HEALTH AND SOCIAL SERVICES

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, low-income persons 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 $12.1 billion for programs administered by the department in 1992-93. This is a decrease of $72 million, or 0.6 percent, from estimated current-year expenditures. The budget proposes $6.2 billion from the General Fund in 1992-93, a decrease of $46 million, or 0.7 percent, from estimated current-year expenditures. Table 1 shows estimated and proposed expenditures from all funds and the General Fund for programs administered by the DSS in the current and budget years.

Table 1

Department of Social Services Budget Summary 1991-92 and 1992-93

(dollars in millions)

	1991-92 Estimated		1992-93 Proposed		Percent Change	
	All Funds	General Fund	All Funds	General Fund	All Funds	General Fund
Expenditures						
Departmental support	$296.7	$112.3	$316.5	$119.0	6.7%	5.9%
AFDC[a]	6,311.6	2,908.0	5,751.3	2,626.0	-8.9	-9.7
SSI/SSP[b]	2,400.0	2,369.3	2,535.6	2,516.2	5.7	6.2
Special adults	3.0	3.0	3.0	3.0	—	—
Refugees	34.0	—	37.2	—	9.4	—
County administration[a]	1,452.8	358.8	1,732.8	432.2	19.3	20.5
Social services[a]	1,706.1	532.6	1,756.5	541.9	3.0	1.7
Community care licensing	10.8	8.1	10.6	7.5	-1.8	-7.1
Totals	**$12,215.0**	**$6,292.2**	**$12,143.5**	**$6,245.9**	**-0.6%**	**-0.7%**

[a] Includes county funds.

[b] Excludes SSI federal grant funds.

Departmental Support
Item 5180

Expenditures

Requested 1992-93	$316,462,000
Estimated 1991-92	296,720,000
Actual 1990-91	268,703,000

Requested increase $19,742,000 (+6.7 percent)

Fiscal Recommendations

Total recommended reduction	None

Findings and Recommendations

	Analysis Page
1. **State Administrative Costs Underbudgeted.** State operations costs to administer the Governor's proposed welfare reforms are underbudgeted.	165

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.

Overview of the Budget Request

The budget proposes expenditures of $316 million from all funds, including reimbursements, for support of the department in 1992-93. This is $20 million, or 6.7 percent, over the estimated current-year expenditures. Of the amount requested, $119 million is from the General Fund and $185 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 Departmental Support Budget Summary 1990-91 through 1992-93

(dollars in thousands)

	Actual 1990-91	Estimated 1991-92	Proposed 1992-93	Percent Change From 1991-92
Expenditures				
AFDC-family group and unemployed parent	$18,000	$17,925	$19,692	9.9%
AFDC-foster care	4,407	4,074	3,947	-3.1
Child support enforcement	12,358	18,575	27,535	48.2
Transitional child care	398	257	249	-3.1
SSI/SSP	442	536	610	13.8
Special adult	424	324	358	10.5
Food stamps	19,301	19,906	20,082	0.9
Refugee programs	5,272	4,578	4,907	7.2
Child welfare services	8,143	9,388	19,238	104.9
County services block grant	1,036	1,007	1,069	6.2
In-home supportive services	1,735	2,624	2,596	-1.1
Specialized adult services	751	279	247	-11.5
Employment programs	7,427	5,798	5,715	-1.4
Adoptions	9,700	9,223	10,586	14.8
Child abuse prevention	1,421	1,361	1,266	-7.0
Community care licensing	49,432	55,621	57,950	4.2
Disability evaluation	116,672	128,988	132,695	2.9
Administration	7,072	8,022	7,430	-7.4
Disaster relief	4,712	7,944	—	-100.0
Child care	—	290	290	—
Totals	**$268,703**	**$296,720**	**$316,462**	**6.7%**
General Fund	$103,819	$112,310	$118,986	5.9%
Federal funds	152,426	172,532	185,016	7.2
Reimbursements	11,412	11,021	11,895	7.9
State Legalization Impact Assistance Grant	648	621	—	-100.0
Other funds	398	236	565	139.4

This department, along with many other departments, has been subject to a variety of reductions over the past several years. Among these are unallocated reductions of 13 percent in state operations and 0.8 percent in local assistance from the General Fund in 1991-92. (These reductions are 5

DEPARTMENTAL SUPPORT—Continued

percent and 0.8 percent, respectively, of the department's total budget from all funds in those items affected.) These reductions are proposed to be carried over into 1992-93. In our companion document, *The 1992-93 Budget: Perspectives and Issues,* we discuss the impact of these reductions on various departments.

Table 2 shows the changes in the department's support expenditures that are proposed for 1992-93. As the table indicates, the proposed increase is due primarily to baseline adjustments.

Table 2

Department of Social Services Departmental Support Proposed 1992-93 Budget Changes

(dollars in thousands)

	General Fund	Other Funds	Total Funds
1991-92 Expenditures (revised)	$112,310	$184,410	$296,720
Baseline adjustments — position changes			
Workload-related budget change proposals	$16,189	$4,400	$20,589
Full-year funding of positions	715	287	1,002
Expiration of limited-term positions	-3,645	-3,533	-7,178
Reductions to fund price increase	-465	-47	-512
SLIAG program close-out activities	111	-242	-131
Salary savings adjustment	—	1,776	1,776
Early intervention program	—	-60	-60
Subtotals, position changes	($12,905)	($2,581)	($15,486)
Other baseline adjustments			
Statewide automated child support system	$819	$7,373	$8,192
GAIN basic education study	—	51	51
Reduce one-time MAP fair hearings	-164	—	-164
Reduce one-time disaster relief	-7,944	—	-7,944
Price increase	465	1,013	1,478
Eliminate one-time cost for disability evaluation program	—	-1,168	-1,168
Secured perimeters (Ch 1372/89 — (SB 481, Mello))	-32	—	-32
SWCAP reduction	—	129	129
Elimination of one-time reductions for Sections 1.2 and 3.9	—	2,087	2,087

Continued

	General Fund	Other Funds	Total Funds
Elimination of Board of Control reduction	2	—	2
Elimination of reappropriation:			
In-home supportive services court-ordered judgments	-265	—	-265
Child welfare services study	-110	—	-110
Subtotals, other adjustments	(-$7,229)	($9,485)	($2,256)
Policy proposals			
Welfare initiative	$1,000	$1,000	$2,000
1992-93 Expenditures (proposed)	**$118,986**	**$197,476**	**$316,462**
Change from 1991-92			
Amount	$6,676	$13,066	$19,742
Percent	5.9%	7.1%	6.7%

Proposed Position Changes

The budget requests a total of 4,180 positions in 1992-93. This is a decrease of 19 positions, or 0.4 percent, from the current year. The net decrease consists of a reduction of 410 positions offset by an increase of 392 positions. The reductions are primarily due to the unallocated General Fund reductions taken in the current year and being carried over into the budget year. Table 3 (please see page 166) shows the changes in the department's proposed positions for 1992-93.

Analysis and Recommendations

State Administrative Costs Underbudgeted

The department should report during budget hearings how it intends to deal with the underbudgeted administrative costs related to the Governor's proposed welfare changes.

As discussed in our analysis of the Aid to Families with Dependent Children (AFDC) Program, the budget proposes a package of significant welfare reforms, to take effect (pending enactment of legislation and receipt of waivers of federal statutes) on March 1, 1992. The budget includes $2 million ($1 million General Fund) in the current year and $4 million ($2 million General Fund) in the budget year for departmental administrative costs related to these proposed reforms. These costs would be incurred to obtain federal waivers, develop regulations, make computer system changes, negotiate and fund contracts for the waiver evaluations, and process appeals by AFDC recipients.

We estimate that state administration associated with the proposed reforms would result in higher costs than estimated in the budget. We

DEPARTMENTAL SUPPORT—Continued

estimate total one-time costs of about $25 million ($12.5 million General Fund) and ongoing costs of about $10 million ($5 million General Fund) annually until the evaluation and appeals process are completed. The department should be prepared to explain, during the budget hearings, whether it intends to absorb these costs within its baseline resources, and if so, how it intends to accomplish this.

Table 3

Department of Social Services Proposed Position Changes 1992-93

	Existing Positions	Reductions	Additions	Total Proposed Positions	Percent Change from Existing Positions
AFDC-family group and unemployed parent	333.7	-42.8	2.2	293.1	-12.2%
AFDC-foster care	54.8	-7.9	15.2	62.1	13.3
Child support	138.6	-11.7	0.2	127.1	-8.3
SSI/SSP	6.3	0.2	—	6.5	3.2
Special adult	6.6	—	—	6.6	—
Food stamps	269.3	-37.6	1.2	232.9	-13.5
Refugee cash assistance	15.3	-1.7	2.0	15.6	2.0
Immigration Reform and Control Act	6.2	-6.2	—	—	-100.0
Child welfare services	74.6	-27.0	38.6	86.2	15.5
County services block grant	16.4	-3.9	—	12.5	-23.8
In-home supportive services	33.7	-3.3	2.7	33.1	-1.8
Specialized adult services	8.1	-2.3	—	5.8	-28.4
Employment programs	79.5	-23.4	3.2	59.3	-25.4
Adoptions	163.8	-13.4	17.3	167.7	2.4
Refugee assistance services	54.4	-0.7	—	53.7	-1.3
Child abuse prevention	28.0	-9.4	—	18.6	-33.6
Community care licensing	1,130.0	-182.0	89.5	1,037.5	-8.2
Disability evaluation	1,699.2	-32.8	218.2	1,884.6	10.9
Administration	80.7	-4.5	1.3	77.5	-4.0
Totals	**4,199.2**	**-410.4**	**391.6**	**4,180.4**	**-0.4%**

Aid to Families with Dependent Children
Item 5180

Expenditures

Requested 1992-93	$5,268,578,000
Estimated 1991-92	5,860,717,000
Actual 1990-91	5,806,947,000
Requested decrease $592,139,000 (-10.1 percent)	

Fiscal Recommendations

Total recommended increase	$687,000
Recommendation pending	5,268,578,000

MAJOR ISSUES

- **Governor's Welfare Proposals.** The budget proposes enactment of legislation to implement numerous changes to the Aid to Families with Dependent Children Program, for a net General Fund savings (all Budget Bill items) of $71 million in the current year and $638 million in the budget year. We present some alternative approaches that would result in a lower level of savings in the short run, but which better reflect the job readiness of Aid to Families with Dependent Children Program parents while still offering the prospect of significant savings.

Findings and Recommendations

Analysis Page

AFDC (Family Group and Unemployed Parent)

1. **Aid to Families with Dependent Children (AFDC) Caseload Estimates Are Expected to Change in May.** Withhold recommendation on $5.3 billion ($2.6 billion General Fund) pending review of revised estimates. 176

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

2. **Proposal to Reduce Maximum Aid Payment (MAP) by 10 Percent.** The budget proposes legislation to reduce the MAP to all AFDC recipients by 10 percent. This reduction would be partially offset by an increase in food stamps, thereby resulting in a reduction of about 5 percent in the total income available to AFDC recipients. 182
3. **Proposal to Reduce MAP an Additional 15 Percent After Six Months.** The budget proposes legislation to reduce the MAP by an additional 15 percent for AFDC recipients (with some exceptions) after they have been on aid for six months. This reduction would be partially offset by an increase in food stamps, thereby resulting in an additional reduction of about 8 percent in total income available to AFDC recipients. 184
4. **Proposal to Exclude From the MAP Any Children Conceived While on Aid.** The budget proposes legislation to exclude, for purposes of determining a family's MAP, any children who are conceived while the family is on AFDC. Estimated savings are $34 million ($16 million General Fund) in 1992-93 but would increase significantly in subsequent years, reaching several hundred million dollars in 10 years. 185
5. **Proposal For a Residency Requirement.** The budget proposes legislation to provide that AFDC grants for persons who have been in California for less than 12 months be limited to the MAP in their former state of residence. While this proposal may result in some individuals deciding not to move to California, it is uncertain that it will reduce migration significantly. 186
6. **Proposal to Eliminate Pregnancy-Related Benefits.** The budget proposes legislation to eliminate all pregnancy-related AFDC benefits. We find that this proposal could result in a transfer of responsibility to the counties for many of those recipients who would lose these benefits. 187
7. **Budget Imposes Requirements on Teen Parents.** The budget proposes legislation to establish the Cal Learn Program, an incentive program for AFDC parents under age 19 to remain in school. To the extent this proposal increases school attendance, it would result in increased job readiness as well as additional school apportionment costs, potentially in the tens of millions of dollars. 187
8. **Budget Includes Savings Anticipated From "Reduced Dependency."** The budget includes grant savings of $146 million ($70 million General Fund) in 1992-93 from lower 188

caseloads because of the financial incentives to work due to the reduced grant levels contained in the proposed changes. While the Governor's proposals are likely to result in some reduction in caseloads, the budget estimate of savings must be viewed with caution.

9. **Delayed Implementation of Welfare Proposals Could Reduce Savings Substantially.** The budget assumes that the Governor's welfare proposals will be implemented on March 1, 1992. If full implementation is delayed until July 1, the estimated General Fund savings would be reduced by $71 million in the current year and from $120 million to $160 million in the budget year. 189

10. **Alternatives to the Proposed Welfare Reforms.** We present several alternatives to the Governor's proposals which better reflect the job readiness of AFDC parents while still offering the prospect of significant savings. 194

Foster Care

11. **Budget Proposes to Suspend Cost-of-Living Adjustment for Foster Care Group Homes.** The budget proposes legislation to suspend statutory rate increases for group homes for a savings of $12.4 million ($4 million General Fund). 197

12. **Budget Proposes to Increase Federal Funds for Wards of the Court in Foster Care.** Recommend that the Department of Social Services (DSS) reassess the budget estimate for incorporation in its May revision estimate. Budgeted savings appear to be overstated. 198

13. **Delayed Level-of-Care Assessment (LCA) Instrument.** Recommend legislation to extend provisions of current law to continue mental health certifications. Further recommend that the department report during budget hearings on progress achieved towards development of the LCA instrument. 199

Child Support

14. **California Parent Locator Service (CPLS) Merits Augmentation. Increase Item 5180-001-001 by $102,000 and increase Item 5180-001-890 by $585,000.** Recommend augmentation of $300,000 ($102,000 General Fund) to fund the statutory requirement that CPLS obtain information from the public utilities' data base. Further recommend Budget Bill language providing that the DSS restore in 1992-93 the CPLS's current-year budget reduction ($199,000 General Fund). 205

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

15. **Local Expertise Could Enhance State-Level Assistance.** Recommend that the department report on the feasibility of developing a team of experts from the counties in order to assist the department in conducting county program reviews. 207

Adoption Assistance

16. **Adoption Assistance Program (AAP) Report Has Not Been Submitted.** The *Supplemental Report of the 1990 Budget Act* requires the DSS to report to the Legislature on options for establishing standards for setting grant levels and the feasibility of placing time limits on state-only AAP benefits. This report was due March 1991 but has not been submitted. 207

General Program Statement

The Aid to Families with Dependent Children (AFDC) Program provides cash grants to certain families and children whose incomes are 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 684,000 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 113,200 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 63,200 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 13,400 children will receive assistance each month through this program.
- The Transitional Child Care Program provides cash payments to certain individuals who lose AFDC eligibility due to employment. In

the current year, an average of 1,420 families will receive assistance each month through this program.

Overview of the Budget Request

The proposed AFDC budget includes several major policy changes that result in significant net savings.

The budget anticipates expenditures of $5.8 billion ($2.6 billion General Fund, $2.7 billion federal funds, and $483 million county funds) for AFDC cash grants in 1992-93, including $919,000 in Control Section 23.5 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 1990-91 through 1992-93. The AFDC-FG Program accounts for $4.2 billion (all funds), or 70 percent, of total estimated grant costs of the three major AFDC programs (excluding child support collections). The Foster Care Program accounts for 16 percent and the Unemployed Parent Program accounts for 14 percent of the total.

Budget Proposes a Net Reduction in AFDC Expenditures in Current Year

The department estimates that AFDC expenditures in the current year will be *below* the amount appropriated in the 1991 Budget Act by $49 million ($14 million General Fund). This net expenditure decrease represents both expenditure increases due to baseline adjustments and offsetting expenditure reductions proposed in the Governor's Budget through major changes in existing law governing the program.

Baseline Adjustments. The baseline adjustments to *current-year* spending represent an increase of $134 million ($75 million General Fund), or 2.1 percent, over the amount appropriated in the 1991 Budget Act. Table 2 shows that the factors resulting in this increase include:

- A $198 million ($97 million General Fund) increase due to higher-than-anticipated AFDC-FG and U caseloads.
- An $8.2 million ($3.9 million General Fund) increase due to lower-than-anticipated savings from the 4.4 percent maximum aid payment (MAP) reduction.
- A $7.7 million ($3.7 million General Fund) decrease due to lower-than-anticipated costs to provide housing assistance to homeless AFDC families.
- A $4.3 million ($2.1 million General Fund) increase due to settlement of the *Sallis v. McMahon* lawsuit, which makes recipients receiving state disability insurance eligible for earned income disregards.

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Table 1

Department of Social Services
Expenditures for AFDC Grants by Category of Recipient
1990-91 through 1992-93

(In millions)

	Actual 1990-91		Estimated 1991-92		Proposed 1992-93	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
Recipient category						
Family group	$2,047.0	$4,542.7	$2,249.7	$4,693.6	$2,015.3	$4,214.0
Unemployed parent	406.9	894.9	468.3	976.9	394.2	824.0
Foster care	576.3	793.2	262.1	863.2	293.4	952.4
Child support collections	-102.8	-241.1	-139.5	-297.6	-155.9	-333.1
Child support incentive payments to counties	23.9	-1.4	27.1	—	28.5	—
Adoption Assistance Program	40.3	54.8	38.8	72.1	49.0	90.8
Transitional child care	2.1	4.1	3.3	6.7	3.3	6.7
Unallocated reduction	—	—	-1.8	-3.4	-1.8	-3.4
Subtotals	($2,993.7)	($6,047.2)[a]	($2,908.0)	($6,311.6)[a]	($2,626.0)	($5,751.3)[a]
AFDC cash grants to refugees						
Time-expired	($261.2)	($585.7)	($278.8)	($581.3)	($240.0)	($494.3)
Time-eligible	(3.7)	(4.2)	(—)	(9.1)	(—)	(8.8)
Totals	**$2,993.7**	**$6,047.2**	**$2,908.0**	**$6,311.6**	**$2,626.0**	**$5,751.3**

[a] Includes State Legalization Impact Assistance Grant.

- A $4.4 million ($2 million General Fund) increase due to lower-than-expected savings from existing fraud detection programs.
- A $53 million ($16 million General Fund) decrease due to lower-than-anticipated AFDC-FC caseload.
- A $26 million ($11 million General Fund) decrease due to higher-than-anticipated savings from child support collections. These collections offset AFDC grant expenditures.
- A $346,000 ($167,000 General Fund) increase due to an increase in aided persons resulting from phase-out of the IRCA exclusion period.

Under IRCA, undocumented persons seeking permanent resident status were excluded from public assistance programs for five years.

Proposed Policy Changes More Than Offset Baseline Increases. As noted above, the estimated reductions associated with the policy changes proposed in the budget for the current year would more than offset the baseline adjustments. The budget proposes policy changes that would result in reductions totaling $184 million ($89 million General Fund). As a result, the total funding proposed for the AFDC Program in 1991-92 represents a reduction of $49 million ($14 million General Fund), or 0.8 percent, below the amount appropriated in the 1991 Budget Act. The proposed policy changes are summarized in Table 2 and are discussed in detail below.

Budget Proposes Major Reductions in AFDC Expenditures in 1992-93

The budget proposes expenditures for AFDC grants in 1992-93 of $5.8 billion. This is $560 million, or 8.9 percent, below the total of $6.3 billion estimated for the current year. The total General Fund request of $2.6 billion is $282 million, or 9.7 percent, below the estimated $2.9 billion for the current year. These net expenditure decreases represent both expenditure increases due to baseline adjustments and offsetting expenditure decreases proposed in the Governor's Budget for major changes in existing law for the AFDC Program.

Baseline Adjustments. The baseline adjustments proposed for 1992-93 represent an increase of $654 million ($304 million General Fund), or 10.4 percent, over the department's revised estimate of expenditures in the current year.

Table 2 shows the factors resulting in the baseline expenditure increases for the AFDC Program in 1992-93. The major baseline changes not discussed elsewhere in this analysis are as follows:

- A $589 million ($284 million General Fund) increase due to increases in AFDC-FG and U caseloads.
- A $79 million ($38 million General Fund) increase due to an increase in aided persons caused by the phase-out of the IRCA exclusion period.
- A $13 million ($6.2 million General Fund) increase due to the statutory COLA for the AFDC need standard.
- A $61 million ($29 million General Fund) decrease due to the full-year effect of the 4.4 percent MAP reduction required by Ch 97/91 (SB 724, Maddy).
- A $23 million ($11 million General Fund) decrease due to expansion of existing fraud detection programs to additional counties.

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Table 2

Department of Social Services Proposed AFDC Budget Changes 1991-92 and 1992-93

(dollars in thousands)

	General Fund	All Funds
1991 Budget Act (Item 5180-101 and Control Section 23.5)	$2,921,984	$6,360,992
Adjustments to appropriations		
AFDC-Family Group (AFDC-FG) and AFDC-Unemployed Parent (AFDC-U)		
Baseline adjustments		
Increase in caseload	$96,512	$198,160
Reestimate of 4.4 percent maximum aid payment (MAP) reduction	3,900	8,174
Reestimate of AFDC homeless assistance costs	-3,731	-7,655
Court cases	2,076	4,311
Reestimate of fraud detection program savings	2,032	4,352
Public assistance for aliens legalized under the Immigration Reform and Control Act (IRCA)	167	346
Other	1,548	3,796
Policy changes		
10 percent MAP reduction	-81,195	-168,918
Elimination of AFDC pregnancy benefits	-5,959	-10,544
Residency requirement	-2,112	-4,383
Subtotals, AFDC-FG and U	($13,238)	($27,639)
AFDC-Foster Care (AFDC-FC)		
Decrease in caseload	-$16,371	-$53,232
Other changes	270	5,217
Subtotals, AFDC-FC	(-$16,101)	(-$48,015)
Child support enforcement		
Increase in collections	-$12,905	-$25,701
Increase in incentive payments	2,378	—
Subtotals, child support enforcement	(-$10,527)	(-$25,701)
Adoption Assistance Program (AAP) reestimate	$1,920	$1,884
Transitional Child Care reestimate	-2,486	-5,205
Total changes	**-$13,956**	**-$49,398**
1991-92 Expenditures (revised)	**$2,908,028**	**$6,311,594**

Continued

	General Fund	All Funds
1992-93 adjustments		
AFDC-FG and U		
Baseline adjustments		
Caseload increase	$283,744	$589,120
Public assistance for aliens legalized under IRCA	37,930	78,746
1992-93 COLA for the need standard	6,190	12,857
Full-year savings due to 4.4 percent MAP reduction	-29,217	-60,829
Savings due to expansion of existing fraud detection programs	-10,885	-22,649
Court cases	-4,040	-6,546
Other	-2,694	-6,152
Policy changes		
Reduction in MAPs (10 percent)	-205,906	-428,430
Reduction in MAPs (additional 15 percent)	-252,431	-525,038
Exclusion from grants of children conceived while on aid	-16,220	-33,715
Residency requirement	-12,880	-26,738
Elimination of pregnancy benefits	-32,099	-56,554
Reduction in welfare dependency	-70,000	-146,000
Subtotals, AFDC-FG and U	(-$308,508)	(-$631,928)
AFDC-FC		
Baseline adjustments		
Caseload and average grant increases	$15,366	$46,031
Foster care rate reform	20,977	56,558
Changes in federal eligibility requirements	4,809	—
Effect of past federal disallowances	-8,427	-8,870
Increased federal funds support for wards in foster care	-371	—
Other	-1,082	-5,253
Subtotals, AFDC-FC	($31,272)	($88,466)
Child support enforcement		
Baseline adjustments		
Increase in collections	-$16,399	-$35,544
Increase in incentives	1,445	—
Subtotals, child support enforcement	(-$14,954)	(-$35,544)
AAP, caseload and grant increases	$10,153	$18,705
Total adjustments	**-$282,037**	**-$560,301**
1992-93 Expenditures (proposed)	**$2,625,991**	**$5,751,293**
Change from 1991-92		
Amount	-$282,037	-$560,301
Percent	-9.7%	-8.9%

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

- A $6.5 million ($4 million General Fund) decrease due to the settlement of three court cases in prior years (*WRL v. Woods, Sallis v. McMahon,* and *Grimsey v. McMahon*).
- A $46 million ($15 million General Fund) increase in the AFDC-FC Program due to caseload growth and rate increases.
- A $57 million ($21 million General Fund) increase in the AFDC-FC Program primarily due to revising foster care group home rates pursuant to Ch 1294/89 (SB 370, Presley).
- A $4.8 million General Fund increase due to an audit by the federal Department of Health and Human Services (DHHS) regarding the eligibility requirements for the federal AFDC-FC Program.
- An $8.9 million ($8.4 million General Fund) decrease due to payment by the state in 1991-92 of a disallowed claim for federal payments in the AFDC-FC Program.
- A net $36 million ($15 million General Fund) savings from the Child Support Enforcement Program due primarily to a projected increase in collections for AFDC families.
- A $19 million ($10 million General Fund) increase in the Adoption Assistance Program due to caseload and grant increases.

Analysis and Recommendations

AFDC Estimates Are Expected to Change in May

We withhold recommendation on $5.3 billion ($2.6 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 1992-93 are based on actual caseloads and costs through June 1991, updated to reflect the department's caseload and cost projections through 1992-93. In May, the department will present revised estimates of AFDC costs based on actual caseload and grant costs through December 1991. 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 1992-93 expenditures. Therefore, we withhold recommendation on the amount requested for AFDC grant costs pending review of the May estimate.

Aid to Families with Dependent Children — Family Group and Unemployed Parent

AFDC-FG and U Caseloads Continue Rapid Growth

As shown in Table 2, the budget includes $668 million ($322 million General Fund) for projected increases in AFDC-FG and U basic and IRCA-related caseloads. The department estimates that the current-year AFDC-FG caseload will be 11.6 percent higher than in the prior year and anticipates an additional 10.8 percent increase in 1992-93. The department also estimates that the AFDC-U caseload will increase by 21.3 percent between the prior and current years and that it will grow an additional 9.6 percent in 1992-93.

Caseload Estimates Hide Effects of End of IRCA Exclusion Period. Included in these caseload data are estimates for the number of people that will be added to the AFDC Program because of IRCA. Under this act, undocumented persons who filed for amnesty were excluded from public assistance for five years. Individuals needing this assistance will become eligible for AFDC during 1992-93, resulting in a one-time increase in the number of persons aided. The department estimates that most of the newly eligible persons who are likely to become AFDC recipients already have one or more of their citizen children (children born in the U.S.) on AFDC. Thus, these newly eligible families will not significantly affect the *caseload* growth but will significantly affect the growth in the number of *persons* aided and therefore the program costs. Specifically, the department anticipates that this category will comprise about 12 percent of the increase in AFDC-FG persons aided and about 44 percent of the increase in the AFDC-U persons for 1992-93.

Recent Increase in "Children-Only" Cases. Recent caseload trends indicate a significant increase in children-only cases in both the FG and U programs. For example, the department estimates that children-only AFDC-FG cases will increase by about 24 percent in 1992-93 (about 199,000 average monthly cases in 1992-93) while AFDC-FG cases that include adults will increase by about 7 percent. The department identified two major components to the AFDC-FG child-only caseload: (1) citizen children — children born in the U.S. to undocumented or newly legalized persons — and (2) children in cases where the adult parents are excluded from AFDC for other reasons (such as SSI/SSP recipients and nonneedy relatives). Most of the child-only caseload growth is attributed to the citizen children cases.

Departments Differ in Caseload Estimates. The Department of Social Services (DSS) estimate for the combined increase in AFDC-FG and U recipients is 10.6 percent in 1992-93. In developing its Medi-Cal budget, however, the Department of Health Services (DHS) projects that the number of AFDC eligible persons will increase by only 5.3 percent in 1992-93. The primary reason for this discrepancy is that the departments differed in their

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

assumption about whether recent rapid caseload growth in the AFDC Program would continue throughout the remainder of 1991-92 and 1992-93. In May, the departments will have revised estimates based on more recent caseload and recipient data. Based on our discussions with the two departments, we expect to see less of a discrepancy between the two estimates in the May revision.

Projecting Caseloads Presents Challenges. There are several factors that affect one's ability to accurately forecast AFDC caseloads:

- ***The Economy.*** Performance of the economy affects caseload growth. This is a particularly important factor affecting changes in the AFDC-U caseload. Generally, increases in unemployment affect the AFDC-U caseload. There are differences of opinion, however, about the extent to which economic cycles affect the AFDC-FG caseload. To the extent recent caseload growth is caused by the current downturn, we can expect this growth to moderate as the economy improves.

  Structural changes in the labor market also may affect AFDC caseloads. For example, recent trends in the labor market include a relative increase in part-time jobs and a reduction in the percentage of small employers that provide health insurance and other benefits. To the extent these changes are permanent and affect AFDC caseloads, they could cause caseloads to be higher than expected after the economy recovers.

- ***Undocumented Persons.*** The federal Omnibus Budget Reconciliation Act of 1986 and Ch 1441/88 (SB 175, Maddy) extended emergency medical care and pre- and post-natal care to undocumented persons. As we discuss in our review of the Medi-Cal budget, this nontraditional portion of the caseload has been increasing at a very rapid rate as a result of these changes. Part of the children-only caseload growth may be attributed to these persons. It is not clear the extent to which this trend will continue.

- ***Effect of Supplemental Security Income/State Supplementary Program (SSI/SSP) Disabled Caseload Growth.*** At least one other factor may affect the future growth of the child-only caseload. Specifically, SSI/SSP disability cases are growing at about 7 percent annually. Many of these adults have children who are child-only AFDC cases.

Current-Year Statutory Changes in AFDC Grant Policy

Chapter 97 enacted several significant changes in AFDC grant determination policy.

Suspends AFDC MAP Cost-of-Living Adjustments (COLAs). Under Chapter 97, the statutory COLA provided to the AFDC MAP was suspended through 1995-96. The act also modified the COLA provided to the need standard, which is the basis for determining actual grants (up to the MAP). Prior to Chapter 97, both the need standard and the MAP received a COLA equal to the change in the California Necessities Index (CNI) for the prior calendar year (unless the COLA was reduced or suspended by the Legislature). Under current law, the need standard will receive a COLA equal to 70 percent of the CNI through 1995-96. Beginning in 1996-97, both the MAP and the need standard will receive full CNI COLAs. In summary, current law provides that from 1992-93 through 1995-96, the need standard will increase at 70 percent of the inflation rate while the maximum grants (received by recipients without income) will remain unchanged. The budget includes funding for the authorized need standard COLA in 1992-93.

Reduces MAPs by 4.4 Percent. Chapter 97 reduced the MAPs by 4.4 percent in 1991-92 while leaving the need standard at its 1990-91 level. Thus, a family of three with no income experienced an AFDC grant reduction of $31 per month. This family was eligible for an additional food stamps allotment of $9. Therefore, the net reduction in monthly benefits, including food stamps, was about $22.

Creates a "Fill-the-Gap" Budgeting System. Chapter 97 also changed the way AFDC grants are determined. In addition to lowering the MAP below the level of the need standard, Chapter 97 established the need standard rather than the MAP as the basis for determining AFDC grants when recipients have income. The effect of these changes was to create a "fill-the-gap" budgeting system, which allows AFDC recipients who have income (including employment earnings) to keep a portion of their income before their grants are reduced, thereby increasing the recipient's financial incentive to work.

We discussed this concept in the *Analysis of the 1991-92 Budget Bill* (please see page 765) and *The 1991-92 Budget: Perspectives and Issues* (page 189). Since the Governor relies on this financial incentive as part of the rationale for his welfare reform proposals, it is useful to briefly review how a fill-the-gap system operates.

- *Background.* The MAP is the largest grant a family can receive. It varies according to the number of family members in the AFDC household. The current MAP for a family of three, for example, is $663 per month. The need standard, which also varies by family size, is intended to be an estimate of the cost of basic necessities, such as housing, transportation, and food. The current-year need standard for a family of three is $694 per month.

  A family's grant is determined by deducting "countable income" from the need standard. All *unearned* income (income from sources other than employment), except for the first $50 per month of child support,

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

is considered countable income. Some of a recipient's *earned* income (income from employment), however, is disregarded. The disregards include child care expenses, a work expense allowance, and a specified "work incentive."

- ***Fill-the-Gap Budgeting.*** Under a fill-the-gap budgeting system, the AFDC grant is determined by subtracting countable income from the need standard rather than the MAP. The effect of this is to allow the family to keep any income up to the difference between the need standard and the MAP. We discuss the use of this system in our analysis of the welfare reform proposals (later in this write-up).

Table 3 illustrates the impact of fill-the-gap budgeting in the current year for AFDC grants. It shows that a family of three with $31 of countable income — for example, work earnings after deducting the allowable disregards — can, in effect, keep this $31 of income (the gap between the need standard and the MAP); whereas additional countable income (an increase in earnings from $31 to $200 in this case) is completely offset by grant reductions.

Table 3

Department of Social Services
Impact of "Fill-the-Gap" Budgeting for AFDC Grants
Family of Three
1991-92

	No Outside Income	Outside Income	Higher Outside Income
Need standard	$694	$694	$694
MAP	663	663	663
Gap	$31	$31	$31
Countable income[a]	—	$31	$200
AFDC grant[b]	$663	663	494
Total income available	**$663**	**$694**	**$694**

[a] Earned income less allowable work-related "disregards" and unearned income less the child support disregard.

[b] Need standard less countable income; limited to the MAP.

Other Work Incentives. Chapter 97 also requires the department to seek federal approval for two proposals that could provide AFDC recipients with additional financial incentives to work.

- ***100-Hour Rule.*** The department is required to seek a federal waiver in order to operate a statewide demonstration program to determine whether elimination of the 100-hour rule would induce more AFDC-U recipients to work. Federal law provides that if the principal wage earner in an AFDC-U household is employed more than 100 hours the family is ineligible for aid. The demonstration program is designed to determine whether this rule discourages work.

- *Earned Income Disregard.* Under current law, a recipient who receives income from employment receives a "work incentive" during the first 12 months of employment. During the first 4 months, the recipient can exclude the first $30 and an additional one-third of all earned income (after deducting a standard work expense allowance). During the next 8 months, the work incentive is only $30. The department, under Chapter 97, is required to seek federal approval to allow the $30 and one-third "earned income disregard" indefinitely in order to determine whether this would provide an additional incentive for AFDC recipients to work.

Governor's Welfare Reform Proposals

The major provisions of the Governor's proposed welfare reforms would significantly change the AFDC-FG and U programs. The General Fund fiscal impact of these changes is summarized in Table 4. It shows that the proposed changes would result in grant savings of $89 million in 1991-92 and $679 million in 1992-93. These savings would be partially offset by General Fund administrative and support services costs of $18 million in 1991-92 and $41 million in 1992-93. (The county administrative and support services costs are discussed in the county administration and social services items in this analysis.) These provisions would require legislation and, in most cases, a waiver of federal regulations.

Budget Proposes Four Changes That Would Reduce AFDC Grants

The budget contains four separate proposals that would have the effect of reducing AFDC grants below the levels specified in current law. These are (1) a 10 percent reduction in the MAP for all AFDC recipients, (2) an additional 15 percent MAP reduction for AFDC recipients (with some exceptions) who have been on aid for more than six months, (3) a prohibition on MAP increases for family size when additional children are conceived while the parent is on aid, and (4) a 12-month residency requirement, which limits grants for recipients who previously resided in another state.

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Table 4

Department of Social Services
General Fund Budget Summary
Governor's Welfare Reform Proposals
1991-92 and 1992-93

(In thousands)

	1991-92		1992-93	
	Grants	Administration/ Services	Grants	Administration/ Services
Proposals				
10 percent MAP reduction	-$81,195	$9,722	-$287,101	$5,210
15 percent additional MAP reduction	—	—	-252,431	7,312
Exclusion from MAP of children conceived while on aid	—	—	-16,220	33
Residency requirement	-2,112	622	-14,992	1,868
Elimination of pregnancy-related benefits	-5,959	-246	-38,058	-2,107
Savings due to reduced dependency	—	—	-70,000	-5,000
Minors required to live with adult relatives	—	7	—	22
AFDC Job Club	—	—	—	15,000
Cal Learn	—	596	—	1,900
Cal Learn child care	—	6,132	—	14,673
State administration	—	1,000	—	2,000
Totals	**-$89,266**	**$17,833**	**-$678,782**	**$40,911**

Proposal to Reduce MAP by 10 Percent

The budget proposes legislation to reduce the MAP to all AFDC recipients by 10 percent for a savings of $597 million ($287 million General Fund) in grants in 1992-93 and $169 million ($81 million General Fund) in the current year. The grant reduction would be offset partially by an increase in food stamps, thereby resulting in a reduction of about 5 percent in the total income available to AFDC recipients.

The budget proposes legislation to reduce the MAPs by 10 percent for all AFDC-FG and U recipients. Currently, the MAP ranges from $326 for a 1-person family to $1,403 for a family of 10 or more persons. Table 5 displays the effect of the proposed MAP reduction for family sizes between 1 and 5. It shows that the MAP for a family of 3, for example, would be reduced from $663 to $597.

Table 5

Department of Social Services
AFDC MAP and Need Standard
Budget Proposal Compared to Current Law
1992-93

		Maximum Aid Payment		
			Budget Proposal	
Family Size	Need Standard[a]	Current Law	First Six Months	After Six Months
1	$346	$326	$293	$249
2	568	535	482	410
3	704	663	597	507
4	836	788	709	603
5	953	899	809	688

[a] Assumes a CNI for 1991 of 1.94 percent, resulting in a COLA of 1.4 percent in 1992-93.

The Budget Proposal Would Reduce the Total Income Available to Families With No Outside Income by About 5 Percent. Table 6 illustrates this point. It shows that a family of three with no outside income would experience a grant reduction of $66 per month under the budget proposal (reduction from $663 to $597). Based on the most recent survey of AFDC recipients, about 678,000, or 85 percent, of AFDC families have no outside income and would therefore experience a reduction of 10 percent in their AFDC grants under the Governor's proposal. It is important to note, however, that these families could compensate for the decrease in their grants to the extent that they become employed and earn at least enough to offset the grant reduction. This can be accomplished because of the "fill-the-gap" budgeting system for AFDC grants, as discussed above.

Table 6

Department of Social Services
Reduced AFDC MAPs
Family of Three (Grants and Food Stamps)
With No Outside Income
1992-93

	Current Law	10 Percent MAP Reduction	15 Percent Additional MAP Reduction
MAP	$663	$597	$507
Need standard	704	704	704
AFDC grant	663	597	507
Food stamps	187	207	234
Total income available to family	**$850**	**$804**	**$741**

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Those families whose AFDC grants are reduced would be eligible for additional food stamps. This is because the amount of the food stamps allotment is determined, in part, by the families' income, which includes AFDC grants. For example, Table 6 shows that a family of three would have its grant reduced by $66 but would be eligible for $20 in additional food stamps, for a net reduction in total income of $46, or 5.4 percent.

Proposal to Reduce MAP an Additional 15 Percent After Six Months

The budget proposes legislation to reduce the MAP by an additional 15 percent for AFDC recipients (with some exceptions) after they have been on aid for six months, for a savings of $525 million ($252 million General Fund) in grants in 1992-93. The grant reduction would be offset partially by an increase in food stamps, thereby resulting in a further reduction of about 8 percent in total income available to AFDC recipients.

The budget proposes legislation to reduce AFDC MAPs by an *additional* 15 percent after a family (1) has been on assistance for more than 6 months or (2) went off aid after 6 months and returned to the program within 24 months. This reduction would not occur if all parents or caretaker relatives in the home are age 60 or over, disabled (receiving SSI/SSP or In-Home Supportive Services), the caretaker is a nonneedy relative, or all parents in the family (assistance unit) are under age 19 and attending high school or other equivalent schooling.

The Budget Proposal Would Further Reduce the Total Income Available to Families With No Outside Income by About 8 Percent. Table 6 shows the fiscal impact of this proposal on a family of three with no outside income. This family would experience an *additional* grant reduction of $90 under the budget proposal. The family, however, would be eligible for an additional food stamps allotment of $27. Thus, the net reduction in total income would be $63, or 7.8 percent. Based on the DSS's estimate, about 595,000, or 68 percent, of AFDC families per month would be subject to the additional 15 percent grant reduction, beginning in September 1992. As in the case of the 10 percent reduction in the MAP, these families could compensate for the decrease in their grants to the extent they become employed and earn at least enough to offset the grant reduction.

The Budget Estimate of Savings is Overstated. The budget assumes that the 15 percent additional grant reduction would result in savings of $525 million ($252 million General Fund) in lower grants. This estimate, however, is somewhat high because it fails to exclude teen parents under age 19, who are exempt from this reduction. There are an average of about 20,300 teen parents on AFDC each month, many of whom are in high school or could qualify for an exemption if they attend school. We anticipate that the department will adjust its estimate to reflect teen parents at the time of the May revision.

Proposal to Exclude From the MAP Any Children Conceived While on Aid

The budget proposes legislation to exclude, for purposes of determining a family's MAP, any children who are conceived while the family is on AFDC, for a savings of $34 million ($16 million General Fund) in 1992-93. Savings would increase significantly annually thereafter, amounting to several hundred million dollars in 10 years.

The budget proposes legislation that would exclude any children conceived when a family is receiving AFDC for purposes of determining the family's MAP (but not the need standard). Such children would continue to be excluded if the family leaves and returns to the program, unless the absence was for at least 24 consecutive months. Children excluded for purposes of determining the MAP would be eligible for both Medi-Cal benefits and food stamps.

Table 7 illustrates the impact of this proposal on grants and food stamps for a family that increases in size from two to three. Such a family (after birth of the additional child) with no outside income would experience a $253, or 38 percent, reduction in AFDC grants relative to current law ($663 to $410), but would be eligible for $76 in additional food stamps ($187 to $263). Thus, the family would incur a net reduction in total income of $177, or 21 percent.

We also note that this proposal would increase the work incentive substantially. As Table 7 shows, for example, under the budget proposal the gap between the need standard and the MAP increases from $158 ($568 less $410) to $294 ($704 less $410) for an additional child. As we explained previously, this permits an employed recipient to keep more earnings.

What Will Be the Fiscal Impact of This Proposal? Clearly, it will result in significant savings, particularly in the long term. The budget assumes that about 7 percent of all AFDC cases would have excluded children. The DSS estimates that this number could reach 22 percent of all cases in 10 years, assuming no change in behavior regarding decisions to have additional children. Irrespective of these behavioral decisions, the savings would increase significantly in comparison to current law, amounting to several hundred million dollars in 10 years.

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Table 7

Department of Social Services
Budget Proposal for "Maximum Family Grant" (Family Size Limit)
Family With No Outside Income
1992-93

	Current Law		Budget Proposal	
	Family of Two	Family of Three	Family of Two (MAP Family of Two)	Family of Three (MAP Family of Two)
MAP	$535	$663	$410	$410
Need standard	568	704	568	704
AFDC grant	535	663	410	410
Food stamps	137	187	263	263
Total income available to family	**$672**	**$850**	**$673**	**$673**

Proposal For a Residency Requirement

The budget proposes legislation to provide that AFDC grants for persons who have been in California for less than 12 months be limited to the MAP in their former state of residence, for a savings of $31 million ($15 million General Fund) in grants in 1992-93 and $4.4 million ($2.1 million General Fund) in the current year. While this proposal may result in some individuals deciding not to move to California, it is uncertain that it will reduce migration significantly.

The budget proposes legislation providing that AFDC recipients from another state, during their first 12 months of residence in California, receive a grant based on the lesser of the grant they would receive using California's eligibility requirements or the MAP in their former state. The estimate of savings is based on a departmental survey indicating that 7 percent of AFDC recipients lived in another state within the preceding 12 months.

Will This Proposal Reduce California's Attractiveness as a "Welfare Magnet"? The proposal appears to be based, in part, on the belief that families come to California because of its high AFDC grant levels. Some studies have identified a relatively small amount of movement among states by low-income families in order to take advantage of higher public assistance benefits. The findings, however, have been subject to criticism based on the statistical methods and data used. In addition, surveys conducted by states suggest that low-income families move for many of the same reasons that higher-income families do. Even if low-income families move to California for the relatively higher AFDC benefits, it is unclear whether a temporary grant reduction (12 months) such as that proposed in the budget would reduce migration significantly.

Proposal to Eliminate Pregnancy-Related Benefits

The budget proposes legislation to eliminate all pregnancy-related AFDC benefits, for a grant savings of $67 million ($38 million General Fund) in 1992-93 and $10 million ($6 million General Fund) in the current year. We find that this proposal could result in a transfer of responsibility to the counties for many of those recipients who would lose these benefits.

The budget proposes legislation to eliminate *all* AFDC pregnancy-related benefits. Under the State-Only AFDC-FG Program, grants are provided to pregnant women without other children during the first six months of pregnancy. The state also participates in the federally assisted AFDC Program for pregnant women without other children who are in their last three months of pregnancy (and for the month that their baby is born). In addition, current law provides for a $70 monthly special need payment to *all* pregnant women who are on AFDC under the state-only or federally assisted programs or the regular AFDC Program.

Under the budget proposal, these women would remain eligible for Medi-Cal benefits. If the pregnancy benefits are eliminated, however, a substantial number of the women who lose all of their AFDC benefits (those who have no other children) could apply for general assistance in the counties where they reside. Thus, the elimination of these programs would, in effect, transfer responsibility for many pregnant women to the counties.

Budget Imposes Requirements on Teen Parents

The budget proposes legislation to (1) require parents under age 18 to reside in the home of their parent or certain other adults in order to receive AFDC and (2) establish the Cal Learn Program, an incentive program for AFDC parents under age 19 to remain in school. To the extent this proposal increases school attendance, it would result in increased job readiness as well as additional school apportionment costs, potentially in the tens of millions of dollars.

Teen Parent's Residence. Under this proposal, parents under age 18 who receive AFDC would be required to remain in the home of their parent, legal guardian, adult relative, or in certain other living arrangements in order to receive aid. The proposal includes exceptions under which the teen could maintain a separate residence. This program requirement is optional under the federal Family Support Act of 1988 and would not require any federal approval other than acceptance of an amended state plan.

The budget does not reflect any savings from this proposal; however, to the extent that the teen parents stay with certain adults, such as parents or stepparents, part of the adult's income could be used to offset the teen parent's AFDC grant. This would result in unknown savings, probably less than $1 million ($475,000 General Fund).

Cal Learn Program. The budget proposes to create the Cal Learn Program for parents under age 19 who receive AFDC and have not completed high school. If these parents have no more than four absences and two unexcused absences per month in school, they would have their AFDC grant *increased* by $50. If these parents have more than two unexcused absences per month they would have their AFDC grant *reduced* by $50. Otherwise their grant would remain unchanged. The proposal provides for child care needed to attend school. (Please also see our analysis of the county administration item and the DSS social services programs.)

The budget assumes that the number of bonuses would equal the number of sanctions, resulting in no net savings or costs. We note, however, that to the extent the program increases school attendance, it will result in additional state apportionment costs, potentially in the tens of millions of dollars.

Budget Includes Savings Anticipated From "Reduced Dependency"

The budget includes grant savings of $146 million ($70 million General Fund) in 1992-93 from reduced dependency (lower caseloads) because of the financial incentives to work due to the reduced grant levels contained in the proposed changes. While the Governor's proposals are likely to result in some reduction in dependency, the budget estimate of savings must be viewed with caution.

The budget anticipates grant savings of $146 million ($70 million General Fund) to the AFDC-FG and U programs resulting from the various welfare reform proposals. The budget assumes that, in combination, the welfare reform proposals would make AFDC a less attractive alternative to non-AFDC options. Specifically, the budget assumes that there will be 4 percent fewer cases added each month and that discontinuances — those leaving assistance — will increase by 4 percent. The budget also assumes that the proposals would result in an additional 3 percent of AFDC families reporting employment earnings and that these earnings will, on average, exceed the amount needed to fill the gap between the need standard and MAP, therefore resulting in grant reductions.

While it is true that MAP reductions, residency requirements, and excluding children from grants would make nonwelfare alternatives relatively more attractive, the DSS was unable to provide any studies that suggest behavioral responses of the kind assumed in the budget estimates. Our review of fill-the-gap budgeting in other states indicates that this work incentive may be associated with a small increase in the percentage of AFDC families that report employment income. Closer examination of the data, however, suggests that most, if not all, of the increases found are attributable to a fill-the-gap system different than that employed by California. We discuss this in greater detail below.

In summary, while the Governor's proposal is likely to result in some reduction in dependency, the department's estimate of savings must be viewed with caution.

Waiver of Federal Requirements

Most of the proposals in the budget's welfare reform package require federal approval in the form of waivers of existing federal statutes. This is not the case for the Governor's proposals to (1) eliminate all pregnancy-related AFDC benefits and (2) require that all AFDC teen parents under age 18 remain at home. At the time this analysis was prepared, the waiver package was under development and the administration had initiated discussions with the federal DHHS. The DSS should be prepared to discuss the progress of these discussions during budget hearings.

Delayed Implementation Could Reduce Savings Substantially

The budget assumes that the proposed welfare reforms will be implemented on March 1, 1992. We estimate that if all the proposals are implemented on July 1, General Fund savings will be less than the amount budgeted by $71 million in the current year and from $120 million to $160 million in 1992-93.

As noted above, implementation of the budget proposals will require legislation and, in most cases, federal approval. Given these requirements and the controversial nature of the proposals, the budget assumption of a March 1 implementation date appears to be unrealistic. Delayed implementation of even a few months would reduce the General Fund savings in 1992-93 by $120 million to $160 million.

Evaluating the Governor's Welfare Reform Proposals

In presenting his welfare reform proposals, the Governor offers several reasons why reform is needed, including (1) the need to promote personal responsibility, (2) the need to reinforce the premise that AFDC is a temporary program, and (3) the need to make work an attractive alternative to AFDC. These are reasonable premises; but in evaluating the proposals, the Legislature needs to weigh the identified budgetary savings against its policy objectives for the AFDC Program and the potential impact of the proposed changes on needy families.

Impact of the Welfare Reforms

Fiscal Impact on Government. The budget estimates that the proposed reforms will result in significant savings to the federal, state, and county levels of government. Net General Fund savings are estimated to be $71 million in 1991-92 and $638 million in 1992-93, including the effect on administration. These savings would increase in subsequent years, due primarily to the provision prohibiting increases in the MAP for children conceived while a family is on aid. The savings would be offset, by an unknown amount, to the extent that the reductions in the MAPs and elimination of pregnancy benefits leads to a reduction in family incomes which, in turn, leads to an increase in the use of other public services such as health and foster care.

Impact on Families. The grant reductions proposed by the Governor would reduce the resources available to many families. In our analysis of the specific elements of the Governor's proposals, we described the effect the grant reductions would have on families affected by them. Chart 1 shows how California's *combined* AFDC grants and food stamps allocations (for a family of three) compare to the Poverty Income Guideline published annually by the DHHS. Under current law, California's combined maximum grant and food stamps benefit ($850) is equal to about 88 percent of the poverty guideline. Those subject to *both* the 10 percent and additional 15 percent reductions would have their resources reduced to about 77 percent of the guideline ($741).

To place California's combined grant and food stamps benefit in perspective, we also include in Chart 1 the comparable benefit levels in the 10 largest states. This illustrates that even after the 10 percent and 15 percent reductions, California's benefit level would still be higher than all but one of the other large states (New York).

Increasing the Percentage of Recipients Who Work

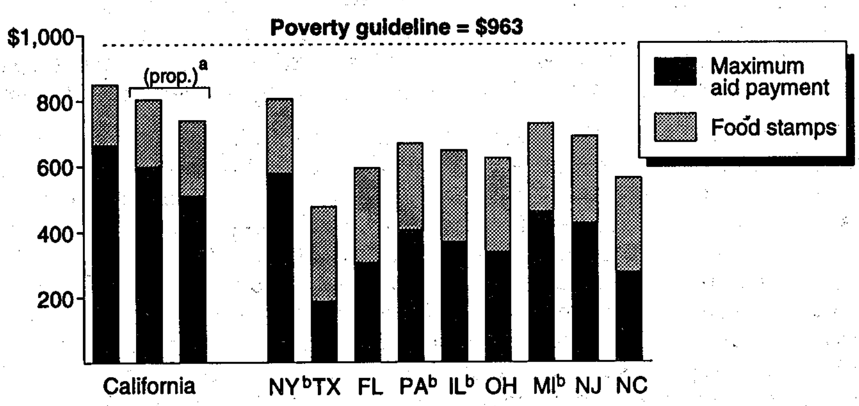
The impact of the reform proposals will depend largely on the degree to which they result in an increase in the percentage of recipients who are employed, thereby avoiding the financial loss that would result from reductions in the MAPs.

Increasing the Work Incentive. In our 1991-92 *Perspectives and Issues* report on the AFDC Program, we concluded that the program, as currently structured, offers relatively little financial incentive to work. There are two main sources of the work disincentives: (1) the grant levels when combined with food stamps often are higher than what could be earned by recipients through employment and (2) current rules allow working recipients to retain, at best, only a small part of each increment of income. In addition, persons who work are likely to weigh the possible loss of Medi-Cal benefits (after a transition period) if they lose AFDC eligibility. The two main sources of the disincentives are discussed below.

Chart 1

AFDC Program: Maximum Aid Payment and Food Stamps Allotment (Family of Three) Ten Largest States, January 1992

5180ch1



[a] The left-hand bar is the proposed 10 percent MAP reduction and the right-hand bar is the proposed additional 15 percent reduction.

[b] These states have regional MAPs. The MAP for the region with the largest AFDC caseload is shown.

Income From Public Assistance Compared to Earnings From Employment. An example helps to illustrate how a MAP reduction affects the work incentive. As noted previously, when the MAP (family of three) is $663, the total AFDC grant and food stamps resources available to the family amount to $850. In order to obtain an equivalent amount through employment ("break even"), this family would need to earn a gross income of about $1,350 per month, or $7.80 per hour. (These calculations include estimated child care and transportation costs, state and federal taxes, the earned income tax credit, and the renters credit, and assumes that the employer provides medical insurance coverage. If the employer does not provide medical coverage, the break-even level of earnings could increase by more than $2 per hour to reflect the cost of private medical coverage.) If the MAP is reduced to $507 (15 percent additional reduction), the total AFDC grant and food stamps resources available to the family are $741, and the break-even level of earned income, using the same assumptions as above, is $1,178 per month, or $6.80 per hour. Thus, the proposed reductions in the MAP would have the effect of lowering the break-even level of earned income,

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

making work a *relatively* more attractive alternative than it is now. For example, an AFDC recipient would more likely take a $7.25 per hour job under the proposed grant levels than under current law.

Some studies suggest that reducing MAPs would induce some increase in work by AFDC recipients. These studies, however, also show that changes in the MAP are unlikely to induce significant numbers of recipients to *leave* AFDC.

Effect of AFDC Rules on the Work Incentive. As discussed previously, a fill-the-gap system for determining grants can create additional work incentives for recipients because they can retain some of the income they earn. The Governor's proposals to reduce the MAPs would increase the gap, thereby increasing the amount of income a working recipient could keep.

In order to analyze the fill-the-gap budgeting method, we reviewed the grant determination procedures used in other states. We found that 14 states use a fill-the-gap approach. Of these, there were two different types of systems. Our review suggests that California's fill-the-gap budgeting method is likely to have only a small effect on the work incentive. We found that most of the employment effect identified was attributable to a fill-the-gap procedure different than that used in California. Several states (for example, North Carolina and Mississippi, where about 12 percent to 13 percent of AFDC cases report work earnings, compared to 9.5 percent in California) have a system — the "incremental" approach — that allows working recipients to retain a portion of each incremental dollar of earnings *beyond the amount of income needed to offset the gap.* The system used in California and most other fill-the-gap states does not provide the same incentive to earn income beyond the amount needed to offset the gap. There are many factors that could affect the percentage of recipients that report earned income, however, so these results must be interpreted with caution.

In summary, it is impossible to predict with accuracy the degree to which fill-the-gap budgeting will induce more AFDC recipients to work. Our review of other states, however, suggests that the impact may not be large but tends to be greater under the incremental approach. Those nonworking recipients who do not compensate for the MAP reductions through an increase in earnings will suffer a reduction in their standard of living, which will be significant recognizing that these families' incomes are currently below the federal poverty guidelines. It is therefore important, in assessing the budget proposal, to consider whether the reforms are based on reasonable *expectations* that AFDC recipients can obtain employment given their education levels and employment experience, combined with limited job opportunities.

Are AFDC Recipients Work-Ready?

In spite of the increased work incentives provided under the Governor's proposals, it may be difficult for AFDC recipients to obtain employment due to factors such as lack of training, low education levels and work experience, and the effect of the economy on job availability.

Lack of employment-related skills, including low educational attainment, is often cited as a major impediment to AFDC recipients returning to the labor force. Some studies show that low educational attainment is associated with a higher probability of staying longer on assistance.

Employment skills, job search training, and various kinds of "workfare" programs for AFDC recipients have been part of welfare reform efforts for many years. Recently, a number of experimental employment skills and job search programs have been evaluated. The findings show that, generally, those programs that included efforts to improve general education and develop usable job skills showed the largest net increase in average earnings for recipients who completed the program.

The Greater Avenues for Independence (GAIN) Program is California's primary employment training program for AFDC recipients and meets federal JOBS Program requirements. It is a more complex program and is more expensive per participant than most previous programs. The program, however, is not funded at a level sufficient to accommodate all "mandatory" and voluntary participants.

The GAIN Program is currently being evaluated by an independent consulting firm. A preliminary report is due this spring. (We discuss the Governor's job search training proposals and the GAIN Program later in this analysis.)

The downturn in the state's economy presents a significant challenge to existing and potential AFDC job seekers. The budget's projections of employment growth indicate that total nonagricultural employment will increase by only 73,000 jobs during 1992 and 342,000 jobs during 1993. These projections suggest that AFDC job seekers are likely to be faced with significant competition from currently unemployed people and other new job seekers, at least in the near term.

In summary, the relatively low level of education and employment experience of the typical AFDC parent, combined with limited job opportunities, suggests that it may not be possible for nonworking AFDC household heads to compensate for the proposed MAP reductions by obtaining a job. In this connection, we note that the Governor's proposal is inconsistent. While it exempts teen parents who are in school from grant reductions, it imposes them on those recipients who are making an effort to obtain the skills needed to secure employment by participating in the GAIN Program.

Alternatives to the Governor's Welfare Reform Package

We present several alternatives to the Governor's proposals which better reflect the job readiness of AFDC parents while still offering the prospect of significant savings.

Reforming AFDC is difficult because the families on assistance are there for different reasons and have different needs. Many of the families will leave the program within a relatively short period of time. On the other hand, many families have been on aid repeatedly or are long-term recipients. It is also important to note that only a small percentage of AFDC parents are working. The Governor's proposal attempts to address this problem by increasing the financial incentives for AFDC recipients — or potential recipients — to work.

Below we present several options to the Governor's proposal which, while resulting in a lower level of savings in the short run, reflect the likely employment prospects of AFDC recipients and could result in significant long-term savings.

1. Modify the Proposals to Reduce the MAP and Eliminate Pregnancy Benefits

Exempt Active GAIN Participants From the 15 Percent Additional MAP Reduction and Fully Fund GAIN. The Governor's proposal to reduce grants by an additional 15 percent after six months exempts disabled recipients and teen parents who are in school, but does not exempt GAIN participants. It seems reasonable, however, to exempt GAIN participants from this grant reduction, at least for a sufficient period of time to complete their training. Under this option, "active" GAIN participants (those participating in a program component, and not on deferral status) would be exempt from the proposed 15 percent grant reduction for a specified period of time — for example, an additional six months. This would also encourage participants to expedite their training. Under the proposed level of funding for GAIN, however, the program cannot accommodate all mandatory (essentially, those who have no children under age three) and voluntary participants. Therefore, full funding of GAIN is an integral component of this option.

We have asked the DSS to provide the Legislature with an estimate of (a) the reduction in savings from exempting GAIN participants from the 15 percent MAP reductions and (b) the costs of fully funding GAIN. We will review the estimate and comment on it during budget hearings.

Retain Pregnancy-Related Benefits for Women in Their Third Trimester. As discussed above, the Governor proposes to eliminate all pregnancy-related benefits under the AFDC Program. Research indicates that decisions to become pregnant are not likely to be driven directly by the availability of

AFDC benefits. Consequently, the budget proposal probably would have little impact in affecting such decisions and would therefore result in a reduction in benefits available to many low-income pregnant women unless they compensate by obtaining jobs. This alternative is likely to be infeasible for many of these women. Even for those who have jobs, continuation of employment during the latter months of pregnancy may be difficult.

We note that the federal government participates in the funding of AFDC pregnancy benefits during the third trimester. One option would be to limit pregnancy-related benefits to the third trimester of pregnancy unless a doctor certifies that the woman has health problems before that time. This option would reduce the budgeted savings by about $33 million ($22 million General Fund) in 1992-93 and $4.8 million ($2.7 million General Fund) in the current year.

2. Refine Work Incentives

We referred earlier in this analysis to recent legislative efforts to increase the work incentive in the AFDC Program. Specifically, Chapter 97 (a) created a fill-the-gap budgeting system for the program and (b) required the DSS to request a waiver to extend beyond the current four-month limit the "$30 and one-third" earned income "disregard" when calculating countable income. In this section, we present some additional ways to expand work incentives or make them more effective.

- *Change the Fill-the-Gap System to Increase the Work Incentive.* As discussed above, the fill-the-gap budgeting method chosen by California provides a work incentive only up to the amount of countable income needed to offset the gap; whereas other states (for example, North Carolina and Mississippi) use a procedure that allows a recipient to keep a portion of each increment of income. California could convert to such a procedure without a federal waiver.
- *Two-Tier Need Standard.* As explained above, the budget proposal would increase the gap between the MAP and the need standard (thereby increasing the work incentive) by *reducing* the MAP. The gap, of course, could also be increased by *raising* the need standard. This alternative, however, would increase the caseload because the need standard is the basis of the income eligibility threshold for the program. In order to avoid this problem, a federal waiver could be requested to adopt a two-tier need standard, under which the need standard for persons on aid for a specified period of time — six months, for example — would be higher than the currently authorized need standard. This is a way to increase the work incentive (the "gap") without increasing caseloads or reducing the MAP. This option, therefore, does not provide the immediate savings — or the potential adverse effects — associated with a MAP reduction.

3. Time-Limited AFDC Grants

While most families leave assistance in less than three years, there are a significant number who are on assistance for much longer spells. To address this problem, several members of the academic community have recently advocated limiting lifetime eligibility for AFDC recipients to some specified period (for example, four years). A family could use the benefits all at once or in increments; however, once the time limit was reached, the family would no longer be eligible for AFDC. One variation of the proposal would be to phase out the grant over a period of time so the recipient would not lose the grant all at once. In another variation, only the adult members of the family would be removed from the assistance unit once the time limit was reached — leaving the children on assistance.

We believe that any proposal to establish time-limited AFDC grants should consider programmatic efforts to increase access to employment training and other services needed by families to become self-sufficient when grant eligibility runs out. In addition, a time-limited grant proposal should consider provision for jobs in the public sector or with nonprofit organizations for those recipients who are unable to obtain private sector jobs but could instead "earn" their grant in this manner. This option could also include provision for emergency grant assistance for persons who are considered unemployable.

This proposal would result in additional "up front" costs in order to provide employment training and other services to recipients, but long-term savings would be substantial. Under a four-year limit, for example, General Fund savings in reduced grant expenditures could be over $1 billion annually, beginning four years from the date of implementation. This excludes the costs of any services that would be provided.

Aid to Families with Dependent Children-Foster Care

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

- ***Court Action.*** A juvenile court may place a child in foster care if the child has been abused, abandoned, or neglected and cannot be safely returned home. The court may also place a minor who has committed a criminal or status offense in foster care. In addition, a court may place a child in foster care if the child is beyond the control of his or her parent(s) or guardian(s). Finally, probate courts place children in guardianship arrangements for a variety of reasons.

- *Voluntary Agreement.* County welfare or probation departments may place a child in foster care pursuant to a voluntary agreement between the department and the child's parent(s) or guardian(s).
- *Relinquishment.* A child who has been relinquished for adoption may be placed in foster care by an adoption agency, prior to his or her adoption.
- *Individualized Education Program.* Since July 1986, an individualized education program team may place a child in foster care if it determines that the child (1) needs special education services, (2) is seriously emotionally disturbed (SED), and (3) needs 24-hour out-of-home care in order to meet his or her educational needs.

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

Budget Proposal. The 1992-93 budget proposes total expenditures of $952 million ($293 million from the General Fund, $434 million in county funds, and $225 million in federal funds). The total General Fund request for AFDC-FC represents an increase of $31 million, or 12 percent, above estimated 1991-92 expenditures.

Budget Does Not Provide COLAs for Foster Care Group Homes

The budget proposes legislation to suspend the statutory rate increases for foster care group homes, for a savings of $12.4 million ($4 million General Fund).

Chapter 1294, Statutes of 1989 (SB 370, Presley) requires cost-of-living increases in statutory rates for group homes of 1.94 percent in 1992-93, which is the percentage change in the CNI during the 1991 calendar year. The budget proposes legislation to suspend this COLA in the budget year. The department estimates that this proposal will result in savings of $12 million ($4 million General Fund, $6.1 million county funds, and $2.2 million federal funds).

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Savings From Increased Federal Funds Appear Overstated

We find that budgeted state savings due to increased federal support for wards of the court appear to be overstated. We recommend that the DSS reassess the budget estimate by collecting additional data, and incorporate this in its May revision estimates.

Background. The DSS estimates that there are currently 5,700 wards of the court residing in foster family homes or foster care group homes in California. Under federal law, California is permitted to claim federal foster care funds for foster care grant costs. Specifically, the federal government will pay for 50 percent of the foster care grant costs of wards if (1) the ward's family was receiving, or was eligible to receive, an AFDC grant in the month in which the minor was placed in foster care and (2) the ward is placed in a foster family home or a *nonprofit* group home. The foster care costs for wards of the court who do not meet these eligibility criteria are supported by the state-only foster care program, for which the state pays 40 percent and the counties pay 60 percent of the costs.

Budget Proposal. The 1991-92 budget includes a $15.5 million increase in federal funds for foster care grants related to additional federally eligible wards, and corresponding reductions in General Fund ($6.2 million) and county ($9.3 million) support. The 1992-93 budget proposes to increase this amount of federal funds by $929,000 (total federal funds of $16.4 million) with corresponding reductions in General Fund ($371,000, or $6.6 million total) and county ($555,000, or $9.8 million total) support. This increase is based on an assumption that county probation departments can and will claim federal funding for additional wards, pursuant to administrative instructions from the DSS promulgated in March 1991.

Estimated Savings From Increased Federal Funds May Be Overstated. The budget estimate of savings from increased federal funds in the current year and the budget year appears to be overstated. It assumes that 50 percent of the wards are eligible for federal funding, as of July 1, 1991. According to information provided by the department, however, during the first three months of 1991-92 *only 34 percent* of the wards in foster care were federally eligible, which is about the same percentage eligible in 1990-91.

The department's assumption that the state will receive federal funding for 50 percent of the wards in foster care is based on a report prepared under contract with the DSS by a private consulting firm. Our review, however, indicates that the report simply assumed that a 50 percent rate could be achieved through better administrative procedures. The contractor did *not* review any individual cases to determine the potential for increased federal participation. To date, the department has not attempted to develop a more accurate estimate of the percentage of wards in foster care that could receive federal funding.

Our analysis indicates that the department's estimate of savings is likely to be overstated in the current year by as much as $15.5 million ($6.2 million General Fund and $9.3 million county funds) and may be overstated by a similar amount in the budget year if the percentage of federally eligible wards does not increase to 50 percent.

At the time this analysis was prepared, the DSS indicated that the Chief Probation Officers of California had convened a task force to develop additional administrative procedures intended to increase the percentage of foster care wards who are federally eligible. According to the DSS, these procedures are expected to be implemented in the current year. We expect that the department will have more detailed information over the next few months on the progress made towards the implementation of the proposal. In addition, we believe that it would be possible for the department to develop a more accurate estimate of the fiscal effect of the proposal by conducting a survey of the eligibility characteristics of wards in selected counties. This information would allow the department to more accurately estimate the extent to which the federal eligibility of wards in foster care could be increased. Our analysis indicates that this kind of fiscal and programmatic information will be necessary in order for the Legislature to fully evaluate the budget proposal. For this reason, we recommend that the DSS collect additional data and, if appropriate, revise the budget estimates at the time of the May revision.

Delay in Developing Level-of-Care Assessment Instrument Could Have Adverse Impacts

We find that the department's delay in developing a level-of-care assessment (LCA) instrument could reduce the level of services to foster children with special mental health treatment needs. We recommend the enactment of legislation extending the provisions of current law in order to authorize continuation of these services until the LCA instrument is implemented. We further recommend that the department report on its progress made towards the development of the LCA instrument.

Background. Chapter 1294, as amended by Ch 46/90 (SB 1176, Royce) and Ch 610/91 (AB 1727, Hunter), requires the DSS to develop an LCA instrument to match the assessed needs of children placed in foster care group homes with the services provided by group homes, as classified by 14 reimbursement rates known as rate classification levels (RCLs). To comply with the Legislature's intent to make necessary mental health services available to children in foster care, the LCA instrument would include (1) mental health needs assessment guidelines for assessing the specialized treatment needs of any foster children requiring RCL 13 or 14 (the highest levels) group home care and (2) specific criteria for determining when a mental health assessment should be conducted pursuant to the guidelines.

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Chapter 46 provides that no group home facilities that would otherwise qualify for RCL 13 or 14 (and the corresponding reimbursement levels) can be classified at these RCLs *until* the LCA instrument is in place. The LCA instrument was initially required to be implemented by July 1, 1990. Because this requirement was not met, group homes were not authorized to receive reimbursements at RCL 13 or 14 in 1990-91 and there was no requirement that children receive mental health assessments in accordance with the mental health needs guidelines. Chapter 610 subsequently extended the deadline for the development of the LCA instrument until July, 1, 1992. However, the DSS indicates that it will not be able to complete the instrument until July 1, 1994. The budget proposes $293,000 and the continuation of 5.5 limited-term positions for the development and implementation of the LCA.

Department's Revisions to the LCA Instrument Have Resulted in Delays. Our review indicates that the delays in the development of the LCA instrument are attributable to the department's efforts to broaden the scope of the instrument. These changes include:

- Expanding the target population for the LCA instrument to include *all* foster children (family home and group home) rather than assessing only foster care children in group homes as required under current law.
- Replacing the currently authorized LCA instrument, which matches the assessed needs of foster children to RCLs, with a new mechanism that incorporates actual levels of service provided.
- Implementing a pilot test of the LCA instrument and phasing in the instrument once the pilot has been completed.

Delays in Implementation of the LCA Instrument May Inadvertently Reduce Services to Children with Specialized Treatment Needs. Chapter 610 established a temporary mechanism for the payment of RCL 13 and 14 rates, operative *only* in the current year, to allow additional time for the development of the LCA instrument. Specifically, the act authorizes a group home under certain circumstances to qualify for RCLs of 13 and 14 provided that county mental health departments certify that (1) each child (with specified exceptions) in the facility is classified as severely emotionally disturbed (SED) and (2) the facility includes a treatment program suited to the mental health needs of the children. These provisions reflect the Legislature's intent to make necessary mental health services available to foster children.

Our review indicates that because the LCA instrument will not be completed by July 1, 1992, the department's authority to reimburse RCLs of 13 and 14 will *terminate* as of this date. As a result, group homes classified at these levels would be reimbursed at a lower rate (RCL 12). This could result in a reduction in the level of mental health certification services provided to SED children in group homes. The DSS indicates that facilities classified at RCL 12 (or any lower level) are not required to meet the mental health certification requirements established under the temporary mechanism of Chapter 610.

In order to carry out the Legislature's intent to make mental health care services available to foster care children with special needs, we recommend the enactment of legislation extending the temporary mechanism established under Chapter 610 until the LCA instrument is developed. Because the funds for providing these certification services are already included within the proposed budget, no additional funding would be required. We further recommend that the DSS report to the Legislature at the time of budget hearings on (1) the increase in the level of mental health treatment services provided in the current year by group home facilities of RCL 13 and 14 pursuant to Chapter 610 and (2) the progress made towards developing the LCA instrument.

Child Support Enforcement

Background. The child support enforcement program is 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, 47.5 percent state, and 2.5 percent county).

Counties receive *"incentive payments"* from the state and the federal government designed to encourage them to maximize collections. The incentive payments, essentially, are based on each county's child support collections.

The federal government allocates to the states an incentive payment based on a percentage (usually 6 percent to 6.5 percent for California) of AFDC and non-AFDC collections, with the percentage varying according to the state's ratio of collections to program costs. In California, the state supplements

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

these funds and distributes the combined federal and state incentive payments to counties based on a specified percentage of total AFDC and non-AFDC collections.

Pursuant to Ch 1647/90 (AB 1033, Wright), the counties will receive up to 11 percent of total collections in 1992-93, increasing annually by 1 percent through 1995-96. The actual amount that counties receive will consist of a minimum "base" rate and an additional percentage depending on their performance with respect to (1) compliance with federal and state regulations and audit criteria and (2) two specific components of the administrative process: establishment of paternities and establishment of support orders. The minimum base rate in 1992-93 is established at 9 percent, decreasing by 1 percent annually through 1995-96. Counties can earn an additional 2 percent in 1992-93 for compliance with state and federal regulations, increasing annually by 1 percent through 1995-96. Finally, counties that qualify for the compliance incentive rates can earn an additional 1 percent in 1993-94 for their performance on the aforementioned two components of the administrative process, increasing by 1 percent annually through 1995-96.

Table 8 summarizes the new system for distributing incentive payments.

Table 8

Department of Social Services
Child Support Incentive Payments to Counties
1992-93 through 1995-96

	Base Rate[a]	Compliance Rate[a]	Performance Rate[a]	Total[a]
1992-93	9 %	2 %	—	11 %
1993-94	8	3	1 %	12
1994-95	7	4	2	13
1995-96	6	5	3	14

[a] Applied to total child support collections (AFDC and non-AFDC).

Fiscal Impact of Program. As Table 9 shows, the child support enforcement program will provide an estimated *net savings* of $119 million to the state's General Fund and $10 million to the counties in 1992-93. It is estimated that the federal government will spend $86 million more in 1992-93 than it will receive in the form of grant savings.

Table 9

Department of Social Services
Child Support Enforcement Program
1992-93

(in thousands)

	General Fund	Federal Funds	County Funds	Total
Program costs				
County administration	$2,642	$175,955	$83,488	$262,085
State administration	5,391	22,144	—	27,535
Incentive payments	28,517	48,308	-76,825	—
Savings				
Welfare collections	-155,905	-160,551	-16,640	-333,096
Net fiscal impact	**-$119,355**	**$85,856**	**-$9,977**	**-$43,476**

Table 9 does *not* show one of the major fiscal effects of the child support enforcement program: its impact on AFDC caseloads. To the extent that child support collections on behalf of non-AFDC families keep these families from going on aid, they result in AFDC grant avoidance savings. While AFDC grant avoidance is one of the major goals of the child support enforcement program, it is not shown in the table because, unlike the other fiscal effects of the program, there is no way to directly measure the savings that result from grant avoidance.

Collections and Recoupments. The major objective of the child support enforcement program is to assure the collection of support obligations. Therefore, one measure of the performance of the program is its total collections. Table 10 shows the change in statewide collections of child support from 1982-83 through 1990-91. As the table shows, statewide collections increased at an average annual rate of 10.5 percent during this period.

Although total collections are an important indicator of program performance, collection data alone do not measure the extent to which the program reduces the amount of public funds spent on welfare. A commonly used measure of program success in this regard is the percentage of AFDC grant expenditures actually recouped through the child support enforcement program (the "recoupment rate"). Table 11 shows the recoupment rate from 1982-83 through 1990-91. During this period, the state recouped an average of 6.2 percent of state, federal, and county expenditures through the child support enforcement program.

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Table 10

Department of Social Services Statewide Child Support Collections[a] 1982-83 through 1990-91

(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
1989-90	246.4	267.1	513.5	7.7
1990-91	287.8	300.6	588.4	14.6
Average annual increase				10.5%

[a] Data provided by Child Support Management Information System, Department of Social Services. Figures for 1990-91 do not tie to Governor's Budget because of differences in the accounting and reporting of the data.

Table 11

Department of Social Services Child Support Enforcement "Recoupment Rates"[a] All Counties 1982-83 through 1990-91

	Rate
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
1989-90	5.9
1990-91	6.3
Average rate	6.2%

[a] AFDC collections as percent of grant expenditures.

California Parent Locator Service

We recommend that the department's budget for contractual services provided by the California Parent Locator Service (CPLS) be augmented by $300,000 ($102,000 General Fund and $198,000 federal funds) in order to fund the statutory requirement that the CPLS obtain, for a fee, information from public utility companies regarding the location of absent parents who have child support obligations. (Increase Item 5180-001-001 by $102,000 and increase Item 5180-001-890 by $198,000.)

We further recommend that the Legislature adopt Budget Bill language providing that the DSS restore in 1992-93 the current-year budget reduction ($199,000 General Fund) reflected in the department's contract with the CPLS. We recommend deferring until the May revision the resolution of the question of accomplishing this through an augmentation or a redirection from within the DSS's budgeted resources. (Increase Item 5180-001-890 by $387,000.)

The CPLS, administered by the Department of Justice, is responsible for assisting county district attorneys in locating absent parents who have, or may have, child support obligations. The locator service is funded with state and federal matching funds through an interagency contract by the DSS. Total funding in the current year is $3.3 million ($1.1 million General Fund), which is 18 percent below the prior-year level of funding. This reduction was implemented by the DSS in order to help meet the department's budget reductions.

Information From Public Utilities. While the interagency contract to support the CPLS in the budget year has not been negotiated, the DSS's budget does not include additional funding — either in the current or budget years — for a new statutory requirement enacted by Ch 110/91 (SB 101, Hart). This act requires the public utility companies to provide to the CPLS, for a fee to cover the utilities' costs, information regarding the location of absent parents. The CPLS estimates that this will cost $100,000 in one-time expenditures and $200,000 in annual ongoing expenditures.

We believe that it is important that this new activity be funded, not only because it is required by statute but also because it will likely be cost-effective for the state. The location of absent parents is a key component of the child support enforcement process. As of June 30, 1991, the counties reported over 440,000 unlocated parents, of whom about 75 percent were from AFDC families. County child support program administrators whom we contacted indicated that information provided by the utilities is likely to be very helpful in locating absent parents.

As noted above, the state realizes substantial savings from the collection of child support. A 1 percent increase in AFDC collections, for example, would offset state expenditures for AFDC grants by about $1.5 million. While we cannot predict the impact of implementing the requirements of

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Chapter 110, it is apparent that the potential savings are far in excess of the costs. Consequently, we recommend that the DSS's budget be augmented by $300,000 ($102,000 General Fund and $198,000 federal funds) in 1992-93.

This new activity could result in some increase in child support collections in the budget year, thereby resulting in AFDC savings to the state, federal, and county governments. We are uncertain, however, when an appreciable amount of savings will begin to be achieved. Consequently, we make no recommendation to increase the budgeted level of savings.

Restoration of Current-Year Reduction. We are also concerned about the 18 percent reduction in funding incurred by the CPLS in the current year. According to CPLS, the number of locate requests received by the office during the first six months of 1991-92 increased by 58 percent over the corresponding period in the prior year. This workload increase, in conjunction with the funding reduction, has significantly reduced the CPLS's response time, thereby decreasing the probability that local child support enforcement offices will locate the absent parents. In addition, the lack of adequate funding has prevented the CPLS from initiating new projects, such as developing automated access to data bases maintained by the Department of Health Services and the major credit bureaus in the state.

Given the substantial increase in workload and the potential savings associated with CPLS activities, we recommend that baseline funding for the service be restored to the 1990-91 level. This will require either an augmentation of $199,000 from the General Fund (and $387,000 in matching federal funds) or a redirection from within the department's budget. In order to better assess funding options, we recommend deferring until the May revision the resolution of the question of how this restoration of funding should be accomplished.

In order to implement both components of this recommendation, we suggest adoption of the following Budget Bill language:

> The department shall allocate $3,560,000 in its 1992-93 contract with the California Parent Locator Service.

Legislative Options to Increase Savings From Child Support Program

In January 1992, we published a report, *California's Child Support Enforcement Program.* This report is also included in our *1992-93 Budget: Perspectives and Issues.* To summarize briefly, we found that under the existing system of administering and funding the program, counties have a fiscal incentive to hold administrative spending down to relatively low levels, even though increased spending is likely to be cost-beneficial — potentially resulting in major savings from increased recoupments — from a statewide perspective.

In order to change the existing set of incentives that affect decision making on program funding, we presented two options for the Legislature. Under the first option, the responsibility for administration and funding of the program would be transferred from the counties to the state. In the second option, the state would provide a state-funded incentive payment to augment program funding, based on each county's efficiency as measured by the ratio of the marginal increase in child support collections to the marginal increase in administrative costs.

Local Expertise Could Enhance State-Level Assistance

We recommend that the department report, during the budget hearings, on the feasibility of developing and using a team of experts from the counties in order to assist the department in conducting reviews of county programs.

The DSS can play an important role in the child support enforcement program by reviewing county programs and providing technical assistance. The department, in fact, has organized a new division within its child support bureau specifically to conduct reviews in connection with provisions of Chapter 1647 and language in the *Supplemental Report of the 1990 Budget Act.* Staff in the division, however, are relatively new to this field. We suggest, therefore, that the department build staff expertise by conducting intensive field visits to those counties that have demonstrated relatively high levels of recoupment and, in particular, those counties that have managed to combine this with high levels of efficiency.

We also recommend that the department, with the assistance of the Family Support Council (consisting primarily of county program directors), develop a team of experts on program administration, selected from the county programs. To the extent possible, this team would assist the department in conducting reviews of low-performing counties. The department should be prepared to comment, during the budget hearings, on the feasibility of implementing this proposal in the budget year.

Adoption Assistance Program

Report on Program Grants Has Not Been Submitted

The Supplemental Report of the 1990 Budget Act requires the DSS to report to the Legislature on (1) options for establishing standards for adoption workers to follow in setting Adoption Assistance Program (AAP) grant levels and (2) the feasibility of placing time limits on state-only AAP benefits. The report was due on March 1, 1991 but has not been submitted.

In our *Analysis of the 1990-91 Budget Bill,* we examined the reasons for the rapid growth in AAP grant costs. We found that the primary reason for the rapid growth in the grant costs is the lack of state controls on the amount of grants adoptive parents are eligible to receive. Specifically, we found that the

AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

AAP is unique among the major grant programs operated by the DSS in that it allows individual county adoption workers broad discretion in determining both the amount and the beginning date of the grants. In addition, we found that the lack of statewide standards for adoption workers to use in setting the amount and the beginning date of the grants results in large variations in adoption assistance grants across counties. (Please see our *Analysis of the 1990-91 Budget Bill,* page 715 for further discussion of this issue.)

Department's Report to the Legislature Should Provide Options for Controlling Costs in the AAP. Recognizing that there was a need for better cost controls on the AAP, the Legislature adopted language in the *Supplemental Report of the 1990 Budget Act* that required the department to report to the Legislature by March 1, 1991 on (1) options for establishing standards for adoption workers to follow in setting AAP grant levels and (2) the feasibility of placing time limits on "state-only" AAP benefits. We anticipate that this report will identify options for controlling cost increases in the AAP. At the time this analysis was prepared, the department had not submitted the required report. The department should be prepared to comment on the report during budget hearings.

We note that the budget proposes to continue the current-year trigger-related reduction of $3 million ($1.6 million from the General Fund) for the AAP. The department indicates, however, that the reduction will not be made in the current year because (1) the program is an entitlement, and therefore all eligible cases must be funded regardless of budgeted levels, (2) funding requirements are anticipated to *exceed* budgeted amounts by $2 million, and (3) cost control mechanisms are not currently in place. Accordingly, absent some change in the program, it is likely to incur a deficiency that will eliminate the savings expected from the reduction.

State Supplementary Program for the Aged, Blind, and Disabled

Item 5180

Expenditures

Requested 1992-93	$2,535,575,000
Estimated 1991-92	2,399,950,000
Actual 1990-91	2,303,725,000
Requested increase $135,625,000 (+5.7 percent)	

Fiscal Recommendations

Total recommended reduction	None
Recommendation pending	$2,535,575,000

MAJOR ISSUES

- **Food Stamps.** The budget proposes legislation to eliminate the food stamps "cash-out" program for SSI/SSP recipients, for a net savings of $73 million from the General Fund.

Findings and Recommendations

	Analysis Page
1. **SSI/SSP Estimate.** Withhold recommendation on $2.5 billion from the General Fund pending review of revised estimates in May.	213

General Program Statement

The Supplemental Security Income/State Supplementary Program (SSI/SSP) provides cash assistance to eligible aged, blind, and disabled persons. Persons may be eligible for the SSI/SSP Program if:

- They are age 65 or older, blind, or too disabled to work.
- Their income is less than the SSI/SSP payment standards.

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

- Their resources do not exceed $2,000 for individuals or $3,000 for couples (this cap does not apply to the value of such significant assets as a home or automobile).

The maximum grant received by an SSI/SSP recipient varies according to the recipient's eligibility category (aged, blind, or disabled), other income, and living situation.

In California, the federal government administers the SSI/SSP Program through local Social Security Administration (SSA) offices. The federal government pays the cost of the SSI grant and all costs of program administration. 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. The federal government, however, pays for the SSP grants for newly legalized persons through the State Legalization Impact Assistance Grant (SLIAG).

The federal government annually provides a cost-of-living adjustment (COLA) to SSI/SSP recipients, increasing the amount of the SSI payment by the percentage increase in the Consumer Price Index (CPI). Under Ch 97/91 (SB 724, Maddy), the statutory annual COLA provided by the state has been suspended through calendar year 1996. In addition, Ch 94/91 (AB 385, Epple) requires the "pass-through" of all federal COLAs through calendar year 1996. The effect of the federal COLA pass-through is to keep SSP grants at their current level while the SSI grant increases, thus allowing recipients to receive the benefit of the federal COLA.

Overview of the Budget Request

The proposed SSI/SSP budget is essentially a workload budget, except for the proposal to eliminate the food stamps cash-out program.

The budget proposes an appropriation of $2.5 billion from the General Fund for the state's share of the SSI/SSP Program in 1992-93. This is an increase of $147 million, or 6.2 percent, over estimated current-year expenditures. The budget also includes $19 million from federal SLIAG funds for grants to newly legalized persons under the federal Immigration Reform and Control Act (IRCA). When these funds are included, the total proposed appropriations are an increase of $136 million, or 5.7 percent, above estimated current-year expenditures.

The budget also assumes that federal expenditures for SSI grant costs will be $2.7 billion. This is an increase of approximately 15 percent over estimated federal expenditures in the current year. The combined state and federal expenditures anticipated by the budget for the SSI/SSP Program are $5.3 billion, an increase of $497 million, or 10 percent, above estimated current-year expenditures. Table 1 shows SSI/SSP expenditures by category of recipient and by funding source, for the years 1990-91 through 1992-93.

Table 1

Department of Social Services
SSI/SSP Expenditures
1990-91 through 1992-93

(dollars in thousands)

Category of Recipient	Actual 1990-91	Estimated 1991-92	Proposed 1992-93	Percent Change From 1991-92
Aged	$1,316,232	$1,410,402	$1,524,066	8.1%
Blind	126,957	129,763	134,459	3.6
Disabled	2,930,821	3,237,671	3,616,345	11.7
Totals	**$4,374,010**	**$4,777,836**	**$5,274,870**	**10.4%**
Included in Budget Bill:				
General Fund	*$2,282,545*	*$2,369,310*	*$2,516,245*	*6.2%*
Federal funds (reimbursements for refugees)	*414*	—	—	—
State Legalization Impact Assistance Grants	*20,960*	*30,640*	*19,330*	*-36.9*
Subtotals, Budget Bill	*($2,303,919)*	*($2,399,950)*	*($2,535,575)*	*(5.7%)*
Not included in Budget Bill:				
SSI grants	*$2,070,091*	*$2,377,886*	*$2,739,295*	*15.2%*

Table 2 shows the factors resulting in the 1992-93 net increase of $497 million in SSI/SSP expenditures. The changes and adjustments that are not discussed later in this analysis are:

- A $467 million ($216 million General Fund) increase to fund an anticipated 7.6 percent caseload growth.
- A $111 million ($340,000 General Fund) increase due to 1992 and 1993 federal COLAs.
- A $6 million increase in the General Fund due to payments pursuant to settlement of the *Zebley v. Sullivan* lawsuit, which increased eligibility for children with developmental disabilities.
- A $25 million ($13 million General Fund) increase in retroactive payments to disabled recipients due to a backlog of applications caused by a shortfall of federal funding for the Disability Evaluation Division.

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

- A $24 million decrease in federal funds due to reductions in IRCA-eligible caseload (recipients who have ended their five-year exclusion from public assistance programs). These recipients continue to receive SSI/SSP benefits through the regular SSI/SSP Program.

Table 2

Department of Social Services SSI/SSP Budget Changes 1992-93

(dollars in thousands)

	General Fund	All Funds[a]
1991 Budget Act	$2,471,970	$4,987,044
1991-92 adjustments to appropriations		
Lower caseload growth	-$82,901	-$171,600
Lower retroactive payments to disabled	-12,363	-25,667
Other	-7,396	-11,941
Subtotals	(-$102,660)	(-$209,208)
1991-92 Expenditures (revised)	$2,369,310	$4,777,836
1992-93 baseline adjustments		
Caseload increase	$216,222	$466,793
1992 and 1993 federal COLAs	340	111,386
Court case	6,066	6,066
Retroactive payments to disabled	12,637	25,305
Decrease in IRCA and SLIAG costs	—	-24,186
Program change		
Elimination of food stamps "cash-out" program	-88,330	-88,330
Subtotals	($146,935)	($497,034)
1992-93 Expenditures (prop.)	**$2,516,245**	**$5,274,870**
Change from 1991-92		
Amount	$146,935	$497,034
Percent	6.2%	10.4%

[a] Includes federal SSI payments not appropriated in the state budget, Control Section 23.5 payments under SLIAG, and the General Fund amount.

Analysis and Recommendations

Budget Proposes to Eliminate Food Stamps Cash-Out for SSI/SSP Recipients

The budget proposes legislation to eliminate the food stamps cash-out program for SSI/SSP recipients for a net savings of $73 million from the General Fund.

Under current federal law, California is allowed to provide cash in lieu of food stamps to eligible SSI/SSP recipients (referred to as the food stamps "cash-out"). The cash is included as part of the state's share of the SSI/SSP grant. In lieu of providing cash, the budget proposes to reduce the SSP grant and permit SSI/SSP recipients to receive food stamps. This would result in savings to the state ($88 million in grant savings, offset by costs of $15 million for administration) and increased costs to the federal government because food stamps are federally funded. Currently, California is the only state that provides cash in lieu of food stamps.

Elimination of the food stamps cash-out would reduce the SSI/SSP grant by $10, and recipients would be eligible for $10 in food stamps. In order to obtain these food stamps, however, the recipient would have to apply at a county welfare office. (Our discussion of the administrative costs of this proposal is included in our analysis of the County Administration of Welfare Programs item.)

We note that this proposal could result in a net loss of household benefits for some SSI/SSP recipients — specifically, when an SSI/SSP recipient is part of an Aid to Families with Dependent Children (AFDC) family (for example, an SSI/SSP parent with an AFDC child). Under current law, the SSI/SSP recipient's grant is not counted as income when the AFDC recipients in the household apply for food stamps. If the cash-out is eliminated, the *combined* income (both SSI/SSP and AFDC grants) of the household would be considered when determining eligibility for food stamps. The increase in "countable" family income would result in a reduction in food stamps. At the time we prepared this analysis, the department was unable to provide information on the fiscal effect of this interaction; however, based on a recent department survey of AFDC records, as many as 50,000 families could be adversely affected in this manner. The department should be prepared to comment on this issue during budget hearings.

Estimates Will Be Updated in May

We withhold recommendation on $2.5 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 SSI/SSP are based on actual caseload and cost data through July 1991. The department will present revised estimates

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

in May, which will be based on program costs through February 1992. Because the revised estimates will be based on more recent experience, the estimates will provide the Legislature with a more reliable basis for budgeting 1992-93 expenditures.

Special Adult Programs
Item 5180

Expenditures

Requested 1992-93	$3,034,000
Estimated 1991-92	3,034,000
Actual 1990-91	3,135,000

Fiscal Recommendations

Total recommended reduction	None

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 care and maintenance allowance for guide and assistance dogs to blind SSI/SSP recipients, and (3) Temporary Assistance for Repatriated Americans Program, which provides assistance to needy U.S. citizens returning from foreign countries.

Overview of the Budget Request

The budget proposes no workload or program changes for the Special Adult programs.

The budget proposes an appropriation of $3 million from the General Fund and $75,000 from the Federal Trust Fund for the Special Adult programs in 1992-93. This is unchanged from estimated current-year expenditures and the amount appropriated in the 1991 Budget Act.

Refugee Cash Assistance Programs
Item 5180

Expenditures

Requested 1992-93	$37,203,000
Estimated 1991-92	33,997,000
Actual 1990-91	36,902,000
Requested increase $3,206,000 (+9.4 percent)	

Fiscal Recommendations

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 the 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.

Overview of the Budget Request

The proposed budget for the Refugee Cash Assistance (RCA) programs is essentially a workload budget.

The budget proposes expenditures of $37.2 million in federal funds in 1992-93 for cash assistance to time-eligible refugees through the RCA programs. This is an increase of $3.2 million, or 9.4 percent, above estimated current-year expenditures. The increase is primarily the result of anticipated caseload growth.

County Administration of Welfare Programs
Item 5180

Expenditures

Requested 1992-93	$1,436,342,000
Estimated 1991-92	1,212,121,000
Actual 1990-91	758,466,000
Requested increase $224,221,000 (+18.5 percent)	

Fiscal Recommendations

Total recommended reduction	160,000,000

Findings and Recommendations

Analysis Page

1. **Budget Overestimates Spending for County Administration. Reduce Item 5180-141-001 by $66 million and reduce Item 5180-141-890 by $94 million.** Recommend reducing the budget estimate of current-year spending for county administration by $171 million ($60 million General Fund) and the proposed budget-year spending by $189 million ($66 million General Fund), based on more recent data on actual current-year spending by the counties. 220

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 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.

Overview of the Budget Request

The budget for the county administration of welfare programs includes several program changes resulting in significant cost increases.

The budget proposes appropriations of $432 million from the General Fund as the state's share of the costs that counties will incur in administering welfare programs during 1992-93. This is an increase of $73 million, or 20 percent, over estimated current-year General Fund expenditures for this purpose. The $432 million does not include any funds for the state's share of the ongoing costs of the cost-of-living adjustment (COLA) granted by the counties to their employees during 1991-92. Thus, the counties will have to pay for the state share of the 1992-93 costs of the 1991-92 COLAs that were granted by the counties. Counties will pay for any COLAs granted to county employees in 1992-93 by using county and federal funds. Under existing procedures, the state will fund its share of the ongoing costs resulting from COLAs granted in 1992-93, starting in 1993-94.

Table 1

Department of Social Services
County Welfare Department Administration
1990-91 through 1992-93

(in thousands)

	Actual 1990-91		Estimated 1991-92		Proposed 1992-93	
	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds
AFDC administration	$141,650	$502,304	$266,925	$703,359	$305,000	$800,725
Nonassistance food stamps	40,247	240,416	94,232	410,049	112,131	480,851
San Diego food stamp cash out[a]	—	48,500	—	111,400	—	143,300
SSI/SSP food stamps	—	—	—	—	15,000	30,000
Child support enforcement	—	209,339	1,014	236,188	2,642	262,085
Special adult programs	2,268	2,268	2,473	2,544	2,473	2,548
Refugee cash assistance	—	10,220	—	6,658	—	7,149
Adoption assistance	295	590	621	1,282	773	1,580
Staff development	3,344	13,287	6,092	17,975	6,753	19,924
Transitional child care	772	1,544	870	1,739	870	1,739
Unallocated reduction	—	—	-13,401	-38,411	-13,401	-38,411
Totals	**$188,576**	**$1,028,468[b]**	**$358,826**	**$1,452,783[b]**	**$432,241**	**$1,711,490[b]**

[a] Amounts shown are to provide cash grants in lieu of food stamps 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.

COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued

The budget proposes total expenditures of $1.7 billion for county administration of welfare programs during 1992-93, as shown in Table 1. This is an increase of $259 million, or 18 percent, over current-year expenditures and includes funds appropriated in Control Section 23.5.

Baseline Adjustments. Table 2 shows the budget adjustments that account for the net $259 million (all funds) increase in county administration expenditures proposed for 1991-92. The baseline adjustments proposed in the budget are as follows:

- A $184 million ($55 million General Fund) increase due to (1) projected caseload growth in the various welfare programs administered by the counties and (2) increased costs per worker, resulting primarily from the COLAs that counties provided their employees in 1991-92.
- A $32 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 $13 million ($4.5 million General Fund) increase in expenditures for the Statewide Automated Welfare System (SAWS). (We discuss this item further below.)
- A $6.8 million ($1.4 million General Fund) increase in expenditures for various administrative initiatives in the child support program, which are required by existing federal and/or state law. The largest single initiative is the continued funding of additional staff and automated systems in order to improve Los Angeles County's child support collections ($5.1 million federal and county funds).

Table 2

Department of Social Services
County Administration of Welfare Programs[a]
Proposed 1992-93 Budget Changes

(dollars in thousands)

	General Fund	All Funds
1991-92 Expenditures (revised)	$358,826	$1,452,783
Baseline adjustments		
Increased basic program costs	$55,354	$183,607
San Diego County food stamp cash out	—	31,900
Statewide automated welfare system	4,547	13,413
Child support administrative initiatives	1,401	6,842
Other	-1,424	-3,108
Subtotals, baseline adjustments	($59,878)	($232,654)
Policy proposals		
Reduction in MAPs (10 percent)	-$4,512	-$12,827
Reduction in MAPs (additional 15 percent)	7,312	20,784
Exclusion from grants of children conceived while on aid	33	93
Residency requirement	1,246	3,542
Elimination of pregnancy benefits	-1,861	-5,290
Operation of the Cal Learn Program	1,304	3,709
Requirement that teen parents on aid live with parents	15	42
Savings from reduced dependency	-5,000	-14,000
Elimination of SSI/SSP food stamp cash out	15,000	30,000
Subtotals, policy proposals	($13,537)	($26,053)
1992-93 Expenditures (proposed)	$432,241	$1,711,490
Change from 1991-92		
Amount	$73,415	$258,707
Percent	20.5%	17.8%

[a] Item 5180-141 and Control Section 23.5.

Policy Changes. As discussed in our analysis of the AFDC Program, the budget proposes several significant changes, effective March 1, 1992. These proposals — which would require legislation and, in most cases, waivers of federal law — would result in the following changes in county administration costs in 1992-93:

- A $13 million ($4.5 million General Fund) reduction in costs due to the proposal to reduce AFDC maximum aid payments (MAPs) by 10 percent. This is the change in costs between 1991-92 ($28 million) and 1992-93 ($15 million).

COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued

- A $21 million ($7.3 million General Fund) expenditure to administer the proposal to reduce AFDC MAPs an additional 15 percent for certain recipients.
- A $93,000 ($33,000 General Fund) expenditure to administer the proposal to exclude, for purposes of determining AFDC grants, children who are conceived while their parents are receiving AFDC.
- A $3.5 million ($1.2 million General Fund) expenditure increase for the proposed 12-month residency requirement for AFDC grants. The budget includes costs of $1.8 million ($922,000 General Fund) for the program in 1991-92.
- A $5.3 million ($1.9 million General Fund) expenditure decrease for the proposed elimination of all AFDC-related pregnancy benefits. The budget includes $698,000 ($246,000 General Fund) of savings in the 1991-92 fiscal year because the programs would be eliminated during the current year.
- A $3.7 million ($1.3 million General Fund) increase for the proposed Cal Learn Program. The budget includes $1.7 million ($596,000 General Fund) in costs for the program in 1991-92.
- A $42,000 ($15,000 General Fund) increase for the proposal to require certain teen parents to live with their parents or an adult relative in order to receive AFDC. The budget includes costs of $20,000 ($7,000 General Fund) for this provision in 1991-92.
- A $14 million ($5 million General Fund) savings because of a reduction in the number of recipients due to increased incentives to leave AFDC as a result of the reduction in benefits.

In summary, the total costs of these proposals over two years is $56 million ($20.2 million General Fund). This consists of net costs of $26 million ($9.2 million General Fund) for county administration in 1992-93 and $30 million ($11 million General Fund) in 1991-92.

Finally, the budget includes a policy proposal for an increase of $30 million ($15 million General Fund) for administration of the Food Stamp Program for Supplemental Security Income/State Supplementary Program (SSI/SSP) recipients. We discuss this proposal below.

Analysis and Recommendations

Budget Overestimates Spending for County Administration

We recommend reducing the budget estimate of current-year spending for county administration by $171 million ($60 million General Fund) and the proposed budget-year spending by $189 million ($66 million General Fund),

based on more recent data on actual current-year spending by the counties. (Reduce Item 5180-141-001 by $66 million and reduce Item 5180-141-890 by $94 million.)

The proposed expenditures for county administration of welfare programs in 1992-93 are based on 1991-92 budgeted costs updated to reflect the department's caseload estimates for 1992-93. According to the department, recent county expenditure data indicate that estimated current-year spending will be $171 million ($60 million General Fund) *below* the amount estimated in the budget. Because the current-year estimate is the basis for the amount proposed in the budget year, we estimate that the budget proposal for 1992-93 is overbudgeted by $189 million ($66 million General Fund), after adjusting for projected caseload growth. Consequently, we recommend that the budget be reduced in the current and budget years to reflect the most recent data available.

In May, the department will present revised estimates of county costs based on revised caseload estimates and county costs in 1991-92. In addition, the May estimate will incorporate changes reflected in approved county cost control plans for 1992-93. We also note that the administrative costs of the proposed welfare reforms and the SSI/SSP changes are, as noted above, dependent on changes to existing law as well as receipt of the required waivers.

We will revise our recommendation for county administration, as appropriate, after reviewing the May revision and any adjustments needed to reflect the Legislature's actions on the Governor's welfare proposals.

Cost to Administer SSI/SSP Food Stamp Eligibility Is Uncertain

The budget proposes $30 million ($15 million General Fund and $15 million federal funds) to administer the Food Stamp Program for persons in the SSI/SSP Program. Currently, SSI/SSP recipients receive a $10 payment as part of the state-funded SSP portion of their grant in lieu of eligibility for food stamps. The budget proposes to end this "cash-out" program (for a General Fund savings of $88 million in SSP grants) and instead permit SSI/SSP recipients to apply for food stamps. The counties would experience increased costs due to the need to determine eligibility of SSI/SSP recipients who would apply for food stamps. These costs would be shared by the state and the federal government. The actual costs for determining eligibility would depend on the number of recipients who apply for food stamps and the manner in which their eligibility is determined. The department currently is negotiating with the federal Food and Nutrition Service regarding an acceptable eligibility determination process. Therefore, actual administrative costs could be higher or lower than the $30 million estimate ($15 million General Fund and $15 million federal funds) shown in the proposed budget.

We discuss this proposal in more detail in our analysis of the SSI/SSP Program.

SAWS Development Suspended Pending Review

The budget proposes $28 million ($11 million General Fund, $14 million federal funds, and $3 million county funds) for development of the SAWS in 1992-93. This is an increase of $13 million, or 8.9 percent, over the current year. Past SAWS development funding has resulted in pilot testing of two different county-based automated eligibility and benefit determination systems. These systems appear to perform well and have comparable capabilities. While each of these systems potentially could exchange information with a state-level automated system, they cannot exchange information directly with each other because they employ distinctly different designs.

In order to determine the best course of action to expand county automation, the department has imposed a six-month suspension on development of SAWS. This suspension, which ends in June 1992, was implemented in order to give the department an opportunity to identify a development strategy that includes several elements missing from past departmental plans. These include (1) determining which of the two systems to implement in order to ensure intercounty compatibility, (2) identifying resource needs in order to support statewide implementation, (3) identifying the most effective design of state-level data bases and communication links for the system, and (4) identifying how best to link SAWS with other major systems currently under development.

The outcome of this evaluation is important since it will define the development of SAWS for the next several years. Therefore, the department should be prepared to advise the Legislature during budget hearings on the SAWS review and planning process.

Cal Learn Costs Appear to Be Underbudgeted

The budget proposed legislation to create a Cal Learn Program for teen parents under age 19 who have not graduated from high school. As we discussed in our analysis of the AFDC Program, the Cal Learn Program would provide bonuses or impose sanctions on teen parents based on their school attendance. The budget includes funding for the administrative costs of this program of $5.4 million ($1.9 million General Fund) in 1992-93 and $1.7 million ($596,000 General Fund) in the current year. We are unable to determine whether this funding is adequate since the department has not developed implementation plans. Experience with similar programs in Wisconsin and Ohio, however, suggest that start-up costs could be more than anticipated in the budget.

The budget proposal also fails to include any provision for school district costs due to additional requirements to track and report attendance of teen parents who receive AFDC. These costs, which are unknown but potentially more than $1 million annually, would be state-reimbursable mandated costs unless the Cal Learn Program is approved by a vote of the electorate as part of the Governor's proposed initiative for the November 1992 ballot.

Social Services Programs

Item 5180

Expenditures

Requested 1992-93	$1,339,533,000
Estimated 1991-92	1,288,285,000
Actual 1990-91	1,408,183,000
Requested increase $51,248,000 (+4 percent)	

Fiscal Recommendations

Total recommended reduction	6,000,000
Recommendation pending	$34,000,000

MAJOR ISSUES

- **In-Home Supportive Services Program Underfunded.** The budget proposal is $82 million ($47 million General Fund) less than the amount required to fund the projected need for services in the In-Home Supportive Services Program.

Findings and Recommendations

Analysis Page

Child Welfare Services

1. **Los Angeles County Case-Count Study Will Affect Child Welfare Services Allocation.** Recommend that the Department of Social Services (DSS) report during budget hearings on the results of the county's October 1991 case-count study. 229
2. **Los Angeles County Fails Second Compliance Review.** Recommend that the DSS report during budget hearings on (a) the status of Los Angeles County's efforts to increase compliance with program requirements, (b) the county's plans to meet compliance standards, and (c) potential county sanctions. 231
3. **Emergency Response Screening Guidelines May Affect Program Funding Requirements.** Recommend that the DSS report during budget hearings on the impact of the department's new guidelines for screening reports of child abuse or neglect. 233
4. **Delays in Development of Case Management System (CMS). Reduce Item 5180-001-001 by $4.5 million and reduce Item 5180-001-890 by $1.5 million.** Recommend reduction due to overbudgeting caused by delays in the development of the child welfare services CMS. 234

In-Home Supportive Services

5. **Proposed Funding Level is Insufficient to Accommodate Projected Service Need.** The budget proposal is $82 million less than the amount projected to be needed. The impact would be a reduction in the level of services provided. We present some alternatives on how program costs could be controlled. 237
6. **Uniformity Assessment Tool is Inadequate.** The department's Uniformity Assessment Tool for the program does not result in the intended uniform level of services to recipients. We recommend that the department report, during budget hearings, on the feasibility of using standardized ranges for the authorized hours of service, based on county-reported data. 240
7. **Statutory Cost-of-Living Adjustment (COLA) Not Funded.** The budget proposes legislation to eliminate the COLA, for a savings of $1.9 million ($1.3 million General Fund) in 1992-93. 244

Employment Services

8. **Greater Avenues for Independence (GAIN) Program.** The proposed funding for the GAIN Program could be more than $200 million ($60 million General Fund) below the amount needed to fully fund the program. 247
9. **Aid to Families with Dependent Children Job Club Program.** Withhold recommendation on proposed new program ($15 million General Fund and $15 million federal funds) pending submission and review of a detailed plan for administering the program and coordinating it with the GAIN Program. 248
10. **Employment Opportunities Program.** Withhold recommendation on proposed new program ($2 million federal funds and $2 million reimbursements) pending submission and review of a detailed expenditure plan. 248
11. **Coordinate Proposed Cal Learn Program to Maximize Federal Funds.** Recommend the department report on the feasibility of coordinating the Cal Learn Program with the GAIN Program and the School-Age Parenting and Infant Development Program in order to maximize federal funds. 249

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, (2) County Services Block Grant, (3) In-Home Supportive Services (IHSS), (4) 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 block grant are transferred to Title XX services each year.

Overview of the Budget Request

The budget proposal for social services programs reflects baseline adjustments and policy proposals to (1) increase funding for employment services (Aid to Families with Dependent Children Job Club) and child care services (Cal Learn Program) and (2) decrease funding due to proposed service level reductions in the IHSS Program.

SOCIAL SERVICES PROGRAMS—Continued

The budget anticipates that spending for social services programs in 1992-93 will total $1.8 billion. The budget proposes expenditures of $544 million in state funds ($542 million General Fund and $2.1 million State Children's Trust Fund), $767 million in federal funds, and $28 million in reimbursements to support social services programs in 1992-93. In addition, the budget anticipates that counties will spend $411 million from county funds for these programs. Thus, Table 1 displays program expenditures and funding sources for these programs in the past, current, and budget years.

Table 1

Department of Social Services Social Services Programs Expenditures from All Funds 1990-91 through 1992-93[a]

(dollars in thousands)

	Actual 1990-91	Estimated 1991-92	Proposed 1992-93	Percent Change From 1991-92
Expenditures				
Child welfare services	$479,405	$529,962	$515,120	-2.8%
County services block grant	86,600	87,511	94,168	7.6
In-home supportive services	655,182	742,237	743,934	0.2
Maternity home care	1,661	2,510	2,510	—
Access assistance for deaf	3,442	3,304	3,304	—
Employment services[b]	217,861	211,462	245,462	16.1
Child care	—	48,711	65,793	35.1
Adoptions	31,774	29,385	30,793	4.8
Refugee assistance	28,480	38,206	37,406	-2.1
Child abuse prevention	12,088	12,822	12,282	-4.2
Totals	**$1,516,493**	**$1,706,110**	**$1,750,772**	**2.6%**
General Fund	*$744,285*	*$532,617*	*$541,919*	*1.7%*
Federal Trust Fund	*659,879*	*727,517*	*767,305*	*5.5*
County funds	*108,310*	*417,825*	*411,239*	*-1.6*
State Children's Trust Fund	*1,284*	*1,967*	*2,144*	*9.0*
Reimbursements	*2,735*	*26,184*	*28,165*	*7.6*

[a] Includes actual 1990-91 and anticipated 1991-92 and 1992-93 county expenditures.

[b] Excludes General Fund expenditures for GAIN that are appropriated in other Budget Bill items. Table 5 in our analysis of the GAIN Program in this item displays all the funds appropriated in the Budget Bill for the GAIN Program.

Significant Budget Changes

Table 2 shows that the proposed level of expenditures from all funds for social services programs in 1992-93 represents an increase of $45 million, or 2.6 percent, above estimated current-year expenditures. This proposed increase consists of (1) a General Fund increase of $9.3 million, or 1.7 percent, (2) a federal funds increase of $40 million, or 5.5 percent, (3) a decrease in county funds of $6.6 million, or 1.6 percent, and (4) a State Children's Trust Fund increase of $177,000, or 9 percent. Table 2 also shows the major changes proposed for social services programs. These major changes are addressed in the program-by-program analysis that follows.

Table 2

Department of Social Services
Proposed 1992-93 Budget Changes
Social Services Programs

(dollars in thousands)

	General Fund	All Funds
1991-92 Expenditures (revised)	$532,617	$1,706,110
1992-93 adjustments		
Child Welfare Services		
Baseline adjustments		
Net decline in caseload growth	-$8,034	-$1,750
Federal claiming change	-7,000	—
Independent Living Program increase	—	4,013
Caseload reductions for undocumented cases (Los Angeles County)	-1,335	-14,229
Child welfare services case management system pilot implementation	718	957
1991-92 one-time expenditure for Los Angeles County	-3,800	-3,800
Other	—	-33
Subtotals, child welfare services	(-$19,451)	(-$14,842)
County services block grant	$4,659	$6,657
In-Home Supportive Services (IHSS)		
Baseline adjustments		
Caseload and cost growth	$40,035	$71,928
Offset 1991-92 deficiency	-6,759	—
Payment of claims for court cases	13,179	13,243
Settlement of *Miller v. Deukmejian* court case	-1,129	-1,129
Termination of San Francisco County reimbursement project	19	—

Continued

SOCIAL SERVICES PROGRAMS—Continued

	General Fund	All Funds
Program changes		
Service level reductions:		
Authorized reductions (Ch 91/91 — AB 948, Bronzan)	-38,562	-69,725
Reduction to maximum grant allocation (Ch 96/91 — AB 515, Hannigan)	-8,203	-12,620
Subtotals, IHSS	(-$1,420)	($1,697)
Employment services[a]	$15,000	$34,000
Cal Learn child care	8,541	17,082
Adoptions		
Baseline adjustments		
Federal claiming change	$1,100	—
Other	873	$1,408
Subtotals, Adoptions	($1,973)	($1,408)
Refugee programs	—	-$800
Child abuse prevention	—	-540
1992-93 Expenditures (proposed)	**$541,919**	**$1,750,772**
Change from 1991-92		
Amount	$9,302	$44,662
Percent	1.7%	2.6%

[a] Excludes General Fund expenditures for GAIN made from other items of the Budget Bill.

Analysis and Recommendations

Child Welfare Services

The Child Welfare Services 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 Program* requires counties to provide immediate social worker response to allegations of child abuse and neglect.
- *The Family Maintenance Program* requires counties to provide ongoing services to children (and their families) who have been identified through the Emergency Response Program as victims, or potential victims, of abuse or neglect.
- *The Family Reunification 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 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 $515 million ($214 million General Fund, $189 million federal funds, $108 million county funds, and $3 million in reimbursements) for the Child Welfare Services Program in 1992-93. The total General Fund request represents a decrease of $19 million, or 8.3 percent. As Table 2 shows, the significant changes that account for the net decrease are as follows:

- An $8 million General Fund decrease ($1.8 million total funds) due to a net reduction in caseload.
- A $7 million General Fund savings resulting from changes to Title IV-E claiming procedures.
- A $4 million increase ($2 million federal funds and $2 million county funds) due to an anticipated increase in the amount of federal Independent Living Program funds that will be available to California in 1992-93. The DSS advises that the increased federal funds require a match, which the budget anticipates will be provided by the counties participating in the Independent Living Program.
- A $1.3 million General Fund reduction ($14.2 million total funds) to eliminate funding for overreported cases in Los Angeles County.
- A $718,000 General Fund increase ($957,000 total funds) for pilot implementation of the child welfare services Case Management System (CMS).
- A $3.8 million General Fund reduction to eliminate a one-time 1991-92 statutory appropriation to Los Angeles County.

Los Angeles County Case-Count Study Will Affect Child Welfare Services Allocation

We recommend that the department report during budget hearings on the results of the October 1991 case-count study for Los Angeles County's Child Welfare Services Program.

Background. In October 1989, the DSS undertook a study to verify the child welfare services caseloads reported by Los Angeles County. The department undertook the study in response to (1) significant fluctuations in the Family Reunification and Permanent Placement programs caseloads that Los Angeles County reported and (2) discrepancies between the caseloads reported to the DSS and the caseloads the county maintained in its own automated information system.

The department reviewed a sample of cases that Los Angeles County had reported in June 1989 in order to determine the proportion of the cases that would be eligible under current law. The results revealed that the county overreported 17 percent of its child welfare services cases. The department determined that this was due to the following reasons:

- County staff could not locate the case file and therefore the case could not be verified.
- The case was a duplicate of another open case.
- The child was ineligible for services — for example, the child was over 18 years of age.
- The case had been closed but was reported as open.

In June 1991, Los Angeles County conducted its own case-count study of child welfare services caseloads, with the accuracy of the results verified by DSS staff. According to the DSS, the results of this study indicated that the county overreported approximately 8 percent of its child welfare services cases to the DSS for the same reasons described above, with the exception of overreported cases for files that could not be located. According to the DSS, some of the reduction in the percentage of overreported cases is the result of corrective actions taken by the county.

Budget Proposal. To eliminate overreported cases from Los Angeles County's funding allocation, the budget proposes to reduce the allocation by the costs for all overreported cases based on the June 1991 study. The proposed reduction totals $17.5 million ($9.2 million General Fund).

New Case-Count Study Will Affect Allocation to Los Angeles. The DSS indicates that a *third* case-count study is in progress. The purpose of the study is to (1) determine whether the recent implementation of corrective actions has decreased the number of overreported cases in the county and (2) provide additional data on the percentage of overreported cases. Los Angeles County is again conducting the study, with the DSS verifying the accuracy of the results. The study is based on cases that the county reported in October 1991. According to the DSS, any change in overreported cases will be reflected in the May revision.

The department indicates that the new study will be completed in February 1992. In order to ensure that the Legislature is kept up to date on (1) the progress of Los Angeles County's efforts to reduce the number of overreported cases and (2) the effect of the caseload study on Los Angeles County's allocation, we recommend that the department report during budget hearings (prior to the May revision) on the results of the October 1991 case-count report.

Legislative Oversight: Los Angeles County Fails Second Compliance Review

We recommend that the department report during budget hearings on (1) the status of Los Angeles County's efforts to increase compliance with statutory requirements governing the Child Welfare Services Program, (2) the county's plans to meet compliance standards, and (3) sanctions that will be taken if substantial progress is not made following the third compliance review.

Background. The 1990 Budget Act includes language designed to improve the performance of Los Angeles County's Child Welfare Services Program. The Legislature adopted this language as a result of concerns regarding the county's compliance with the provisions of law that govern the program. The language required that:

- The DSS determine by August 1, 1990 whether the county was substantially out of compliance with the provisions of law that govern the operation of the Child Welfare Services Program.
- The county submit a corrective action plan to the department no later than October 1, 1990 if the department determined that the county was not in compliance with the law.
- If the county had not submitted a plan by October 1, 1990 and/or if it had not made substantial progress in correcting the problems identified by the department, the department would begin proceedings to take the county's Child Welfare Services Program into temporary receivership until the county had improved its performance.

The Department Determined that the County Was Out of Compliance. Pursuant to the provisions of the Budget Act, the department notified the county on August 1, 1990 that it was substantially out of compliance with the laws and regulations governing the operation of the Child Welfare Services Program. Specifically, the department found that the county was out of compliance with 26 areas of state law. These areas of noncompliance fall into five general categories:

- Not responding to reports of child abuse and neglect within mandated time frames.
- Not informing parents of abused or neglected children of their legal rights.
- Not offering services to the child and the family.
- Not assessing the service needs of children and families in the program.
- Not maintaining up-to-date case records of program clients.

SOCIAL SERVICES PROGRAMS—Continued

County's Corrective Action Plan Failed to Meet Requirements. As required by the 1990 Budget Act, the county submitted a corrective action plan to the DSS on October 1, 1990. However, the DSS notified the county that the plan did not meet the requirements of the 1990 Budget Act because it did not identify what remedial actions the county would take to improve its performance. The DSS subsequently established a plan to bring the county into compliance. The provisions of the plan included (1) deadlines for receiving and reviewing information on each of the compliance issues, (2) periodic compliance reviews of the county between October 1990 and July 1991, and (3) a final determination of the county's performance by September 1, 1991, based on a review of the final corrective action plan and the findings from the periodic compliance reviews.

County Has Failed to Comply With the Requirements of the Supplemental Report of the 1991 Budget Act. The Legislature adopted language in the *Supplemental Report of the 1991 Budget Act* that required the county to develop and implement all corrective actions for each of the five general areas of noncompliance by July 1, 1991. The language also required the department to determine by September 1, 1991 whether the county had made substantial progress in correcting the areas of noncompliance and report its findings to the Legislature.

Our review of the department's compliance report indicates that the county remains out of compliance with state law and has failed to substantially improve program performance over the past year. Specifically, the county has failed to meet the minimum statutory compliance levels for *any* of the five general areas. For example, the county's performance was not only below the minimum passing compliance level of 90 percent but was below 66 percent, the level used by the department to indicate the most serious findings of noncompliance.

In order to determine whether the county's implementation of corrective actions has resulted in significant improvements, a third compliance review is tentatively planned to begin in February (with results expected in May).

Current law authorizes the Director of the DSS to invoke sanctions if the county fails to comply with the minimum compliance requirements. Specifically, the Director may invoke either of the following sanctions:

- Withhold all or part of state and federal funds from the county until the county demonstrates to the Director that it has complied.
- Assume, temporarily, direct responsibility for the administration of all or part of the program until the county provides reasonable assurances to the Director of its intention and ability to comply.

Moreover, if the Director invokes these sanctions, current law requires the county to provide any funds needed for the continued operation of all programs administered by the DSS. If a county fails or refuses to provide these funds, the State Controller may deduct necessary amounts for the continued operation of these programs by the DSS from any state or federal funds payable to the county for any purpose.

Budget Proposes Funding to Continue Monitoring Los Angeles County. The budget proposes $559,000 and 7.6 personnel-years for the Los Angeles County Monitoring Unit to continue the department's efforts to monitor the compliance efforts of the county. The DSS indicates that the necessary corrective actions will take longer than anticipated in the time frames set forth in the *Supplemental Report of the 1991 Budget Act*. Specifically, the DSS estimates that it will take until July 1, 1993 to evaluate the effectiveness of the corrective actions, modify corrective action plans to accommodate changes, implement and evaluate the modifications, and verify caseload.

Recommendation. At the time this analysis was prepared, the county had only recently begun efforts to resolve compliance problems that were required to be corrected over a year ago. In order to facilitate legislative oversight of this issue, we recommend that the department report during budget hearings on (1) the status of Los Angeles County's efforts to correct areas of noncompliance, (2) plans to meet compliance standards, and (3) sanctions that will be taken if substantial progress is not made following the third compliance review.

Emergency Response Screening Guidelines May Affect Program Funding Requirements

We recommend that the department report during budget hearings on the estimated budgetary and service impact of the new guidelines for emergency response screening.

Background. In March 1991, the DSS promulgated emergency regulations for the Child Welfare Services Program that require counties to screen (by use of telephone assessments) child abuse reports to determine whether an investigation is necessary. The practical effect of these regulations is to reduce the number of investigations of alleged abuse and neglect. These regulations were implemented in response to the Governor's veto of $55 million from the 1990 Budget Act, which included a $38 million reduction in funding of anticipated caseload growth.

Chapter 780, Statutes of 1991 (AB 60, Friedman), requires the DSS to contract with the University of California or the California State University system to develop a statewide protocol, or guideline, for telephone screening of emergency response reports of child abuse or neglect. The act requires the DSS to incorporate the guideline into the child welfare training program by February 15, 1992. The act also requires the DSS to inform the Legislature of the development of the emergency response guideline and report on additional steps necessary to improve telephone screening of emergency response referrals by January 15, 1992.

The DSS Anticipates a Delay in Developing the Statewide Guideline. At the time this analysis was prepared, the DSS had not yet adopted the guideline for telephone screening of emergency response reports or reported to the Legislature. In fact, the DSS indicated that a contract to develop the guideline was not executed until January 1992. Our review of the contract indicates that the guideline and its incorporation into the child welfare training program will not be completed until June 30, 1992.

The Guideline Will Have an Unknown Effect on Program Service Levels, Caseloads, and Required Funding Levels. The new guideline will standardize, on a statewide basis, the process for screening emergency response referrals and visitations with clients. As a result, it could either increase the number of screenings and thereby reduce the frequency of visits, or vice versa. Thus, the guideline will have an unknown effect upon service levels, caseloads, and funding levels necessary to meet the program's mandates.

Recommendation. Based on our review of the contractor's proposed time frame for completion of the guideline, we expect that the DSS will have preliminary information over the next few months to estimate its effect on service levels, caseloads, and funding levels necessary to meet the program's mandates. In order to facilitate legislative oversight of this issue, we recommend that the DSS report during budget hearings (prior to the May revision) on the estimated effect of the guideline on (1) the delivery of services, (2) the department's cases-per-worker budgeting standards and caseloads, and (3) funding levels necessary to meet the program's mandates.

Delays in Development of the Child Welfare Services Case Management System Will Affect Budgeted Costs

We find that the amount proposed for development of the child welfare services Case Management System appears to be overbudgeted by about $6 million ($4.5 million General Fund) in 1992-93 due to delays in the project. Accordingly, we recommend a reduction of $6 million to correct for overbudgeting. (Reduce Item 5180-001-001 by $4.5 million and Item 5180-001-890 by $1.5 million.)

Background. Chapter 1294, Statutes of 1989 (SB 370, Presley) requires the implementation of a single statewide child welfare services Case Management System (CMS) by July 1, 1993. This was in response to federal regulations that require the development of a system for the collection of data on a uniform basis nationwide.

The current-year budget includes $1.7 million from the General Fund for the CMS. The budget proposes an increase of $10.8 million ($8.1 million General Fund) in 1992-93 for the pilot development and implementation phase of the system.

The CMS Has Experienced Delays. A December 1989 feasibility study report included a timetable that anticipated implementation of the system by July 1, 1993, the deadline established in Chapter 1294. The project, however, has experienced significant delays due to (1) the time required to select a contractor and (2) settlement of two vendor protests with the Office of Administrative Law. The timetable was subsequently revised so that implementation was to be completed by July 1, 1994; however, it does not provide for the six-month delay resulting from the two vendor protests. The DSS anticipates that the system will be implemented in the fall of 1994-95, *over one year after the date mandated in Chapter 1294.*

CMS Costs May Be Overbudgeted in the Current and Budget Years. The DSS indicates that the CMS timetable will be revised again by the contractor by March 27. The revised timetable may include changes in the time frames for the individual activities of the project. Because of the delay in implementation, the cost of the system is likely to be lower than budgeted in the current and budget years. In fact, annual cost projections included in a June 1991 Special Project Report suggest that costs in 1992-93 are likely to be $6 million ($4.5 million General Fund) less than the amount budgeted. Consequently, we recommend deletion of $6 million from the budget proposal. We will revise our estimate, if necessary, when the revised timetables are completed.

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 the Supplemental Security Income/State Supplementary Program (SSI/SSP) for the aged, blind, and disabled.

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 types of services available through the IHSS Program are domestic and related services, such as meal preparation and cleanup; 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 $744 million ($150 million General Fund, $338 million federal funds, and $256 million county funds) for the IHSS Program in 1992-93. This is an increase of $1.7 million, or 0.2 percent, above estimated current-year expenditures. The General Fund proposal represents a decrease of $1.4 million, or 0.1 percent, below current-year expenditures. The net change is the result of various baseline adjustments, including the following changes that are not discussed later in this analysis:

- A $7 million General Fund reduction to offset funding provided in 1991-92 for program deficiencies, as intended by Ch 91/91 (AB 948, Bronzan).
- A $13 million General Fund increase to make payments to claimants in court cases.

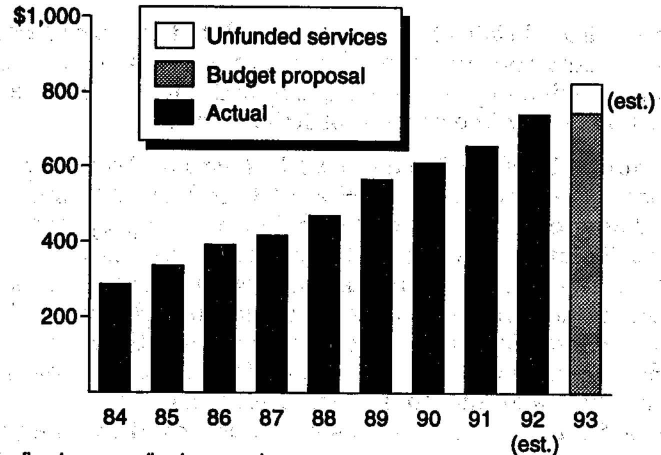
Long-Term Funding Trend

Chart 1 displays IHSS Program expenditures from all funding sources from 1983-84 through 1992-93. As the chart shows, expenditures grew rapidly until 1991-92, at an average annual increase of 13 percent. As noted above, expenditures would increase by only 0.2 percent in 1992-93, under the budget proposal. As we discuss below, the budget does not propose to fully fund projected service and caseload increases for the budget year. If the program were fully funded for caseload and services, expenditures would increase by 11 percent over the current year.

Chart 1

In-Home Supportive Services Expenditures
All Funds
1983-84 through 1992-93[a]

(In millions)



[a] Data are for fiscal years ending in years shown.

Proposed Funding is Insufficient to Accommodate Projected Service Levels

The budget proposal is $82 million ($47 million General Fund) less than the amount needed to fund projected increases in caseload and service levels. Because the budget assumes that caseload growth will be accommodated, the impact will be on the level of services provided. Current law authorizes service level reductions, according to specified priorities. We present some alternatives on how program costs could be controlled.

Background. Chapter 91 limits the state's share of IHSS costs to the annual Budget Act appropriations in 1992-93 and 1993-94. The measure also permits counties to reduce services (on the basis of an assessment of each recipient) to stay within their annual IHSS budget allocations in these years. The act further provides that any such reductions must be made according to the following priorities (known as the "A through E" reductions):

a. Reduce the frequency of nonessential (domestic and related) services.

b. Eliminate these services.

SOCIAL SERVICES PROGRAMS—Continued

c. Terminate or deny eligibility to individuals requiring only domestic services.

d. Terminate or deny eligibility to persons who would not require institutionalization in the absence of services.

e. Reduce, on a per capita basis, the cost of services authorized.

Chapter 91 also (1) states that counties shall, to the extent feasible, avoid implementing reductions that would result in out-of-home placements and (2) prohibits terminating or denying eligibility for persons who would become unemployed in the absence of IHSS services.

Budget Would Result in Service Level Reductions. According to the DSS, the proposed expenditures for IHSS are $82 million ($47 million General Fund) less than the amount needed to fully fund the projected increases in caseload and the average number of hours of service per case. The budget, however, indicates that the additional cases will be served, so the reduction will be taken in the level of services provided through a reduction in case-hours. Of the $82 million in reductions, $8 million is the result of Ch 96/91 (AB 515, Hannigan), which changes the basis of funding program services from an hourly maximum to a total dollar maximum. The remaining reductions ($74 million) would be taken as authorized by Chapter 91.

Table 3 displays the average monthly service-hours per case by service delivery mode, as proposed in the budget and as estimated to fully meet service needs in 1992-93. As shown in the table, under the budget proposal the average monthly service hours would be 7.8 hours, or 10 percent, less than the projected level of need.

Table 3

Department of Social Services
In-Home Supportive Services
Average Monthly Hours of Service Per Recipient by Provider Mode
1992-93

			Unfunded Hours	
	Proposed	Full Funding	Amount	Percent
Service provider mode				
Individual providers	72.1	80.4	8.3	11.5%
Contract agencies	23.6	27.9	4.3	18.2
County welfare staff	10.4	11.0	0.6	5.6
Average hours of services	**67.7**	**75.5**	**7.8**	**10.2%**

Authorized Service Level Reductions Would Be Administratively Difficult to Accomplish. County officials who we contacted indicate that the targeted service level reductions authorized by Chapter 91 would be difficult to implement. Specifically, they believe that the required case-by-case reviews (designed to preserve services for recipients at imminent risk of out-of-home placement) would be administratively burdensome and costly. In addition, they indicate that the time required to make a case-by-case review would delay the implementation of service reductions, so that greater reductions would be required. Moreover, to the extent that recipients appeal service level reductions, the time required for state hearings could result in additional delays and the need for further service reductions.

Task Force Recommendations Could Result in Institutionalization. Chapter 91 also established a task force to recommend IHSS Program efficiencies and improvements. The task force explored alternatives to the "A through E" criteria for implementing service reductions. In a recently submitted report to the Legislature, the task force recommends replacing the "A through E" priorities with unallocated (across-the-board) reductions. We note that this strategy could increase the risk of making service reductions that would result in the placement of IHSS recipients in higher cost institutional settings.

Alternatives for Reducing Services. In order to assist the Legislature in considering the proposed service level reductions, we identify the following options to control costs in lieu of, or in addition to, the "A through E" reductions:

- Allow counties, on a pilot basis, to use IHSS funds for (1) one-time capital expenses (equipment, special modifications to the recipient's home, etc.) that would accomplish the goals of the program in a less costly manner than by relying only on personal services and (2) case management services (oversight of IHSS service providers) that would verify the continued need for authorized service hours. (This option could result in short-term costs.)
- Curtail the provision of services by contract and county welfare staff, which tends to be relatively expensive, and encourage the use of IPs hired directly by the recipient. Services provided by contract and county staff account for about 9 percent of total services provided. One way to facilitate this would be to establish IP registries consisting of a list of providers from which program staff and recipients could choose a service provider. Reducing the use of contracts and county staff would result in a General Fund savings of up to $25 million.
- Revise the Uniformity Assessment Tool to provide more uniformity in the hours of services provided by counties to persons with similar needs. We discuss this issue below. As noted in this analysis, one of the alternative strategies for implementing this option would result in a General Fund savings of about $50 million.

- Deny payment for services characterized as "verbal assistance" — such as reminding, guidance, or encouragement — that are provided in conjunction with other services to perform a function required for daily living. The costs associated with the time required to provide verbal assistance services should be absorbable. We estimate that this would result in General Fund savings of up to $700,000.
- Reduce or eliminate payment for domestic and related services if "able and available" relatives are living with IHSS recipients. Currently, able and available *spouses* are not paid for these services under the rationale that they normally provide most of the services and would continue to do so in the program's absence. (The determination of able and available relatives could be made during the annual reassessment of the recipient.) We estimate that this alternative would result in General Fund savings of up to $10 million.

IHSS Uniformity Assessment Tool is Inadequate

We find that the department's Uniformity Assessment Tool for the IHSS Program does not result in the intended uniform levels of service to recipients with similar needs. We recommend that the department report, during budget hearings, on the feasibility of modifying the assessment tool by establishing standardized ranges of service-hours for each program activity for persons with similar needs.

Background. Chapter 781, Statutes of 1987 (SB 461, Bill Greene) requires IHSS services to be delivered in all counties in a uniform manner according to a "uniform needs assessment tool." In response to this requirement, the DSS implemented the Uniformity Assessment Tool in 1988 to increase the consistency among counties in the number of hours of service awarded to recipients with similar needs. The assessment tool, used by social workers during their assessment of recipients, measures an individual's relative ability to care for him or herself, based on rankings 1 through 6 — rank 1 indicating the highest functional level and rank 6 the lowest. Thus, a higher rank generally indicates a need for more services.

In their assessment of recipients, the social workers determine rankings for 11 separate services. Table 4 displays these authorized services and the rankings that may be assigned to each service. (Ranks 1 and 6 are included in the Uniformity Assessment Tool but the assessment instrument is not used for determining the hours of service for persons placed in these categories.)

Table 4

Department of Social Services
In-Home Supportive Services
Authorized Services and Need Rankings

Authorized Services	Need Rankings	
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 chair)		
Eating		
Respiration		

There is a Large Variation Among the Counties In the Amount of Services Provided for Identical Types of Service and Need Rankings. To determine whether the Uniformity Assessment Tool provides uniform statewide levels of services to recipients with similar needs, we compared selected counties on the basis of the average number of service-hours (case-hours) by need ranking (2 through 5) for the most prevalent services — meal preparation and cleanup, and bathing and grooming. The counties with the highest amount of service-hours were chosen for this comparison (Fresno, Los Angeles, Riverside, Sacramento, San Diego, and San Francisco).

SOCIAL SERVICES PROGRAMS—Continued

Charts 2 and 3 show significant differences among the counties in the average number of service-hours authorized by social workers for the *same* need ranking. Chart 2, for example, shows that in Sacramento County IHSS recipients with a need ranking of 5 for meal preparation are authorized to receive 46 percent more hours of service (33.4 per week) than their counterparts who have the same need ranking in Riverside County (22.8). In Fresno County IHSS recipients with a need ranking of 2 for meal preparation and cleanup services are authorized to receive, on average, about 16 hours of services each week. Their counterparts in Riverside and San Diego Counties, however, are authorized to receive only about 4 hours of these services each week. In other words, the recipients in Fresno County are authorized to receive *four times* as much service, on average, then those in Riverside and San Diego Counties, even though they are assessed as having similar needs. Chart 3 shows that the counties also vary widely in average number of service-hours within ranks for bathing and grooming services. While we recognize that there will always be some variation within ranks, differences of the magnitude shown do not appear to be justified.

Chart 2

In-Home Supportive Services
Meal Preparation and Cleanup

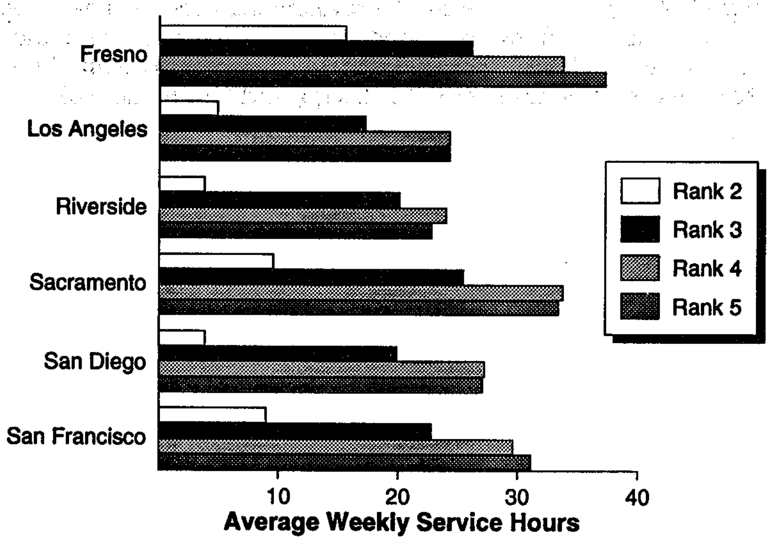
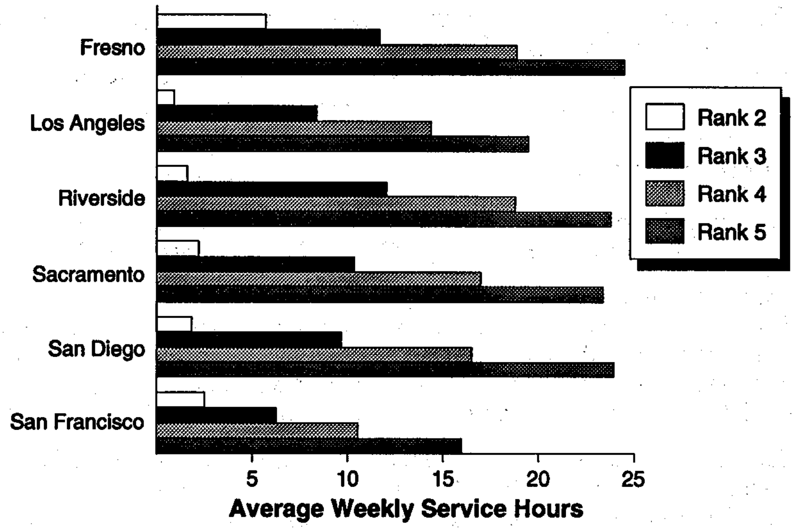


Chart 3

In-Home Supportive Services
Bathing and Grooming



Uniformity Assessment Tool Needs Revisions. We conclude that the Uniformity Assessment Tool is inadequate. While it establishes criteria to rank clients by their service level needs, it does not ensure that service-hours are authorized in a uniform manner by the counties. To ensure that services are provided on a consistent basis according to individual needs, standardized ranges of service-hours could be established for each need ranking by type of service. The ranges could account for different service-hours required within a need ranking — for example, the time required to bathe a child as opposed to an adult.

The standardized ranges could be based on the statewide average number of service-hours so as to make the changes fiscally neutral. Alternatively, the ranges could be based on the low end of the existing variations reported by the counties, based on the assumption that client needs are being met in these counties. Significant savings could result by using this latter strategy. To get an idea of the savings that might be realized by applying the "low-cost" alternative, we estimate that if the statewide average number of hours of service were equal to that of Los Angeles County — which, in effect, is what the budget proposal would require — it would result in a savings of about $50 million from the General Fund and $30 million in county funds. We note, in this respect, that Los Angeles County has been able to achieve a reduction in its average hours of service in recent years. The department should review the efforts made by Los Angeles and disseminate to other counties any procedures that could achieve program efficiencies.

In view of the above, we recommend that the department report, during the budget hearings, on the feasibility of adopting such standardized ranges and basing them on these alternative strategies. Pending the department's response, the Legislature could adopt supplemental report language directing the department to develop the standardized ranges.

Statutory COLA Not Funded

The budget proposes legislation to eliminate the COLA in the IHSS Program, for a savings of $1.9 million ($1.3 million General Fund) in 1992-93.

Under current law, the monthly amount of IHSS services per recipient will be limited to $1,203 for severely impaired persons and $829 for others, adjusted for a specified COLA in 1992-93. The budget proposes legislation to eliminate the COLA. The department estimates that the amount needed to fund the COLA is $1.9 million ($1.3 million General Fund) in 1992-93.

Because the COLA affects the *maximum* grants, elimination of the COLA will affect those IHSS recipients whose allocations are currently at or near the maximum levels. Based on information provided by the department, we estimate that this would be less than 5 percent of the caseload.

Employment Services

Employment services programs provide education and training services to recipients of Aid to Families with Dependent Children (AFDC) in order to help them find jobs and become financially independent. The federal Family Support Act (FSA) of 1988 requires each state to operate a Job Opportunities and Basic Skills (JOBS) Training Program. Under current law, California meets this requirement through its Greater Avenues for Independence (GAIN) Program. The Governor proposes to create two new programs under the JOBS Program. These are (1) the AFDC Job Club Program and (2) the Employment Opportunity Program.

The budget proposes $241 million ($73 million General Fund, $143 million federal funds, and $25 million county funds) in this item for employment services programs in 1992-93. These amounts do not include funds proposed for support of the GAIN Program from funds appropriated to the State Department of Education (SDE) in Item 6110-156-001 (adult education) and Item 6110-166-001 (vocational education) of the 1992 Budget Bill or funds made available for GAIN participants in other programs.

GAIN Budget Unchanged From 1991-92

Table 5 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.

Expenditures. The budget proposes $334 million in expenditures for the GAIN Program in 1992-93, which is the same as estimated current-year expenditures.

Funds Appropriated for GAIN. Table 5 shows that $231 million, or 69 percent, of the $334 million proposed for the GAIN Program represents funds that would be specifically appropriated for the GAIN Program. The proposed $77 million General Fund appropriation accounts for 23 percent of total funding. Under Chapter 91, Statutes of 1991 (AB 948, Bronzan), counties are required to provide 30 percent of the nonfederal share of the costs of the GAIN Program. Prior to this realignment legislation, counties did not have a share of program costs. The counties are expected to provide $25 million for the program in 1992-93. The proposed General Fund and county funds appropriations are unchanged from estimated current-year expenditures.

Redirected Funds. As shown in the table, we estimate that $103 million in funds proposed for various programs, most of which are outside the DSS, will be available to provide services to GAIN participants. The $103 million that is expected to be redirected for GAIN is unchanged from the amount the department estimated (in May 1991) will be spent from these sources in the current year.

SOCIAL SERVICES PROGRAMS—Continued

Table 5

Department of Social Services
GAIN Program Expenditures
1991-92 and 1992-93

(in thousands)

	1991-92 Estimated	1992-93 Proposed
Expenditures by Component		
Registration, orientation, and appraisal	$32,225	$31,955
Basic education	134,234	133,859
Job search	35,439	35,195
Assessment	10,981	10,892
Training (including job development and placement)	60,071	59,893
Long-term PREP	788	781
Child care administration (including slot development)	15,213	15,077
Child care payments	25,602	25,372
Transportation	14,761	14,629
Ancillary costs	2,957	2,930
Other	1,691	3,379
Totals	**$333,962**	**$333,962**
Funds appropriated for GAIN		
General Fund		
Department of Social Services	*$57,869*	*$57,869*
State Department of Education	*10,000*	*10,000*
Community colleges	*9,100*	*9,100*
Subtotals, General Fund	*($76,969)*	*($76,969)*
Federal funds	*$126,065*	*$126,065*
County funds	*24,793*	*24,793*
Reimbursements	*2,735*	*2,735*
Totals, funds appropriated for GAIN	***$230,562***	***$230,562***
Funds redirected for GAIN [a]		
General Fund		
Average daily attendance-based funds	*$31,100*	*$31,100*
Adult education	*(13,900)*	*(13,900)*
Regional occupational centers and programs	*(1,000)*	*(1,000)*
Community colleges	*(16,200)*	*(16,200)*
Cooperative agencies resources for education	*500*	*500*
Job agent/service center	*400*	*400*
Subtotals, General Fund	*($32,000)*	*($32,000)*

Continued

	1991-92 Estimated	1992-93 Proposed
Employment Training Panel	*$600*	*$600*
Federal funds		
Job Training Partnership Act	*$41,800*	*$41,800*
Training	*(31,600)*	*(31,600)*
Education	*(10,200)*	*(10,200)*
Job services	*4,500*	*4,500*
Community services block grant	*1,600*	*1,600*
Vocational education block grant	*5,500*	*5,500*
Refugee social services	*16,400*	*16,400*
PELL grants	*1,000*	*1,000*
Subtotals, federal funds	*($70,800)*	*($70,800)*
Totals, funds redirected for GAIN	***$103,400***	***$103,400***
Grand totals, all expenditure sources	**$333,962**	**$333,962**

[a] Based on May 1991 estimate of funds expected to be used by GAIN recipients in 1991-92.

Proposed GAIN Funding Level is Below Full Funding

The budget proposal for the GAIN Program could be more than $200 million ($60 million General Fund) below the amount needed to fully fund the program.

The department has indicated that the $334 million proposed for the GAIN Program in 1992-93 is not sufficient to pay for services for the entire anticipated caseloads in all counties. The department estimates that at the proposed funding level for this program, about 139,000 AFDC recipients would participate in the program. Based on the department's estimate from January 1990, full funding of the GAIN Program would provide services to at least 276,000 participants in 1991-92. Thus, taking into account caseload growth, the GAIN Program is serving fewer than 50 percent of the recipients who are either required to register for GAIN or would be expected to volunteer for the program. At this time, the department does not have an estimate of the cost of providing full funding for the GAIN Program. We have, however, requested that the department provide such an estimate to the Legislature. As a rough guideline, we believe that full funding could require more than $200 million ($60 million General Fund) above the budgeted level.

State Implements Progress Standards

Under the FSA, states were required to implement a program to monitor student progress in JOBS education programs by October 1990. Progress standards and monitoring for training components will be required beginning in October 1992. The purpose of progress standards and monitoring of

SOCIAL SERVICES PROGRAMS—Continued

participant progress is to determine whether a participant is benefiting from the assigned activity and to evaluate whether another activity (such as vocational or on-the-job training) is more appropriate. If participants are not making satisfactory progress, they can be evaluated and moved to a different, more suitable component of the GAIN Program.

To the extent that progress standards and monitoring increase program flexibility and move participants through the program more rapidly, additional AFDC recipients should be able to receive training and obtain marketable employment skills. While there is some anecdotal information to verify this, there have been no formal evaluations that would provide information about the effectiveness of this new feature of the GAIN Program.

Budget Proposes Two New Employment Programs Under JOBS

The budget proposes legislation to establish two new employment training programs under JOBS: (1) the AFDC Job Club Program ($15 million General Fund and $15 million federal funds) and (2) the Employment Opportunities Program ($2 million federal funds and $2 million in reimbursements). We withhold recommendation on the proposed AFDC Job Club Program pending submission and review of a detailed plan to administer the program and coordinate it with the GAIN Program. Further, we withhold recommendation on the proposed Employment Opportunities Program pending submission and review of a detailed expenditure plan.

The Governor proposes legislation to establish two additional JOBS-related programs — the AFDC Job Club Program and the Employment Opportunities Program.

AFDC Job Club Program. The budget proposes legislation to implement an AFDC Job Club Program at a cost of $30 million ($15 million General Fund) in 1992-93. This program would provide three weeks of job-search training for up to 70,000 AFDC recipients who volunteer for this service. These funds include allocations for child care and transportation for AFDC recipients while participating in the program. The administration proposes to include this program as part of the state's JOBS Program, but it will not be part of the GAIN Program. The department has not determined (1) whether the program will be administered separately from the GAIN Program at the local level and (2) how the new program will interact with the existing Job Club component of the GAIN Program. Pending receipt of an implementation plan to clarify these issues, we withhold recommendation on this proposal.

Employment Opportunities Program. As we discussed in our analysis of the budget proposal for the Employment Development Department (EDD), the budget proposes $4 million ($2 million in reimbursements from the

EDD's Employment Training Fund and $2 million federal funds) for a new employment services program. Specifically, the department indicates that the program would have two major components: (1) performance incentives for counties to encourage them to develop jobs for AFDC recipients and (2) improved access to the EDD's statewide job match system for county GAIN and AFDC Job Club coordinators. While this proposal appears to have merit, it currently lacks the detail needed in order to evaluate it. The EDD and DSS indicate that a more developed expenditure proposal should be available by the time of the May revision.

Proposed Cal Learn Program Should Be Coordinated With Existing Programs

We recommend that the department report during budget hearings on the feasibility of coordinating the proposed Cal Learn Program with the GAIN Program and the School-Age Parenting and Infant Development (SAPID) Program in order to maximize federal funding.

The budget proposes to establish the Cal Learn Program, which would provide AFDC grant bonuses or sanctions to teen parents under age 19, based on their attendance in high school or equivalent vocational training. Cal Learn would also provide child care services. This program is discussed in our analysis of the AFDC Program and County Administration of Welfare Programs.

California currently has at least two programs — GAIN and SAPID — that target services to teen parents. AFDC teen parents must participate in GAIN unless they are attending school. Because of budget limitations, however, not all teen parents can be accommodated by the program. The SAPID Program, administered by the SDE, provides child care and parenting classes for teen parents attending high school. Funding for the SAPID Program (about $8 million General Fund) also is insufficient to provide services to all eligible teen parents.

The Cal Learn proposal fails to indicate how the department will coordinate this new program with the existing programs. This is significant because (1) it may be possible to obtain federal funding for those participants in SAPID who are AFDC recipients if they can be counted as part of JOBS and (2) if Cal Learn could be made part of the state's JOBS Program, it could help the state meet its JOBS participation requirements. The department should be prepared to discuss during budget hearings the feasibility of coordinating the Cal Learn Program with the GAIN and SAPID programs in order to maximize federal funding.

Community Care Licensing
Item 5180

Expenditures

Requested 1992-93	$10,645,000
Estimated 1991-92	10,841,000
Actual 1990-91	14,337,000
Requested decrease $196,000 (-1.8 percent)	

Fiscal Recommendations

Total recommended reduction	None

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 the Department of Social Services' support budget.

Overview of the Budget Request

The proposed Community Care Licensing local assistance budget is essentially a workload budget.

The budget proposes total expenditures of $10.6 million, a decrease of $196,000, or 1.8 percent, from estimated current-year expenditures. Proposed General Fund expenditures are $7.5 million, a reduction of $574,000, or 7.1 percent, from the current year. This decrease is due to a change in workload standards and a projected decrease in family day care licensing costs.