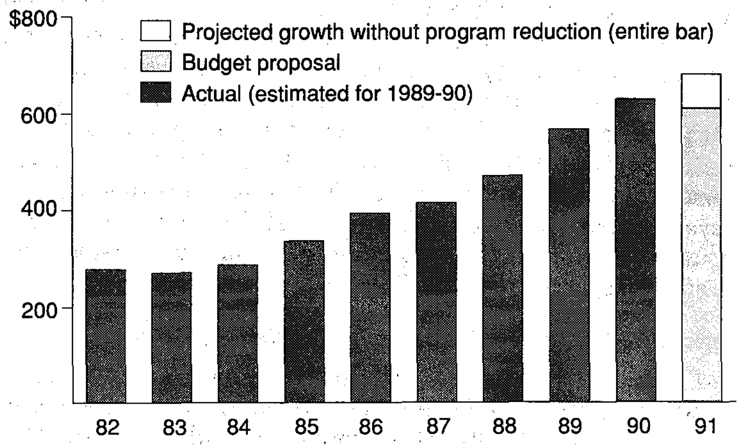
After 1983-84, however, IHSS expenditures began to grow more rapidly, as the chart indicates. The increased growth — an average *annual* increase of 14 percent — is comparable to the increases that occurred for several years prior to the enactment of Chapter 69. The resumption in growth occurred during the same period (1983-84 through 1988-89) in which the provisions of Chapter 69 were largely eliminated through a series of court challenges and legislative changes, including the enactment of Ch 1438/87 (SB 412, Bill Greene), which froze the county share of costs at the 1987-88 level.

As discussed above, the department estimates that expenditures will *decrease* by 3 percent between 1989-90 and 1990-91 under the proposed program reduction. Without the reduction, the department estimates that IHSS expenditures would increase by 8.3 percent between 1989-90 and 1990-91.

Chart 2

In-Home Supportive Services Expenditures
All Funds

1981-82 through 1990-91 (in millions)



Our analysis indicates that there are three factors that account for the growth in IHSS expenditures: (1) the number of service recipients (caseload), (2) the number of hours of service provided to each recipient (average hours per case), and (3) the hourly cost of service providers. While policymakers can influence all three elements, caseloads and average hours of service are more susceptible to cost containment policies than are the costs of service providers. This is because the cost of service providers is determined primarily by such factors as the minimum wage, collective bargaining agreements, and market conditions.

Caseload Continues to Grow. The IHSS average monthly caseload increased from 93,583 in 1981-82 to 134,500 in 1988-89, which is an average annual rate of 5.3 percent, with very little variation from year to year in the rate of growth. The department estimates that, without the proposed program reduction, caseload would increase to 151,200 in 1990-91, an increase of 5.8 percent over the estimated 1989-90 level. A number of factors are responsible for this steady increase in caseload, including (1) increases in the eligible population, (2) increased frailty of the eligible population, (3) advances in medical technology that allow more seriously disabled people to live at home, and (4) increases in referrals from other programs.

Social Services Programs—Continued

Average Hours of Service Continue to Grow. Average monthly hours of service grew from 60.1 hours in 1981-82 to 69.7 hours in 1988-89, which is an average annual rate of 2 percent. The department estimates that hours per case will increase to 76.1 hours per case in 1990-91, which is 4.4 percent higher than the estimated 1989-90 level. There are three factors that account for this trend: (1) the increased frailty of the IHSS-eligible population, (2) advances in medical technology that allow more severely impaired individuals to live at home, and (3) administrative factors that affect the willingness of county social workers to grant more hours of service to their clients. On the latter point, it is noteworthy that the Legislature has enacted several program changes designed to control increases in the average hours of service. These changes include a uniform means of assessing recipient needs, a statewide management information system that tracks the number of IHSS hours awarded by individual social workers, and the implementation of time-for-task standards for certain tasks performed by IHSS providers.

Proposed Program Reduction Is a Policy Issue for the Legislature

Background. According to the department, the proposed program reduction would eliminate the IHSS eligibility of 42,000 otherwise eligible recipients in 1990-91. Specifically, the proposal would eliminate IHSS eligibility for otherwise eligible individuals who fall into either of the following two categories:

- Individuals who have a "functional index score" of greater than two. According to the department, this portion of the reduction would disqualify 39,000 otherwise eligible individuals in 1990-91 for a General Fund savings of $60 million.
- Individuals whose provider is a relative *and* whose functional index score is 2.5 or less. According to the department, this portion of the reduction would disqualify an additional 3,300 otherwise eligible recipients for a General Fund savings of $11 million.

Functional Index Score. The functional index score, which the department proposes to use as the criterion for determining IHSS eligibility, is derived from the Uniformity Assessment Tool, used by all county social workers since 1988 to determine the number of IHSS hours needed by a client. The department developed this assessment tool to increase consistency between counties in the number of hours of service awarded to recipients. The tool measures an individual's relative ability to care for him or herself at home, using a scale of 1 through 6. The actual score that each client receives is a weighted average of 11 separate scores, each of which indicates the client's ability to perform a specific basic household maintenance or personal care function. Table 6 displays these functions and shows the range of scores that a social worker may assign to each.

Table 6
Department of Social Services
In-Home Supportive Services
Functional Index Score
Functional Areas and Possible Scores

Functional Areas	*Possible Scores* [a]
Housework	1 = No help needed
Laundry	2 = Needs verbal assistance only (reminding, guidance)
Shopping and errands	3 = Needs some direct physical assistance
Meal preparation and cleanup	4 = Needs substantial physical assistance
Mobility inside	5 = Cannot perform at all without human help
Bathing and grooming	6 = Needs paramedical services
Dressing	
Bowel and bladder care	
Transfer (moving in and out of bed and chairs)	
Eating	
Respiration	

[a] Full range of scores not applicable to every function (for example, shopping and errands gets 1, 3, or 5; respiration gets 1, 5, or 6).

The department's proposed program reduction is a policy and fiscal proposal that the Legislature will have to consider in light of its overall fiscal priorities. Our review of the proposal, however, suggests that the department has not provided the Legislature with sufficient information to enable it to fully assess the policy and fiscal effects of the proposed reduction. We discuss our concerns in detail below.

Analyst's Concerns About the Proposed Program Reduction

We recommend that the department, prior to budget hearings, provide the following information to the fiscal committees: (1) proposed legislation to implement the IHSS proposal, (2) a summary of the function-by-function scores of individuals with functional index scores of 2.5 or less, (3) the effect on estimated savings of potential additional Supplemental Security Income/State Supplementary Program (SSI/SSP) costs, (4) the effect of potential implementation delays on estimated savings, and (5) a more reliable estimate of the number of individuals with relative providers who will be affected by the proposal.

Department's Proposal Does Not Ensure Client Safety. The goal of the IHSS Program is to provide the services necessary for individuals to remain safely at home. The department's proposal is intended to control the growing costs of the IHSS Program by eliminating eligibility for those who, on average, need services the least. We are concerned, however, that the specific mechanism proposed for identifying clients with less need for services is flawed and that the proposed reduction may therefore result in a substantial safety risk in some cases.

Specifically, the proposal to base eligibility on the functional index score may result in the elimination of services to some individuals who cannot safely remain at home without service. This is because the

Social Services Programs—Continued

functional index score is an *average* score and as such may mask significant variations in an individual's ability to perform specific functions. For example, in the department's training video for county social workers, a specific IHSS recipient received a rating of 1.67 on the functional score index. Under the proposed program reduction, this individual would be disqualified from the program. In this case, however, the individual's overall score of 1.67 consists of ratings of "4" (needs substantial help) in housework, laundry, and bathing and grooming, "5" (entirely dependent on human assistance) in shopping and errands, and "1" (needs no help) in all other functions.

Moreover, the functional index score does *not* take into account an individual's mental capacity for self-care at home. A physically able person may exhibit poor memory, judgement, or orientation to the point of putting himself or herself at risk. This might be the case, for example, when a recipient has ratings of two (needs reminding and/or encouragement) or less for each individual physical function. Despite having fairly strong *physical* self-care capabilities, such a recipient could be in danger if left without any supervision.

The department keeps data that indicates the function-by-function scores (for physical *and* mental functions measured by the Uniformity Assessment Tool) of individuals with functional index scores in the range affected by the proposed program reduction. For the reasons described above, we believe that a review of these data is essential if the Legislature is to meaningfully assess the effect of the department's proposal on client safety. The department advises that it could make these data available prior to budget hearings.

Department's Savings Estimate is Flawed

We have identified the following problems with the department's estimate of the savings that would result from the proposed program reduction:

1. IHSS Administration Overbudgeted by $16 Million. Although the budget proposes to *reduce* the IHSS caseload by 42,000 in 1990-91, it does *not* identify any county administrative savings resulting from this caseload reduction. The amount proposed by the budget for county administration of IHSS is $16 million more than what would be justified given (1) the caseload reduction proposed in the budget and (2) the budgetary practice followed by the Legislature in this area in prior years.

2. Cost of Alternatives to IHSS May Reduce Savings. It is unknown how the individuals affected by the department's proposal would adjust to the loss of service. Some may have friends or relatives who would provide help. Others may simply choose to do without the services. Some unknown number, however, would place themselves, or be placed in a residential care facility for the elderly or an adult residential facility. The state would pay a cost of $79 per resident per month for these placements, because the SSI/SSP monthly allowance for a board and care resident is higher than the allowance for a person living at home (nearly all IHSS clients are also SSI/SSP recipients). These additional SSI/SSP costs are *not* taken into account in the department's savings estimates.

3. Implementation Delays Could Reduce Savings. The department's estimate of savings is based on an instantaneous caseload reduction, effective July 1, 1990. Given the magnitude of the proposed policy change and the number of people affected, however, the potential for delays in implementation appears great. Court challenges and fair hearings for individuals who currently receive IHSS awards, but would be denied eligibility under the department's proposal, could delay the caseload reduction proposed by the department. The department also advises that counties providing IHSS services through contracts with home service agencies could suspend and renegotiate their contracts based on the lower caseloads that would result from the proposal. This could also delay full implementation of the caseload reduction. Each month's delay in implementation would reduce the projected General Fund savings by up to $5.9 million.

4. Uncertainty About Caseload Reduction Makes Savings Uncertain. There is considerable uncertainty in the department's estimate of the number of individuals that would be affected by the second component of its proposal (elimination of eligibility for recipients whose providers are their relatives and whose functional index score is 2.5 or less). First, the department assumes that there are 6,500 recipients in this category. The department advises, however, that it does not know the family relationship of recipient to provider in an additional 15,800 cases with functional index scores of 2.1 to 2.5. Second, the department assumes that half of the 6,500 would find a nonrelative provider and therefore remain eligible for services. At the time this analysis was prepared, the department could not provide any data to justify its assumption regarding the number of recipients in this category who might find a nonrelative provider.

Summary. In our view, the department has not provided the Legislature with sufficient information to make a meaningful assessment of the proposed IHSS program reduction. Accordingly, we recommend that the department, prior to budget hearings, provide the following information to the fiscal committees: (1) the details of its proposed legislation to implement the proposal, (2) a summary of the function-by-function scores of individuals with functional index scores of 2.5 or less, (3) the effect on estimated savings of potential additional SSI/SSP costs, (4) the effect of potential implementation delays on estimated savings, and (5) a more reliable estimate of the number of individuals with relative providers who will be affected by the proposal.

Department Could Reduce Growth in Average Hours of Service

We recommend that the department report to the fiscal committees, prior to budget hearings, on (1) the cost of administration efforts to reduce average hours of service in 12 specified counties, (2) the potential effects of such efforts on IHSS expenditures and recipients, and (3) the likely timing of these effects.

As we discuss in our analysis of IHSS expenditure trends over the past 10 years, the most directly controllable IHSS cost factors are caseload and

Social Services Programs—Continued

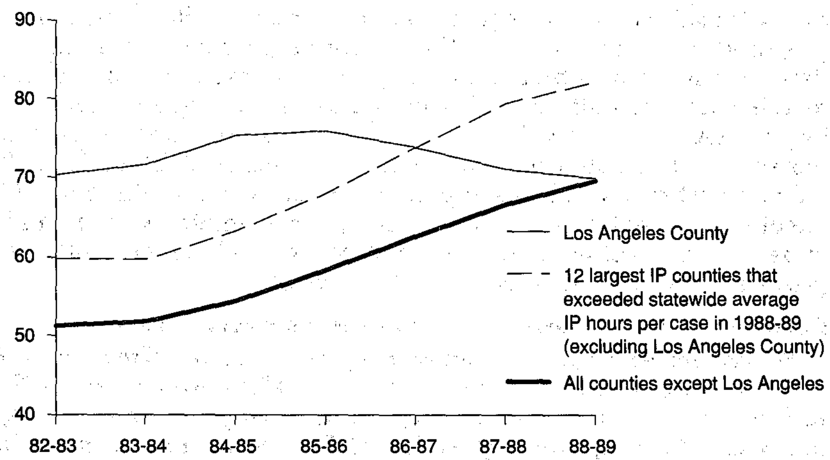
hours of service per case. The department's proposed program reduction attempts to control IHSS expenditures by reducing caseload. As an alternative, we believe that the department could, in the long run, reduce the growth of IHSS expenditures through greater efforts to control increases in the number of hours of service that counties award to recipients. The department, in cooperation with Los Angeles County, has already demonstrated the cost containment potential of such efforts.

Average Hours of Service Decreased in Los Angeles County, While Increasing in Other Counties. Chart 3 shows that Los Angeles County achieved an average annual *decrease* of 2 percent in hours of service per case between 1985-86 and 1988-89. Over the same period, Chart 3 shows that the average hours of service for the rest of the state *increased* at an average annual rate of 6 percent. The decrease in hours of service for Los Angeles County is a major reason for the relatively modest rate of growth in the statewide average hours of service during the 1980s. Los Angeles County achieved this reduction in hours of service by using the department's management information system and the Uniformity Assessment Tool improve the consistency of IHSS awards made by social workers in different district offices. In particular, these efforts reduced the number of cases in which social workers awarded excessive hours of service to IHSS recipients.

Chart 3

Trends in IHSS Hours per Case

1982-83 through 1988-89



Reductions in Hours of Service May Be Possible in Other Counties. We believe that similar administrative efforts in other counties could achieve similar results. To demonstrate the potential effects of such efforts, we identified the 12 counties, excluding Los Angeles County, with the largest individual provider caseloads in which average hours hours of service exceeded the statewide average in 1988-89. These counties were Alameda, Contra Costa, Humboldt, Imperial, Marin, Monterey, Orange, Sacramento, San Bernardino, San Diego, and San Mateo. Chart 3 shows that the average hours of service for these counties grew at an annual rate of 6.5 percent between 1985-86 and 1988-89, while hours of service for Los Angeles County were decreasing. On average, the IHSS recipients in these 12 counties have slightly lower functional index scores than those in Los Angeles County, possibly indicating that these counties have slightly less seriously disabled caseloads than Los Angeles County. We estimate that a 2 percent reduction in average hours of service in these counties during the budget year — the same reduction Los Angeles County achieved — would result in a General Fund savings of about $14 million.

We recognize that such efforts could take longer than a year to bear fruit, and that they would result in significantly lower budget-year savings than the department's proposal. Nevertheless, because of the success of Los Angeles County efforts to control hours of service awards, we recommend that the department report to the fiscal committees, prior to budget hearings, on (1) the cost of similar efforts in the 12 counties identified above, (2) the potential effects of such efforts on IHSS expenditures and recipients, and (3) the likely timing of these effects.

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 post-natal care (limited to two weeks after delivery) to women in the program. The department reimburses the homes at a monthly rate that ranges from $1,179 to $1,368 per client. The department estimates that the homes will provide services to 540 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 1990-91 (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 1990-91. Table 7 shows the amount of funds budgeted and spent by maternity homes in the past four years. As the table indicates, 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 $255,055 to the General Fund in the current year.

Social Services Programs—Continued

Table 7
Department of Social Services
Appropriations and Expenditures in the
Licensed Maternity Home Care Program
1986-87 through 1989-90
(in thousands)

	1986-87	*1987-88*	*1988-89*	*Est. 1989-90*
Appropriation	$2,254	$2,254	$2,154	$2,154
Expenditures	2,048	1,962	1,899	1,899
Reversion to the General Fund	$206	$292	$255	$255

The department advises that the reason maternity homes do not spend all of the funds appropriated for the program is because an increasing number of the women they serve are eligible for 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 $2,589 per month in the current year — than they receive through the LMHC Program. In order to receive the 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 programs, we believe that it is unlikely that the reimbursement preferences of maternity home providers will change substantially from the current year 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 $221 million ($91 million General Fund, $128 million federal funds, and $2.7 million reimbursements) for the GAIN Program in 1990-91. These amounts do not include funds proposed for support of the GAIN Program in Items 6110-156-001, basic education, and 6110-166-001, vocational education, and Section 22 of the 1990 Budget Bill.

Overview of the GAIN Budget Request

Table 8 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 8
Department of Social Services
GAIN Program
Proposed Expenditures and Funding Sources [a]
1989-90 and 1990-91
(dollars in thousands)

	Est. 1989-90	Prop. 1990-91	Change From 1989-90 Amount	Change From 1989-90 Percent
EXPENDITURES BY COMPONENT				
Registration, orientation, and appraisal	$43,877	$19,823	–$24,053	–54.8%
Education	107,466	120,792	13,326	12.4
Job search	32,772	23,172	–9,600	–29.3
Assessment	8,006	7,455	–551	–6.9
Training	157,016	157,884	868	0.6
Long-term preemployment preparation (PREP)	20,733	34,073	13,341	64.3
90-day child care	1,709	—	–1,709	–100.0
Child care licensing	44	41	–3	–6.8
Evaluation	643	153	–490	–76.1
County administration and Employment Development Department support	933	957	24	2.6
Totals	$373,198 [b]	$364,350	–$8,848	–2.4%
FUNDING SOURCES				
Funds appropriated for GAIN				
General Fund				
Department of Social Services [c]	$101,449	$90,665	–$10,784	–10.6%
State Department of Education	10,200	7,200	–3,000	–29.4
Adult Education	(3,000)	(—)	(–3,000)	(–100.0)
Match for Job Training Partnership Act (JTPA) education funds	(7,200)	(7,200)	(—)	(—)
Department of Finance	28,300	22,000	–6,300	–22.3
Subtotals, General Fund	($139,949)	($119,865)	(–$20,084)	(–14.4%)
Federal Funds	$128,248	$127,760	–$488	–0.4%
Reimbursements	2,735	2,735	—	—
Totals, funds appropriated for GAIN	$270,932	$250,360	(–$20,572)	(–7.6%)
Funds redirected for GAIN				
General Fund				
Average daily attendance-based funds	$33,300	$34,400	$1,100	3.3%
Adult education	(13,000)	(13,000)	(—)	(—)
Regional occupation centers and programs	(7,000)	(7,000)	(—)	(—)
Community colleges	(13,300)	(14,400)	(1,100)	(8.3)
Cooperative agencies resources for education	700	700	—	—
Job agent/service center	1,000	1,000	—	—
Subtotals, General Fund	($35,000)	($36,100)	($1,100)	(3.1%)

Social Services Programs—Continued

Table 8—Continued
Department of Social Services
GAIN Program
Proposed Expenditures and Funding Sources [a]
1989-90 and 1990-91
(dollars in thousands)

	Est. 1989-90	Prop. 1990-91	Change From 1989-90 Amount	Change From 1989-90 Percent
Employment Training Fund	$600	$600	—	—
Federal funds				
JTPA	$40,700	$40,700	—	—
Training	(30,500)	(30,500)	(—)	(—)
Education	(10,200)	(10,200)	(—)	(—)
Job service	3,700	3,400	−$300	−8.1%
Community services block grant	1,600	1,600	—	—
Vocational education block grant	7,300	7,100	−200	−2.7
Refugee social services	5,000	16,000	11,000	220.0
PELL grants	8,500	8,500	—	—
Subtotals, federal funds	($66,800)	($77,300)	($10,500)	(15.7%)
Total funds redirected for GAIN	$102,400	$114,000	$11,600	11.3%
Grand totals, all funding sources [d]	$373,332	$364,360	−$8,972	−2.4%

[a] Source: Department of Social Services.
[b] Department's estimate has been reduced by $307,330 to eliminate a technical error.
[c] Includes funds appropriated for GAIN in Items 5180-141 and 5180-161.
[d] Figures do not add to expenditure totals due to rounding.

Expenditures. Table 8 shows that the budget proposes $364 million in expenditures for the GAIN Program in 1990-91, which represents a decrease of $8.8 million, or 2.4 percent, below estimated current-year expenditures for the program. The department indicates that this program level is $164 million *below* the amount needed to fully fund the GAIN Program in 1990-91. We discuss the implications of this funding "shortfall" below. As Table 8 shows, the largest decrease is for the registration, orientation, and appraisal component (-$24 million). This component is the starting point for an individual's participation in the GAIN Program. Thus, the reductions in this component reflect the budget's proposal to reduce the number of persons participating in GAIN in 1990-91, by limiting the number of persons who enter the program.

Funds Appropriated for GAIN. Table 8 shows that $250 million, or 69 percent, of the $364 million proposed for the program represents funds that would be specifically appropriated for the GAIN Program. The proposed $120 million General Fund appropriation accounts for almost half (48 percent) of this total. The proposed General Fund appropriation is $20 million, or 14 percent less than estimated current-year expenditures.

Redirected Funds. As shown in the table, the budget assumes that $114 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 $34 million, at no charge to the GAIN Program, through average daily attendance-based funds appropriated for adult education, community colleges, and regional occupational centers and programs. The budget also assumes that $41 million in federal Job Training Partnership Act (JTPA) funds will be spent on GAIN participants. The $114 million that is expected to be redirected for GAIN participants is $12 million, or 11 percent, more than the amount the department estimates will be spent from these sources in the current year. Most of this increase is due to an $11 million shift in federal refugee social service funds from the Refugee Demonstration Program (RDP) to the GAIN Program. This shift occurs because the RDP, which provides GAIN-like services to refugees receiving AFDC grants, will sunset on September 30, 1990. The elimination of the RDP means that refugees who currently receive employment services through the RDP will be served through the GAIN Program.

While Table 8 breaks out GAIN expenditures by program component, Table 9 shows how the $364 million proposed for GAIN would be distributed among expenditure categories. Table 9 shows that over one-half of the funds (58 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 $75 million, or 21 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, $78 million, or 21 percent of total costs, is for *administrative costs,* which consist primarily of county costs to administer the GAIN Program.

Table 9
Department of Social Services
GAIN Expenditures by Category
1990-91
(dollars in millions)

	Proposed 1990-91	*Percent of Total*
Program costs		
Orientation, testing, and appraisal	$18.9	5.2%
Education	76.0	20.9
Job club/search	11.2	3.1
Assessment	4.5	1.2
Training and vocational education	100.8	27.7
Long-term PREP	—[a]	—[a]
Subtotals, program costs	($211.5)	(58.0%)
Supportive services		
Child care	$34.3	9.4%
Transportation	37.2	10.2
Ancillary expenses[b]	3.4	0.9
Subtotals, supportive services	($74.9)	(20.5%)
Administration	$78.0	21.4%
Totals	$364.4	100.0%

[a] Supportive services and administrative costs for long-term PREP total $34 million. There are no "program" costs for this component, although participants continue to receive AFDC grant payments while in their PREP assignments.

[b] Includes workers' compensation costs for participants in certain training components.

Social Services Programs—Continued

GAIN Funding Level Is a Policy Decision for the Legislature

The department estimates that the $364 million proposed for the GAIN Program in 1990-91 is $164 million, or 31 percent, *less* than the amount that would be needed ($529 million) to pay for services for the entire anticipated caseloads in all counties. Table 10 compares the budget proposal with estimated GAIN expenditures, funding sources, and yearly participants at full funding. As the table shows, the level of funding proposed would reduce the number of yearly participants by almost 50 percent relative to the full funding estimate.

The amount that will actually be provided for GAIN in 1990-91 is a policy decision for the Legislature. This is because the GAIN statute provides a mechanism for counties to contain costs within the amount appropriated in the annual Budget Act. In deciding how much to budget for the GAIN Program, the Legislature will have to consider its overall policy and fiscal priorities. In budgeting for the GAIN Program, however, the Legislature should also consider the effect of any shortfall below the full funding level on (1) the funding requirements placed on the various funding sources involved, (2) AFDC grant and administrative savings, and (3) the individuals that will be served by the program.

Table 10
Department of Social Services
GAIN Program in 1990-91
Proposed Expenditures and Funding Sources
Full Funding Versus Budget Proposal
(dollars in millions)

	1990-91 Full Funding	*1990-91 Proposed*	*Shortfall*	
			Amount	*Percent*
Expenditures By Components				
Registration, orientation, and appraisal	$54	$20	−$34	−63.1%
Education	180	121	−59	−32.9
Job search	42	23	−19	−45.4
Assessment	10	7	−3	−29.0
Training	206	158	−48	−23.3
Long-term PREP	35	34	−1	−2.5
All Other	1	1	—	0.8
Totals	$529	$364	−$164	−31.1%
Funding Sources				
Funds appropriated for GAIN:				
General Fund	$242	$120	−$122	−50.4%
Federal funds	170	128	−43	−25.0
Reimbursements	3	3	—	—
Totals, funds appropriated for GAIN	$415	$250	−$164	−39.6%
Funds redirected for GAIN:				
General Fund	$36	$36	—	—
Employment Training Fund	1	1	—	—
Federal funds	77	77	—	—
Total funds redirected for GAIN	$114	$114	—	—
Grand totals, all funding sources	$529	$364	−$164	−31.1%
Yearly Participants	614,867	313,838	−301,029	−49.0%

Source: Department of Social Services.

Effect of Shortfall by Funding Sources. Table 10 displays the effect of the budget proposal for the GAIN Program in 1990-91 by funding source. The table shows that:

- The proposed General Fund amount is $122 million less than the amount needed to fully fund anticipated caseloads.
- The proposed federal funds amount is $43 million less than is needed to fully fund anticipated caseloads.
- The total amount of redirected funds remains the same at full funding.

In moving from full funding to the amount proposed in the budget, the reduction in the General Fund is larger than the reduction in federal funds due to the cap on the amount of Title IV-F (Job Opportunities and Basic Skills [JOBS] Training) funds that the federal government provides to states. Specifically, at the full-funding level, roughly $80 million of the total expenditures for GAIN would be unmatched by federal funds. Thus, in reducing the GAIN budget below full funding, the General Fund reductions are greater than the federal fund reductions.

With respect to redirected funds, the budget assumes that significantly fewer participants — 314,000 annual participants in 1990-91 versus 498,000 in the current year — will use $114 million, or $12 million *more* in services from redirected resources than the $102 million estimated for the current year. On its face, this does not appear to be a realistic assumption. However, the *Supplemental Report of the 1989 Budget Act* requires the department to report to the Legislature by March 1, 1990 on the actual use of these redirected resources by GAIN participants. After we have reviewed the report, we will be better able to evaluate the department's estimate in this regard.

Effect of Shortfall on AFDC Savings. The department estimates that the $364 million in proposed GAIN expenditures will result in AFDC grant and administrative savings of $114 million ($48 million General Fund, $57 million federal funds, and $9 million county funds). Thus, the *net* General Fund cost to the state for the GAIN budget proposal is $72 million — the $120 million proposed General Fund appropriation for the GAIN Program less the $48 million in estimated General Fund savings to the AFDC Program. At full funding, the department estimates that AFDC savings would total $172 million ($73 million General Fund, $86 million federal funds, and $13 million county funds). At this level, the net General Fund cost to the state for the GAIN Program would be $169 million — $242 million in General Fund appropriations offset by General Fund savings of $73 million.

Effect of Shortfall on Individuals to be Served by GAIN Depends on Allocation Methodology. 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 brings costs within the

Social Services Programs—Continued

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 the serve the entire anticipated statewide GAIN caseload in 1990-91 *except* AFDC-U and AFDC-FG applicants.

The actual GAIN caseload that will be served in 1990-91, however, 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 AFDC applicants, while other counties may serve more or less of their *potential* caseload.

Allocation Plan Makes No Progress Toward a Uniform Statewide Allocation

The department's allocation plan for GAIN funds in 1990-91 makes no progress toward a uniform statewide methodology, as the Legislature intends.

The department advises that it plans to allocate GAIN funds in 1990-91 under a plan that would provide most counties with 8.25 percent *less* than they received in the current year. Very small counties would not be subject to this reduction. Our analysis indicates that the department's proposed allocation methodology is *not* consistent with legislative intent in this area, as stated in the *Supplemental Report of the 1989 Budget Act.* Specifically, the supplemental report states the Legislature's "intent to move toward a uniform, statewide method of allocating funds to the counties for operation of the GAIN Program."

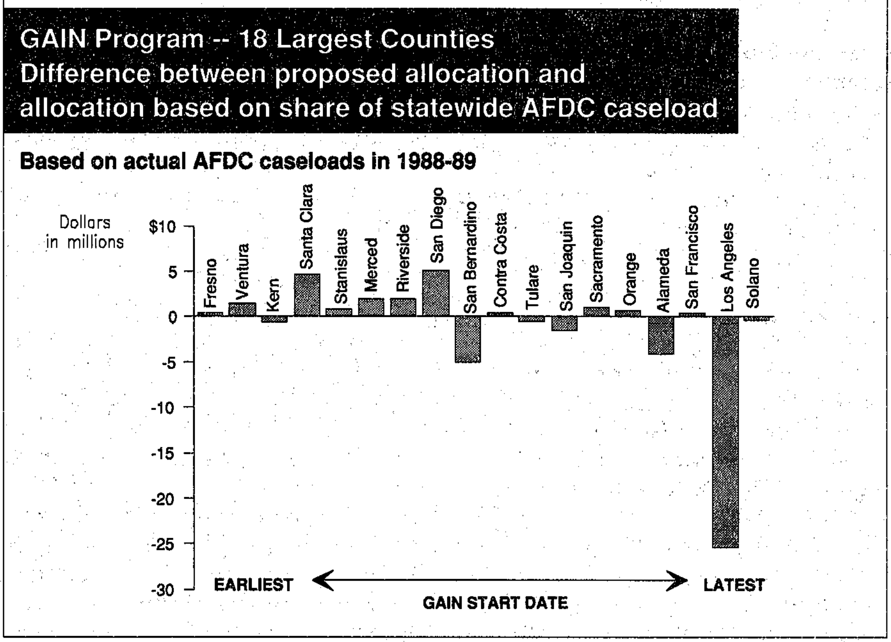
The Legislature expressed its intent to move toward a uniform allocation plan because of its concerns that the allocation plans used in 1988-89 and in 1989-90 would (1) result in different requirements for program participation in different counties and (2) set a funding precedent that would be difficult to reverse in future years.

Although the allocation plan used in 1989-90 made some movement toward uniformity, it continued to some extent the different treatment of counties based on when they implemented GAIN, because the amount each county received in 1988-89 was a primary consideration in determining its 1989-90 allocation. Thus, the department's proposal to allocate 1990-91 funds by simply reducing 1989-90 allocations by 8.25 percent in most counties makes *no progress* toward a uniform allocation methodology. For this reason, we believe that the department's proposal is not consistent with legislative intent.

The Effect of Nonuniformity. To see the combined effects of prior-year's allocations and the proposed allocation plan for 1990-91, it is necessary to compare county allocations against those allocations that would result under a plan that is not dependent on when a county started its GAIN Program. One approach the Legislature could use to uniformly allocate GAIN funds to counties would be based on each county's share of

AFDC caseload. County-specific AFDC caseloads are a good *starting* point for developing a statewide uniform allocation method because all GAIN participants are also either AFDC applicants or recipients. Chart 4 displays the effects of the department's allocation plan as compared to an approximation of a uniform allocation methodology — one that is simply based on AFDC caseloads. The chart shows the 18 largest counties in order of their GAIN starting dates, and identifies the differences in funding levels between the department's proposed allocation methodology and an allocation based *strictly* on each county's share of the statewide AFDC caseload.

Chart 4



As the chart indicates, the earliest starting GAIN counties generally receive a higher proportion of the available resources relative to the amount they would receive if allocations were made entirely based on AFDC caseloads. For example, San Diego and Santa Clara Counties would receive significantly more under the department's proposed plan — $5.1 million and $4.6 million, respectively. The later starting counties generally would receive a lower proportion of the available resources. For example, Los Angeles and Alameda would receive significantly less under the proposed plan — $25.4 million and $4.1 million, respectively.

Social Services Programs—Continued

The chart also points out an important consideration for the Legislature when considering a uniform allocation plan. That is, given a fixed amount of funds for GAIN, a uniform allocation will unavoidably require increases in some counties' allocations *at the expense* of other counties' allocations.

What Should the Legislature Expect from a Uniform Allocation Plan? Obviously, a uniform allocation plan will have to take into account several variables other than each county's share of the statewide AFDC caseload. Additional considerations would be unit cost differences between counties, differences in caseload makeup, differences in existing community resources, and anticipated phase-in schedules. For example, higher unit costs in a given county would result in that county receiving a larger share of GAIN resources relative to a county with the same share of statewide caseload, but with lower unit costs. Similarly, a county that had fully phased in its caseload would need a larger allocation than a county with the same size caseload, but that was early in its phase-in schedule. The allocation plan also should prevent, to the extent possible, radical reductions in the early starting counties because of the potential for dislocation of GAIN clients and county staff. However, some degree of dislocation may be unavoidable in order to make progress toward the Legislature's goal of a uniform allocation.

In our view, the uniform allocation that the Legislature ultimately adopts will allocate GAIN funds *so that each county is able to serve the same share of its total potential caseload (that is, the cases it would serve if fully funded)*. At the funding level proposed in the 1990-91 budget, this would mean that every county would be provided sufficient funds to serve its total anticipated caseload, *except* AFDC-FG and U applicants.

Legislature Will Receive Department's Statewide Uniform Allocation Plan in March. The *Supplemental Report of the 1989 Budget Act* requires the DSS to report to the Legislature by March 1, 1990 on (1) its plans and timetable for implementing a uniform statewide allocation methodology and (2) the adequacy of funds provided to each county for the GAIN Program in 1989-90 under the current allocation methodology. We believe the department's report will assist the Legislature in fashioning Budget Bill language specifying how the department should allocate funds for the GAIN Program in 1990-91.

OFFICE OF CHILD ABUSE PREVENTION

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

Proposal to Eliminate the Child Abuse Prevention and Training Act Program Represents a Policy Issue for the Legislature

The budget proposal to eliminate the Child Abuse Prevention and Training Act (CAPTA) Program is a policy issue for the Legislature.

While some children participating in the program have demonstrated information gains, experts disagree over how to interpret this finding. If the Legislature wishes to continue the program, we conclude that the need for preschool training is questionable and alternative approaches warrant consideration.

Background. Chapter 1638, Statutes of 1984 (AB 2443, Maxine Waters), established the CAPTA Program. The program funds the training and education of public school children (preschool through 12th grade) in the area of child abuse prevention, especially child sexual abuse. It also educates parents and teachers in child abuse prevention. The goal of the program is primary prevention; that is, it is intended to enable children to avoid becoming victims of child abuse.

The enabling legislation specified that children must receive training once in preschool, once in kindergarten, and three more times before graduation from high school (typically once in elementary school, once in junior high, and once in high school). The Department of Social Services (DSS) contracts with primary prevention providers, usually private, nonprofit agencies, in each of the counties to conduct the education programs. In some cases, though, the school districts conduct their own programs. Though each provider conducts its own prevention programs, many of the same concepts are taught, to some extent, by each primary prevention provider. These concepts vary by the age of the student. For example, preschool children are taught to "trust their feelings" in distinguishing between appropriate and inappropriate touches, while high school students are educated about the possibility of "acquaintance rape." Participation on the part of the school districts, parents, and children is voluntary. The enabling legislation also provided for two regional training centers, which act as clearinghouses for information and provide technical assistance to the primary prevention providers.

Budget Proposal. The Governor's 1990-91 Budget proposes to eliminate the funding for the CAPTA Program. In the current year, spending on the program is estimated to be $10 million from the General Fund ($9.5 million for provider contracts and $0.5 million to fund the training centers).

Elimination of the Program May Require Legislation. The budget does *not* propose legislation to eliminate the CAPTA Program. Because it is not clear whether action on the budget alone can serve to eliminate a state program, we have requested an opinion from the Legislative Counsel on this issue. The counsel's opinion should be available by the time of budget hearings. Regardless of whether separate legislation would be required to eliminate the program, the budget proposal represents a policy decision for the Legislature to make based on its overall fiscal priorities.

Evaluation of CAPTA Effectiveness

An important criterion for the Legislature to use in evaluating the proposal to eliminate the CAPTA Program is the effectiveness of the program; that is, does the program actually help to prevent child abuse?

Social Services Programs—Continued

In order to evaluate the effectiveness of the CAPTA Program, we reviewed the literature on primary prevention programs throughout the country and in California, and spoke with researchers and child development specialists with expertise in child abuse prevention. We focused on two key questions: (1) do children learn the concepts presented and (2) can they apply the concepts in their daily life, thereby reducing their chances of becoming victims of abuse?

Studies Show that Some Children Do Learn the Concepts Presented by These Programs. There have been numerous studies of child abuse prevention training programs throughout the country that have measured the information gains of children who receive the training. Most of these studies focused on preschool training and, to a lesser extent, elementary school training. The studies generally measured students' knowledge of certain prevention concepts before and after receiving some sort of education or training.

Though the findings of the studies are sometimes contradictory, the consensus of the literature is that children receiving prevention education achieve some gains in information about the concepts presented. For example, a study of CAPTA preschool programs conducted by a research team from the University of California at Berkeley's Family Welfare Research Group found information gains in the range of 10 to 30 percentage points between pre- and post-test, depending on the concept taught. The findings of the Berkeley study regarding information gains are typical of the other studies we reviewed. The other notable finding of most of the studies is that older students learn more than younger ones.

Researchers disagree on the interpretation of these findings, however. Specifically, some believe that the gains are too small to consider the program successful, especially in light of research that suggests that the information gains erode significantly over time. Some researchers have also suggested that many students, especially the youngest ones, may be able to parrot back the "correct" answers to questions without really understanding the concepts behind the questions. On the other hand, some researchers have suggested that the gravity of the problem of abuse is such that even small gains justify continuation of these kinds of programs.

Since the ultimate goal of the program is the prevention of abuse, the key to resolving this issue is whether or not the observed information gains actually produce behavior changes that enable children to avoid abuse.

No Reliable Data Exist Regarding the Effect of Prevention Training on Children's Ability to Prevent Abuse. Unfortunately, there have been no reliable studies assessing these programs' effect on children's ability to actually prevent abuse. While it would be possible to design a study that could accurately assess the effectiveness of prevention training programs — for example, a longitudinal study comparing children who receive the training to those who do not — no such study has been conducted. Until such a study is conducted, the basic assumption on which the CAPTA

Program is based — that prevention training enables children to protect themselves from abuse — will remain unproven.

In the absence of reliable studies of children's ability to prevent abuse, several researchers and child development specialists have analyzed the curriculum of preschool programs to see if it is *likely* that children would be able to apply the concepts that are being taught to avoid abuse.

The Need for Preschool Training is Questionable. Researchers and child development experts who have reviewed primary prevention programs have argued that many of the concepts taught in the preschool programs are too sophisticated for the cognitive level of most three- and four-year olds. Based on this concern, the OCAP appointed the Preschool Curricula Task Force to review the preschool component of the CAPTA Program. After reviewing the literature and consulting with child development experts, the task force concluded that most of the concepts currently being taught are too sophisticated for the cognitive abilities of most preschoolers. For example, the task force concluded that "an intuitive capacity to 'trust their feelings' is beyond the developmental level of preschool children."

The task force made numerous recommendations to simplify the curriculum to bring it in line with the capacity of most preschoolers. Review of these recommendations indicates that the recommended curriculum would duplicate components of existing preschool education. For example, instead of telling a child to "trust his or her feelings," the task force recommended a curriculum that would "focus on helping preschoolers to identify, label, and tell about their feelings." Though the task force did not review kindergarten programs, some child development specialists and researchers have questioned the ability of kindergarten students to comprehend these concepts as well.

Options for the Legislature

Our review of CAPTA indicates that it is, in general, unclear whether the knowledge imparted by the program helps children to change their behavior and thereby prevent abuse. Moreover, researchers and experts disagree over how to interpret the information gains that the program has demonstrated. Finally, a large body of evidence, summarized in the department's own task force report, indicates that much of the preschool curricula is beyond the cognitive ability of preschoolers.

On the other hand, it is still possible that the knowledge gains achieved by the program may have some effect in helping children in older age groups to avoid becoming victims of abuse. Therefore, the Legislature may want to consider the following alternatives to the budget's proposal to terminate the program.

Preschool Options. An alternative to eliminating the preschool component would be to refocus the program from direct instruction of students to training of parents and teachers. Most researchers and practitioners agree that the primary responsibility for protecting children from child abuse lies with their parents and, to a lesser extent, their teachers. Though much of the curriculum recommended by the task force is already part of preschool instruction, there are some concepts,

Social Services Programs—Continued

such as the identification of "private parts," about which preschool teachers can be trained to educate students. Similarly, parents might benefit from instruction on how to detect abuse and how to respond to it.

While the current program provides for one session (usually about one hour) for parents and teachers, researchers and the task force have found that these sessions are usually sparsely attended by parents and often not thorough enough to have a meaningful impact. Therefore, any refocus of the preschool component should include better outreach and recruitment of parents.

K-12 Options. Given the dearth of information about K-12 program effectiveness, an option to outright elimination would be to significantly scale back the program and require the DSS to conduct an evaluation of the entire CAPTA Program to assess whether it actually helps children protect themselves from abuse. One type of evaluation that several researchers have recommended is a longitudinal study of groups of children who received and did not receive CAPTA training. Such a study could assess if those who receive the training are better able to prevent abuse than those without training. A less ambitious approach would be to assign a task force to review the age appropriateness of the curricula, as the department's Preschool Task Force did.

Since the budget contains no funds for this program, both of the alternatives above would require a General Fund augmentation to the budget. The amount of the augmentation would depend on (1) how much of the program the Legislature wishes to restore and (2) the scope of any evaluation.

DEPARTMENT OF SOCIAL SERVICES
Community Care Licensing

Item 5180-161 from the General Fund and the Federal Trust Fund — Budget p. HW 187

Requested 1990-91	$14,225,000
Estimated 1989-90	15,004,000
Actual 1988-89	14,804,000
Requested decrease $779,000 (−5.2 percent)	

1990–91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
5180-161-001—Local assistance	General	$8,577,000
5180-161-890—Local assistance	Federal	5,648,000
Total		$14,225,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis page

1. Community Care Licensing — Family Day Care Licensing. Withhold recommendation on a proposed General Fund reduction of $1.4 million, which reflects a proposed restructuring of the Family Day Care Licensing Program. Recommend that the department, prior to budget hearings, provide the fiscal committees with specified information on the health and safety effects of the proposed reduction. 773

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

The budget proposes two appropriations totaling $14,225,000 ($8,577,000 General Fund and $5,648,000 federal funds) to reimburse counties for licensing activities in 1990-91. This is a decrease of $779,000, or 5.2 percent, as compared with estimated current-year expenditures. The decrease is due to (1) a projected 5.7 percent increase in the foster family home caseload ($342,000), (2) a projected 5.9 percent increase in family day care caseload ($287,000), and (3) a proposed restructuring of the Family Day Care Licensing Program (a $1,408,000 reduction).

Budget Proposes to Restructure Family Day Care Licensing Program

We withhold recommendation on the proposed General Fund reduction of $1,408,000, which reflects a proposal to restructure the Family Day Care Licensing Program. We recommend that the department, prior to budget hearings, provide the fiscal committees with (1) data that indicate the number and relative significance of enforcement actions that would not occur as a result of the proposal, (2) data that substantiate the department's ability to absorb ongoing workload with reduced staff, and (3) the implementing legislation for this proposal.

The budget proposes to limit the projected growth in family day care licensing expenditures by eliminating three of nine major licensing activities currently required of family day care evaluators and requiring

Community Care Licensing—Continued

certain complaints to be made in writing (which would, according to the department, reduce the number of unsubstantiated complaints) for a General Fund savings of $2,835,000 in 1990-91 ($1,408,000 in this item and $1,417,000 in the department support item). We discuss this proposal in detail in our analysis of the department support item (please see Item 5180-001-001).

DEPARTMENT OF SOCIAL SERVICES
Cost-of-Living Adjustments

Item 5180-181 from the Federal Trust Fund — Budget p. HW 189

Requested 1990-91	$23,133,000
Recommended Reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item appropriates $23 million to cover the federal share 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 1990-91. This amount includes $2.6 million for the COLA for county employees in the Child Welfare Services (CWS) Program and $21 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 1990-91 COLA for county administration and child welfare services until 1991-92. The County Administration budget (Item 5180-141-001) includes $6.5 million and the CWS budget (Item 5180-151-001) includes $16 million for the General Fund share of the costs in 1990-91 of the COLA that counties provided their welfare department staff during 1989-90. 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 $253 million ($112 million in AFDC-FG and U grant savings and $141 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).

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