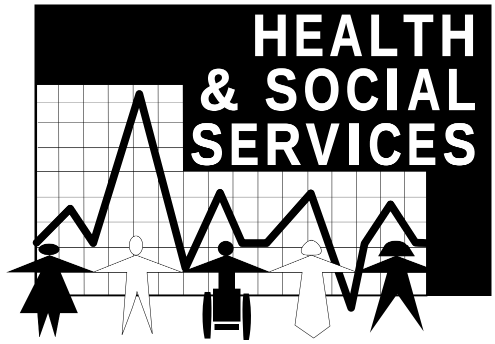


MAJOR ISSUES

▌*$2 Billion in State Savings Depends on Federal Action.* Many of the Governor's proposals for health and welfare savings—amounting to $2 billion—depend on federal action. Federal legislation which would accomplish these savings is being considered as part of the negotiations on the budget and welfare reform. To the extent these actions are delayed or not taken, there will be a budgetary hole in these programs. (See page C-14.)

▌*Budget Proposes to Make Temporary Grant Reductions and Cost-of-Living Adjustment Suspensions Permanent.* The budget proposes to make permanent the AFDC and SSI/SSP grant reductions adopted in 1992-93 (5.8 percent) and 1995-96 (4.9 percent statewide), and the cost-of living adjustment suspension that was implemented in 1991-92, which are scheduled to be restored in 1996-97. This proposal would result in a General Fund cost avoidance of $1.1 billion. (See pages C-100 and C-125.)

▌*Budget Proposes a 4.5 Percent AFDC Grant Reduction.* This proposal would result in General Fund savings of $111 million in 1996-97. We discuss the potential impact of the proposed AFDC grant reductions on families. (See page C-102.)

▌*Governor Proposes to Redesign the AFDC Program in 1997-98.* The Governor proposes major changes in the AFDC Program, including revised eligibility criteria, a flat grant for all families regardless of size, time limits on eligibility, and the implementation of four programs that would offer different types of assistance (including cash and vouchers) based on certain characteristics of the recipients. We present criteria for evaluating the Governor's proposal. (See page C-105.)

▌***Child Welfare Services Program Needs Improvement.*** We review the performance of the Child Welfare Services Program and conclude that improvements are needed in how the state addresses the problem of child abuse and neglect. (See page C-134.)

▌***Budget Proposes Elimination of State-Only Medi-Cal Program for Prenatal Services for Undocumented Women.*** Congress is currently considering welfare reform legislation that would prohibit a state from providing benefits to undocumented persons unless the state chooses to reauthorize these benefits after enactment of the federal law. The budget does not propose reauthorization of the prenatal program, and assumes elimination of the benefits effective March 1996, for a General Fund savings of $22 million in 1995-96 and $65 million in 1996-97. (See pages C-30 and C-37.)

▌***Proposals to Eliminate Medi-Cal Optional Benefits Could Result in Cost Shifting.*** The budget proposes to eliminate eight of the 29 optional benefits, for a net General Fund savings of $34 million in 1996-97. We note that these actions could result in increased costs for county indigent health programs. (See page C-38.)

▌***Budget Proposes Augmentations for Teen Pregnancy Prevention and Family Planning Programs.*** The budget proposes $46 million from the General Fund for teen pregnancy prevention activities in order to expand the media campaign, expand a program for the prosecution of statutory rape, establish a new grant program, and develop school curricula. The budget also proposes $20 million from the General Fund to consolidate and expand family planning programs. We provide an assessment of these proposals. (See pages C-48 and C-60.)

AID TO FAMILIES WITH DEPENDENT CHILDREN (5180)

The Aid to Families with Dependent Children (AFDC) Program provides cash grants to families and children whose incomes are not adequate to meet their basic needs. Families are eligible for the AFDC-Family Group (AFDC-FG) Program if they have a child who is financially needy due to the death, incapacity, or continued absence of one or both parents. Families are eligible for grants under the AFDC-Unemployed Parent (AFDC-U) Program if they have a child who is financially needy due to the unemployment of one or both parents. Children are eligible for grants under the AFDC-Foster Care (AFDC-FC) Program if they are living with a foster care provider under a court order or a voluntary agreement between the child's parent and a county welfare or probation department.

The budget proposes total expenditures of $6.4 billion ($2.5 billion General Fund, $0.5 billion county funds, and $3.4 billion federal funds) for the AFDC Program in 1996-97. This is a decrease of 8.7 percent (17 percent General Fund) from estimated expenditures in the current year. This decrease is due to proposed grant reductions, implementation of past grant reductions that have been delayed, and the assumed enactment of federal welfare reform.

CURRENT-YEAR UPDATE OF AFDC PROGRAM

Major Changes in 1995-96

Statewide and Regional Grant Reductions. The 1995-96 budget trailer bill legislation for welfare programs—Ch 307/95 (AB 908, Brulte)—reduced AFDC grants by 4.9 percent, with an additional 4.9 percent reduction for recipients residing in low-cost counties (as measured by rental housing costs), effective October 1995. The Budget Act assumed that the 4.9 percent statewide grant reduction would generate a General Fund savings of $101 million in 1995-96 and that the 4.9 percent regional grant reduction in low-cost counties would generate an additional savings of $40 million. The high-cost counties are Alameda, Contra Costa, Los Angeles, Marin, Monterey, Napa, Orange, San Diego, San Francisco, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Solano, Sonoma, and Ventura. The statewide 4.9 percent reduction terminates June 30, 1996, and the regional reduction to recipients living in low-cost counties is ongoing.

Implementation of these grant reductions requires either a federal waiver of regulations or a change in federal law. Although there has been no enabling federal action to date, the Governor's Budget assumes the enactment of federal welfare reform legislation that will permit the reductions to be implemented in March 1996. The budget reflects a revised General Fund savings of $63 million (down from $141 million) in 1995-96 from the grant reductions.

Greater Avenues for Independence (GAIN) Program. Budget trailer bill legislation—Ch 306/95 (AB 1371, Weggeland)—modified the GAIN Program to place a greater emphasis on employment. The budget reflects a General Fund savings of $8 million in 1995-96 and $17 million in 1996-97 from these changes.

Edwards v. Carlson. Beginning in 1992-93, the *Edwards v. Carlson* decision required the state to provide higher AFDC grants in specific cases (certain children residing with caretaker relatives). In 1995, the U.S. Supreme Court reversed this lower court decision. The 1995-96 budget legislation eliminates the grant differential for a General Fund savings of $9.5 million in 1995-96 and $10.4 million in 1996-97.

PENDING FEDERAL LEGISLATION

Federal Welfare Reform

If enacted, federal welfare reform could have a significant impact on California. We review the congressional proposal, and estimate that the major provisions would result in a loss of $8 billion in federal funds to California over a five-year period.

In December 1995, Congress approved the Conference Report for H.R. 4—The Personal Responsibility and Work Opportunity Act of 1995. The President, however, subsequently vetoed the measure.

Despite the presidential veto, many observers believe that the President and Congress will ultimately reach agreement on a welfare reform bill that will encompass a number of the major features of the congressional measure. The Governor's Budget, in fact, assumes the enactment of the H.R. 4 provisions affecting the AFDC Program, the Supplemental Security Income/State Supplementary Program (SSI/SSP), and Child Welfare Services. Consequently, we summarize these and related components of the Congressional measures.

AFDC/Temporary Assistance for Needy Families. The major provisions include the following:

- ***Block Grant and Maintenance of Effort.*** The existing entitlement program is replaced with a Temporary Assistance for Needy Families (TANF) block grant, which would be fixed at federal fiscal year (FFY) 1995 spending levels ($3.73 billion annually for California) from FFY 96 through FFY 01. Receipt of the block grant is contingent upon a maintenance-of-effort (MOE) requirement that state spending on welfare programs remain at 75 percent of the FFY 94 level.

- ***Elimination of Entitlement.*** By eliminating AFDC as an entitlement, states will have flexibility to redesign their welfare systems, thereby determining who is eligible for benefits, the duration of benefits (within certain limits), and the amount of benefits. The existing MOE requirement on grant levels would be eliminated, thereby allowing the state to reduce grants as provided in the current- and prior- year budget acts and as proposed for 1996-97.

- ***Work Requirements.*** The H.R. 4 requires that states have an increasing percentage of their welfare caseload (families with children over age one) engaged in work or some other type of qualified job training or job search activity. The overall caseload requirement is 15 percent in FFY 96, increasing to 50 percent by FFY 02. For two-parent families, the requirement is 50 percent in 1996 and increases to 90 percent by FFY 99. Failure to meet work participation requirements subjects a state to an annual penalty equal to 5 percent of their block grant.

- ***Time Limits.*** The H.R. 4 establishes a five-year time limit on families for receipt of cash assistance; however, states are permitted to exempt 15 percent of the caseload from this requirement due to hardship.

SSI/SSP. The major changes in this program include the elimination of benefits for certain disabled children and the elimination of the state's MOE requirement. This latter change would enable the state to reduce grants, as provided in the 1995 Budget Act.

Restricting Welfare Benefits for Noncitizens. Effective January 1, 1997, legal noncitizens that were in the United States at the time of enactment of the measure—with certain exceptions for veterans, refugees, and those who have worked 40 quarters—are ineligible for SSI/SSP and food stamps. Also effective January 1, 1997, states may determine the eligibility of such legal noncitizens for benefits under the

TANF Program, the Title XX Social Services Block Grant, and the Medicaid Program. Noncitizens arriving after enactment of this measure, with certain exceptions for veterans and refugees, are ineligible for *all* means-tested federal benefits for five years, except for emergency medical services and certain child nutrition programs.

Food Stamps. The major food stamps provisions (1) reduce the maximum food stamp benefit by 3 percent due to a change in the calculation of the "thrifty food plan," (2) freeze certain deductions from income used in determining food stamp benefits, (3) expand work requirements for physically and mentally fit individuals between the ages of 18 and 50, and (4) offer the states an option of receiving funds in a food assistance block grant. In order to participate in the block grant program, California must either (1) adopt a statewide electronic benefit transfer (EBT) system, or (2) pay the federal government for the difference between its food stamp error rate and 6 percent of the total amount of food stamp benefits provided to the state.

Block Grant to States for the Protection of Children. The major provisions of this component of H.R. 4 include the following.

- ***Block Grant***. The measure replaces existing categorical programs with a block grant. The programs include Child Welfare Services, Family Preservation and Support, Independent Living, and administration for Foster Care and Adoptions Assistance. The nationwide block grant amounts are specified for FFY 97 through FFY 02 and are increased annually based on specified percentages. States may receive additional funds which are subject to federal appropriation. The nationwide appropriation for the additional funds is limited to $325 million annually. The state's share of the block grant and additional funds is determined by formula, based on past-year expenditures. During the first two years of the block grant, states must maintain their spending at 100 percent of the amount spent in FFY 94, and must maintain spending at 75 percent in the remaining years.

- ***Foster Care and Adoptions Assistance***. These grants would remain as entitlement payments. However, a MOE requirement, identical to the provision described above, would be established for these programs.

Fiscal Impact on California. We estimate that the provisions pertaining to the TANF, SSI/SSP, and noncitizens would result in a loss of federal funds of about $8 billion over five years, compared to what the state would receive under current law. This includes a $700 million loss in federal funds in 1996-97. We estimate that the fiscal effect of the Child Protection Block Grant would result in a gain in federal funds of

$83 million over five years. This includes a loss of $16 million in 1996-97. The net five-year gain is generally due to a low caseload growth trend in California, relative to the nation as a whole.

National Governors' Association Welfare Reform Proposal

In February 1996, the National Governors' Association submitted a proposal that included welfare reform. The proposal included provision for a block grant as well as other components of the Congressional proposal. The Governors proposed the following major changes to H.R. 4: (1) adding $4 billion in child care funding, (2) increasing by $1 billion the contingency fund to assist states experiencing high unemployment, (3) raising the permissible exemption on the five-year lifetime limit on eligibility from 15 percent to 20 percent of the caseload, (4) providing states an option to receive foster care funds as a capped entitlement which may be transferred into the Child Protection Block Grant, and (5) delaying the effective date for restrictions on SSI disabled children until January 1, 1998. The association indicated that the Governors did not reach consensus on the issue of restricting welfare benefits for noncitizens.

GOVERNOR'S 1996-97 WELFARE PROPOSALS

Governor Assumes Welfare Reform Will Be Enacted Into Law

The budget for the AFDC Program proposes General Fund savings of $172 million in 1995-96 and $667 million in 1996-97 that require federal action. The budget assumes that this will be achieved by enactment of federal welfare reform.

As Figure 26 (see next page) shows, the Governor's Budget proposes over $800 million in General Fund savings, in the current and budget years, that are predicated on enactment of federal welfare reform legislation. These savings can be grouped in three categories. First, federal welfare reform (the version passed by Congress, but vetoed by the President) will enable California to implement previous grant reductions as well as the Governor's proposed 4.5 percent reduction for 1996-97. Second, welfare reform will permit the state to implement existing state policies to bar sponsored aliens from receiving AFDC and to prohibit grant increases for children born while a family is on aid (the Maximum Family Grant provision). Finally, the budget indicates that under the proposed block grant, California will receive more federal funds than it would receive under the current federal sharing system, *assuming that the state enacts the Governor's proposals to reduce grants by 4.5 percent and makes certain past grant reductions permanent that under current law are temporary*.

Figure 26

State Savings Dependent on Federal Action
AFDC Program
Governor's Budget

(In Millions)

Budget Proposal	1995-96	1996-97
Previous budget actions		
1994-95 2.3 percent grant reduction	$22	$44
1995-96 regional 4.9 percent grant reduction	20	58
1995-96 statewide grant reduction	43	—
Barring sponsored aliens	—	28
Maximum family grant	—	4
New proposals		
Make statewide 4.9 percent reduction permanent	—	129
1996-97 4.5 percent grant reduction	—	111
Savings from federal block grant	82	299
Child support provisions—federal welfare reform	1	-14
Foster care emergency assistance funds—federal welfare reform	4	8
Totals	**$172**	**$667**

Budget Proposes AFDC Aid Payment Reductions

The Governor proposes to (1) make the 1992-93 and the 1995-96 statewide grant reductions permanent, (2) eliminate the statutory cost of living adjustment, and (3) reduce AFDC grants by 4.5 percent, resulting in General Fund savings or cost avoidance of $440 million. We review the Governor's proposals and comment on them.

The Governor's Budget proposes several major changes that would reduce grants in the AFDC Program. As Figure 27 shows, these changes would result in combined General Fund savings and cost avoidance of $440 million, under the existing state and federal cost sharing, or $876 million if federal funds were provided as a block grant. General Fund savings and cost avoidance would be greater under the block grant system because federal funding would be fixed and the state would no longer share the savings (or costs) of any change in grant levels with the federal government.

Figure 27

Governor's AFDC Grant Proposals General Fund Savings 1996-97

(In Millions)

Proposal	Fiscal Effect Under: Existing State/Federal Sharing	Fiscal Effect Under: Federal Block Grant
Make permanent the statewide 4.9 percent grant reduction	$129	$256
Make permanent the 5.8 percent grant reduction	165	327
Delete requirement to restore statutory COLA	37	73
Reduce grants by 4.5 percent	111	221
Totals	**$440**	**$876**

The budget contains three separate proposals that would have the effect of reducing AFDC grants below the levels required by current law. These proposals are to (1) make permanent the temporary 5.8 percent grant reduction enacted in 1992-93 and the one-year statewide 4.9 percent grant reduction enacted in 1995-96, (2) delete the requirement to resume the statutory COLA that was suspended in 1991-92, and (3) reduce grants by an additional 4.5 percent.

Budget Proposes to Make Temporary Grant Reductions Permanent. Budget trailer bill legislation for 1992-93 reduced AFDC grants by 5.8 percent and specified that this reduction would remain operative until July 1, 1996. As noted above, budget trailer bill legislation for 1995-96 reduced grants by 4.9 percent statewide, with an additional 4.9 percent reduction for recipients residing in low-cost counties. The statewide reduction terminates on June 30, 1996. The Governor proposes to make both of these temporary reductions permanent, for a General Fund cost avoidance of $294 million (assuming existing state/federal sharing ratios).

Budget Proposes Deleting Requirement to Resume Statutory COLA. The 1991-92 budget trailer bill legislation suspended the statutory COLA for AFDC grants through the end of 1995-96. In deleting the requirement to restore the COLA (1.48 percent for 1996-97), the budget achieves a General Fund cost avoidance of $37 million in 1996-97.

Budget Proposes to Reduce Grants by 4.5 Percent. The budget proposes to reduce grants by 4.5 percent, for a General Fund savings of $111 million in 1996-97. As is the case for the current-year grant reductions, this proposed reduction would require a waiver or a change in federal law because it would reduce the maximum grant below the federally required MOE level. The reduction would be effective July 1, 1996.

Figure 28 summarizes how both current law provisions and the Governor's proposals would affect monthly grants for a family of three in 1996-97. As the figure shows, the proposed 1996-97 maximum grant level in Region 1 (counties with high rental costs) is $540, or $67 below the current-year level ($607) and $103 below the level required by current law ($643). In Region 2, the proposed grant level is $514, or $93 below the current-year level ($607) and $99 below the current law requirement ($613). These grant reductions would be partially offset by increases in food stamps.

Figure 28

AFDC Maximum Monthly Grant
Family of Three
Current Law and Governor's Proposal

	Current Law	Governor's Proposal
Region 1: High-cost counties		
1995-96 actual grant	$607	$607
1996-97 grant assuming:		
Implement 1994-95 2.3 percent reduction[a]	594	594
Make permanent 1995-96 4.9 percent reduction[a]	—	565
Restore 1992-93 5.8 percent reduction	633	—
Restore COLA	643	—
Adopt proposed 4.5 percent reduction[a]	—	540
Region 2: Low-cost counties		
1995-96 actual grant	$607	$607
1996-97 grant assuming:		
Implement 1994-95 2.3 percent reduction[a]	594	594
Implement 1995-96 regional 4.9 percent reduction[a]	565	565
Make permanent 1995-96 statewide 4.9 percent reduction[a]	—	538
Restore 1992-93 5.8 percent reduction	604	—
Restore COLA	613	—
Adopt proposed 4.5 percent reduction[a]	—	514

[a] Requires federal approval.

Evaluating the Proposals to Reduce AFDC Grants

The Governor's proposed grant reductions will result in significant savings and increase the financial incentives for recipients to work. We conclude that while some families will be able to compensate for the grant reductions through work, others will find this difficult due to low levels of education and employment experience, as well as a potential lack of job opportunities.

In presenting his proposals, the Governor has offered several reasons why these changes are 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 to government against its policy objectives for the AFDC Program and the potential impact of the proposed changes on needy families.

Fiscal Impact on Government. The budget estimates that the proposed reforms will result in significant savings to the state. In 1996-97, combined General Fund savings and cost avoidance are estimated to be $440 million under existing federal sharing ratios. The savings would be offset, by an unknown amount, to the extent that the reductions in grants 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. We note that currently, the combined maximum monthly grant and food stamps benefit ($838) for a family of three is equal to about 80 percent of the poverty guideline. Under the Governor's proposal, families in Region 1 would have their resources reduced to $792 or about 75 percent of the poverty guideline. Families in Region 2 would have their resources reduced to $773 or about 74 percent of the poverty guideline.

Increasing the Work Incentive. In *The 1991-92 Budget: Perspectives and Issues*, we concluded that the AFDC Program, as structured at the time, offered relatively little financial incentive to work. There were two main sources of the work disincentives: (1) the grant levels when combined with food stamps often were higher than what could be earned by recipients through low-wage employment and (2) program rules allowed working recipients to retain, at best, only a small part of each increment of income. In addition, recipients who worked were likely to weigh the possible loss of Medi-Cal benefits (after a transition period) if they lost AFDC eligibility. Since then, the combination of grant reduction (14 percent since 1990-91), rule changes, and an increase in the federal earned income tax credit have, to some extent, mitigated these problems; and the additional grant reductions proposed by the Governor could further increase the financial incentive to work.

It is impossible to predict with accuracy, however, the degree to which these proposals will induce more AFDC recipients to work. Those nonworking recipients who do not compensate for the grant reductions through an increase in earnings will suffer a reduction in their standard of living. This reduction will be significant, recognizing that these families' incomes are currently below the federal poverty guidelines. It is therefore important, in assessing the impact of the budget proposal, to consider the extent to which AFDC recipients can obtain employment given their education levels and employment experience.

Are AFDC Recipients Work-Ready? In spite of the increased work incentives provided under the Governor's proposals, AFDC recipients are likely to face several obstacles to employment, including lack of training and low education levels and work experience.

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.

The GAIN Program is California's primary employment training program for AFDC recipients. 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. In fact, the Department of Social Services (DSS) estimates that only 21 percent of “mandatory” GAIN cases were served in 1994-95.

An independent evaluation of the GAIN Program found it to be the most successful welfare to work program ever studied, both from the standpoint of increasing earnings for long-term AFDC recipients as well as from a cost-benefit perspective. However, the evaluation found that even in the most successful county (Riverside), 47 percent of the AFDC-FG GAIN participants were still on aid after two years and 37 percent had not been employed at any time during the first two years of the evaluation.

Finally, we note that the economy plays an important role in the ability of AFDC recipients to obtain jobs. The recent recession suggests that AFDC recipients may find it difficult to obtain employment if the economy's recovery is not sustained.

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 many nonworking adult AFDC recipients to fully compensate for the proposed grant reductions by obtaining a job in the private sector.

GOVERNOR'S 1997-98 WELFARE PROPOSAL

Governor Proposes to Redesign the Welfare System

The Governor proposes to redesign the welfare system in California, effective in 1997-98. The proposed redesign would replace the existing AFDC Program with four new programs. We summarize the Governor's welfare reform proposal and comment on it.

The Governor proposes legislation to redesign the AFDC Program, effective in 1997-98.

Key Program Changes. Figure 29 (see next page) compares the existing AFDC Programs to the Governor's proposal. The new program includes the following major changes:

- ***Eligibility Expanded to Additional Two-Parent Families.*** Under current law, low income two-parent families are eligible for the AFDC-U Program if the primary wage earner is unemployed when applying for aid and has worked for a specified amount of time prior to applying. The Governor proposes to eliminate these restrictions.

- ***Need Standards Replaced by Single Work Equivalency Benchmark.*** The “need standard”—the maximum income a household may have while maintaining eligibility—would be replaced by a Work Equivalency Benchmark. Unlike the need standard, which increases with family size, the new benchmark would be fixed at a constant level. The level is not specified, but would generally be based on the income and benefits available to low income working families. Recipients would be able to work and continue to receive a grant as long as total earnings are below the benchmark.

- ***Flat Grants.*** The maximum grant level is not specified. Similar to current law, the maximum grant would be set at a level below the Work Equivalency Benchmark. In contrast to the current benefit structure, however, grant levels would not increase with family size. The grant would be the Work Equivalency Benchmark less the recipient's income, up to the maximum grant level. Under current law, about one-third of the recipient's earnings is excluded from this calculation.

Figure 29

AFDC Program
Current Law and Governor's Proposal for 1997-98

Current Law	Governor's Proposal
Eligibility	
Family Size/Work History • AFDC-Family Group: one-parent families. • AFDC-Unemployed Parent: two-parent families; primary wage earner must be unemployed when applying for aid and must have a work history.	• Four separate programs, depending on specified characteristics of recipients. • Eliminates restrictions on eligibility of two-parent families.
Income threshold Based on Need Standard: • Varies with family size. • Grant plus income (excluding $30 and one-third of earnings) cannot exceed need standard.	Based on unspecified Work Equivalency Benchmark: • Does not vary with family size. • All income counts when computing grant.
Assets Cannot exceed specified levels.	Unspecified limits.
Time Limits	
No limit on eligibility. (After two years from commencing the GAIN Program, recipients must accept a work slot if provided by county, or grant is reduced.	• Two years for cases in the Ready-to-Work Program, but clients may be transferred to the Family Transition Assistance Program (five-year total time limit) if significant employment barriers are identified. • Five years for other recipients, but may be extended in certain cases (disability, for example).
Maximum Grant	
Set at specified levels, below need standard.	Set below Work Equivalency Benchmark— amount not specified.
Varies with family size.	Does not vary with family size
Adjusted annually by statutory COLA, beginning in 1996-97.	No statutory COLA.
No increase for children born while on aid.	Same.
Cash grant for all recipients.	Cash grant except for recipients in Family Transition Assistance Program, who receive vouchers or direct payments to providers, for specified services such as housing, transportation, and child care.
Support Services	
Work-related expenses Provided, up to specified limit.	Provided, up to unspecified limits.
Child care Provided, up to specified limits.	Provided, up to unspecified limits.
Employment preparation GAIN Program—basic education, job search, and job training.	Short-term assistance for work-ready families. Intensive services for others capable of work.
Teen parents Cal Learn Program—case management and bonuses/sanctions for school performance.	Teen Parent Support Program—primarily in-home counseling and guidance.
Other services Provided through separate programs (food stamps, health services, drug treatment, mental health, etc.).	Essentially the same, but may be provided with assistance of case management.
Sanctions	
After two years from commencing GAIN, must accept job or work slot if offered by county, or grant is reduced.	Automatic reductions to maximum grant at six months and one year for work-ready families. Loss of eligibility for noncooperation.

- ***Performance-Based Local Administration.*** The state would establish minimum standards for eligibility, benefits, maximum time on assistance, and performance-based outcome measures. The state would contract for local administration.

New Programs. The four new programs are (1) the Ready-to-Work (RTW) Program, for those families in which an adult has been employed, (2) the Family Transition Assistance Program (FTAP), for parents without employment experience and teen parents under age 18, (3) the Disabled Family Assistance Program (DFAP), for families with a disabled child or parent, and (4) the Child-Only Assistance Program (COAP), for cases with no adult eligible for assistance. The programs are summarized below.

Ready-to-Work Program. This program would serve adults with a work history or who are currently working. The DSS estimates that 59 percent of the existing caseload has a work history. The program would provide cash assistance in the form of a flat grant that is reduced after six months and again after one year, with a total time limit of two years. Local administering agencies would have the discretion to provide a 90-day exemption from grant reductions or from the two-year limit. The program would offer short-term employment services, child care, work-related expenses, and a voluntary program of support services for 18- and 19-year-old teen parents. After a preliminary appraisal at intake, progress evaluations would be conducted in order to identify barriers to employment at the end of six months, one year, and two years. There would be a three month maximum exemption from the two-year limit, or the grant reductions, for birth of a newborn.

Family Transition Assistance Program. This program is designed for parents with no work history, and minor teen parents. The DSS estimates that this program would serve approximately 15 percent of the existing caseload. Instead of a cash grant, recipients would receive vouchers and other forms of non cash assistance. Case managers would provide assistance and may arrange for direct payment of rent and other necessities. Families would receive intensive employment and counseling services for the purpose of removing barriers to employment. Teen parents would be required to participate in a Teen Parent Support Program, which would include in-home counseling. There would be a five-year time limit. At the end of five years (or earlier if it is determined that the parent is not likely to benefit from further intervention), the case would be referred to a child welfare services professional to assess the capability of the parents to continue to care for their children.

Disabled Family Assistance Program. This program would serve families where either the parent or child is disabled. The DSS estimates that approximately 10 percent of the caseload would be assigned to the DFAP. Work expectations would be based on the capability of the adult to participate in the labor market. Recipients would receive cash assistance for as long their disability prevents them from being self sufficient.

Child-Only Assistance Program. This program is designed to serve two distinct populations: (1) children with parents who are not eligible for aid (such as undocumented persons) and (2) children living with adult relatives acting as the primary caretaker. The DSS estimates that approximately 16 percent of the caseload would be assigned to the COAP. Cash grants in this program would be lower than in the other programs because the grant is for the child only. For children with parents not eligible for aid, there would be a flat cash grant for the child, no support services, and a five-year time limit. For children with caretaker relatives, the grant would be based on the total number of children (not to exceed the Work Equivalency Benchmark), child care services would be provided, and there would be no time limit.

Movement Between the Programs. Each program is designed to help participants become self-sufficient, with a recognition that disabled clients may not attain this goal. While recipients in the RTW would have a two-year limit on eligibility for aid, we note that local administrators would have the discretion to transfer them to the FTAP (where they would be subject to a five-year limit on total time on aid) if it is determined that the client is faced with significant barriers to employment. Conversely, recipients in the FTAP could be transferred to the RTW program if they obtain a labor force connection, such as through part-time employment.

Figure 30 summarizes the key features of the three programs that are designed to assist families in becoming self-sufficient. The DSS estimates that these three programs would serve approximately 785,000 cases, or 84 percent, of the current caseload. The remainder of the caseload would be in the COAP, which is summarized in Figure 31 (see page 110).

Administration. The state would contract for local administration, with counties given the first choice. If counties refuse, they would continue to pay their share of welfare costs, and the state would contract with cities, non profit corporations, other counties, or the private sector. Local administering entities would be funded on a per capita basis for each program, based on the number of eligibles and potentially other "risk factors." Local administrators could contract with other organizations to provide various services, including eligibility determination. The department indicates that some type of fiscal incentives could be built into the contracts with the local administrators, based on a managed care model. In other words, if local entities succeed in moving clients into self sufficiency, they could achieve financial rewards. Counties would continue to administer the General Assistance program.

Figure 30

Governor's Proposed Redesign of the Welfare System Summary of Programs for Families with Adult Recipients

	Ready to Work Program	Family Transition Assistance Program	Disabled Family Assistance Program
Target population	Recipients with work history	Recipients lacking work experience and teens	Families with disabled parents or children
Program size	546,000 cases 59 percent of caseload	139,000 cases 15 percent of caseload	92,000 cases 10 percent of caseload
Focus of program	Employment	Intensive case management and services to overcome barriers to employment	Within limits of their disability, help parents become self sufficient
Type of aid	Cash grant, reduced after six months and one year	Vouchers and direct payments to service providers	Cash grant
Time limit	Two years If local administrators identify barriers to employment, recipients may be transferred to FTAP	Five years	Parents unable to be self sufficient may receive benefits indefinitely
Exemptions from time limits	• Up to three months following birth of a child • Up to three months for cause, at the discretion of local administrator	None	Not applicable, program is not time limited
Services provided	• Short-term employment • Child care • Work-related expenses • Voluntary teen parent support services	• Intensive employment • Child care • Work-related expenses • Mandatory teen support services • Case management, other services on referral	• Employment services • Child care • Work-related expenses (including ancillary services)

Figure 31

Proposed Redesign of the Welfare System
Summary of Child-Only Assistance Program

	Target Populations	
	Children With Ineligible Parents	Children Living With Adult Relatives Other Than Parents
Program size	110,800 cases 12 percent of caseload	36,288 cases 4 percent of caseload
Focus of program	Provide assistance to children with ineligible parents	Assist relative caretakers
Type of aid	Flat cash grant	Cash grant based on number of children
Time limit	Five years	No limit
Exemptions from time limits	None	Not applicable
Services provided	None	• Child care • Needy caretaker relatives may receive other services if they are in RTW, FTAP, or DFAP

Framework for Evaluating the Governor's Proposal

We believe that the Governor's proposal is a useful starting point for the Legislature's deliberations on welfare reform. Little is known, however, about whether proposals such as the flat grant and time-limited eligibility would result in a significant increase in the number of welfare recipients who obtain employment. We recommend that the department submit a report prior to budget hearings that estimates the fiscal effect of the proposal.

There appears to be substantial agreement among policymakers that one of the overarching goals of the AFDC Program is that it be structured so as to move adult recipients into stable employment as soon as possible. Beyond this basic goal, there is little consensus on the key elements that should be in a welfare program. We believe, however, that the following set of criteria could be used as a framework for evaluating the Governor's proposals.

Recipients Should Receive Aid in an Amount, and for a Period of Time, That Is Adequate to Give Them the Opportunity to Become

Self-Sufficient. The Governor's proposal does not specify the amount of the maximum grant or the Work Equivalency Benchmark (which is the maximum income a household could have and remain eligible for the program). While the Work Equivalency Benchmark is not specified, the administration indicates that it will generally be based on the income of a low-income working person (an average of $736 per month assuming the minimum wage). We note that the benchmark would not vary with family size, indicating that large families would have greater difficulty meeting their needs if they rely solely on income from grants. Similarly, the amount of the maximum grant is not specified, but would also be set at a fixed level that does not vary with family size.

To get some sense of the potential impact of these changes, we note that in October 1994, an estimated 13 percent of families on AFDC had five or more persons in the household. As the Governor indicates, the flat grant (which does not vary with family size) is analogous to the fact that wages do not increase with family size; although, we note that working parents do receive some financial benefits for additional children through income tax deductions.

The Governor's proposal also provides for automatic grant reductions, at six months and one year, for recipients in the RTW Program. It is uncertain whether the automatic grant reductions for RTW families—particularly at six months—would provide sufficient aid, for a sufficient amount of time, to recipients. The fact that all of these household heads have, at some point within the past ten years, held a job does not mean that they are equally "work-ready" and will be capable of obtaining and holding a job for a sustained period of time after being on aid for six months. It is worth noting that even in the best-performing county studied in the recent GAIN Program evaluation, 47 percent of the participants were still on aid after two years.

Regarding the duration of aid, we note that about 32 percent of the state's AFDC cases have been on aid for a total time of five years or more. Thus, a five-year limit as proposed for FTAP represents a significant policy change. Given the lack of data on the impact of such a change, this policy entails some risk because if it does not result in increased employment among recipients, more families with children will be further below the poverty line. At the same, such a limit on eligibility could result in significant benefits if, by increasing recipients' incentive to work, it leads to a large increase in the number of recipients who obtain employment. We note that in October 1994, about 10 percent of AFDC households reported earnings from employment.

The two-year limit for RTW Program participants would have potential effects similar to the five-year limit, although program administrators would be authorized to refer these clients to the FTAP if they identify significant employment barriers. We note that in October 1994, an estimated 65 percent of the caseload had been on AFDC for more than two years.

In assessing these proposals, job availability will be an important variable. The Employment Development Department (EDD) projects that approximately three million new jobs will be created in California between 1995 and 2005, or approximately 300,000 new jobs per year. The EDD further estimates that approximately one-half of these new jobs will be low-skilled jobs requiring one year or less of vocational preparation and eight years or less of education. The data, however, are not sufficient to determine whether the anticipated new jobs will be sufficient to reduce existing unemployment and absorb persons entering the labor force from California's growing population as well as from the AFDC caseload.

The System Should Include Work Incentives and Be Based on an Expectation That Recipients Make an Effort to Achieve Self-Sufficiency. The Governor's proposal, particularly with the imposition of time limits on persons capable of working, is predicated on this criterion. The emphasis on effort on the part of parents is reinforced by the proposal to give administrators discretion to discontinue aid in the event of non cooperation with program requirements (presumably for reasons such as refusing drug treatment upon referral from a case manager).

The Governor's proposal includes various components designed to provide an incentive for recipients to become self-sufficient by seeking employment. These include the time limits, the flat grant, and the differential between the Work Equivalency Benchmark and the maximum grant. Regarding the latter factor, we note that it would operate similarly to current law, whereby the difference between the "need standard" and the maximum grant represents an amount that recipients can earn without these earnings offsetting their grants. We also note, however, that the Governor proposes to eliminate an existing work incentive feature of the AFDC Program—the "$30 and one-third disregard." Under this rule, the first $30 of earned income plus one-third of remaining earnings are not counted as offsets to the grant.

In addition, we note that the final report of an evaluation of recent maximum grant reductions and the "$30 and one-third disregard" in California, and their combined impact on increasing the percentage of AFDC recipients who work, is due to be submitted this spring. Preliminary results submitted two years ago showed some impact on AFDC-U recipients but virtually no impact on AFDC-FG recipients.

Services Should Be Designed to Give Recipients an Opportunity to Achieve Self-Sufficiency. Generally, the Governor's proposal recognizes the need to provide support services to AFDC families and to differentiate among the needs of these families. This is particularly true of the FTAP, which would provide intensive services, including case management. We note, however, that none of the programs would provide basic education services. This apparently is in response to the successful employment-focused approach adopted in the Riverside County GAIN Program. Research on the GAIN Program, moreover, did not find significant employment impacts from mandatory basic education, although the evaluators indicated that a longer-term analysis would be more appropriate because some of the beneficial effects may not materialize in the initial years.

We also note that, like the existing program in California, the proposal makes no provision for case management services once a family goes off aid. Given the large number of AFDC families that go on aid more than once (estimated at 48 percent), the provision of such assistance should be given some consideration.

The System Should Strike a Balance Between the Provision of Administrative/Programmatic Flexibility and the Assurance of Equitable Treatment of Recipients. The proposal would give local program administrators significant flexibility to make key decisions regarding program services, time limits, and sanctions. Local administrators, for example, would have some discretion to reassign clients among programs, provide limited extensions to delay grant reductions or the two-year limit in the RTW program, and effectively extend the two-year time limit to five years by transferring clients from the RTW program to the FTAP.

This flexibility permits local administrators to tailor their decisions to the individual needs of clients and to take into account differences in families' circumstances. At the same time, it could result in treating similar clients differently because of differences in the administrators rather than the recipients. We believe that if the Legislature adopts the proposal, guidelines or regulations should be included in this area—for example, to better define the circumstances that would permit an RTW Program participant to be transferred to the FTAP.

Conversely, we believe that the FTAP, in requiring that all non disabled adult recipients with no employment experience receive vouchers or other non cash aid rather than a cash grant, does not have sufficient administrative flexibility. The voucher provision rests on the premise that these recipients need some form of money management assistance. The proposal, however, does not recognize that many of these recipients—who are assigned to the program solely because they have not been employed within the past ten years when applying for aid—will have no more need for money management than will participants in the other program components.

Similarly, recipients in the RTW Program would differ significantly with respect to their readiness for work, as noted above. Some could have relatively high levels of education and employment experience, while others could have relatively low levels.

The System Should Be Administered Efficiently. Although relatively little detail has been provided regarding program administration, the Governor proposes to use a per-capita funding mechanism in the state's contracts with local entities. This could be an innovative approach to welfare administration, but it will be important to ensure that the incentive system accounts for effectiveness (outcomes) as well as costs so that local administrators do not deny needed services in an effort to maximize their net revenues. In other words, the system should reward administrative agencies for moving recipients into jobs, as opposed to simply moving them out of the AFDC Program (and onto General Assistance, for example).

We also point out that the use of vouchers and direct payments to providers, as proposed for the FTAP, will entail considerably higher administrative costs than the use of cash grants.

The System Should Be Cost-Effective. Cost-effectiveness can be measured in different ways—from the perspective of the government, the taxpayer, or the society as a whole, for example. From the government's perspective, the cost-effectiveness of the Governor's proposal would depend primarily on the cost of the grants and services and the revenues from additional tax receipts to the extent that employment is increased, compared to these costs and revenues under the existing system.

The costs of the Governor's proposal cannot be estimated without additional information, including the levels proposed for the grants and the Work Equivalency Benchmark. Future costs, moreover, would depend on caseload levels as well as impacts on other state and county programs, which cannot be projected with any reliability primarily because little is known about the impact of provisions such as time limits. For the same reason, it is not possible to estimate the impact on revenues.

We can predict, however, that the time limits would significantly reduce the state costs of grants and related administration, once these limits begin to take effect. The extent to which this translates into a shift of costs to the counties depends on the extent to which recipients obtain jobs rather than go onto General Assistance.

As indicated, the initial costs of grant expenditures under the Governor's proposal cannot be estimated until the grant levels are known.

Likewise there is no estimate, at this time, of the cost of support services. These costs probably would be higher than current expenditures for AFDC-related services if, unlike the existing GAIN Program, the authorized services are fully funded.

We can get some idea of the potential costs of support services in the RTW Program by utilizing data from the recent evaluation of the GAIN Program. Based on the orientation / assessment and job search costs in the Riverside County GAIN Program, we estimate that providing these services to the anticipated RTW program caseload could exceed $675 million in the first year. This would be more than twice the current direct costs of the entire GAIN Program, which includes basic education and job training. These costs, moreover, exclude child care services, which also would likely exceed current-year spending. We note, however, that ongoing annual costs would be substantially reduced because in the first year, services would be needed for all *existing* cases referred to the RTW Program, whereas in subsequent years the services would be largely for new applicants.

We believe that the cost of support services in the Family Transitional Assistance Program also would exceed the corresponding costs of services provided currently because of the provision of intensive case management and other services called for in the Governor's plan. Further, the use of vouchers instead of cash grants is likely to increase administrative costs.

In summary, it is not possible to estimate the fiscal effects of the proposal without additional information. The time limits, however, would result in significant long-term savings to the state and potentially a shift of costs to the counties, depending on the effect of the proposal on employment among AFDC recipients. We also note that a preliminary report from an evaluation of recently implemented time-limited welfare programs in three states indicates that the states are incurring significant net costs in the first year (for activities such as support services and automation), but it is too soon to determine longer-term impacts. In order to assist the Legislature in considering the Governor's proposed redesign of the welfare program, we recommend that the department submit a report, prior to budget hearings, that estimates the fiscal effect of the proposal, including the cost of grants and support services, as well as the estimated savings from increased employment.

Conclusion. While we have raised several areas of concern regarding certain aspects of the Governor's proposal, we believe that it is a useful starting point for the Legislature's deliberations on welfare reform. In summary, we draw the following conclusions regarding the proposal:

- ***Recognizing Differences Among Recipients.*** We believe that it makes sense to structure the successor to the AFDC Program in a way that takes into account the differences among recipients. Dividing the caseload into four programs is consistent with this concept, but we believe that the criteria established for the two major programs—the RTW and the FTAP—may be too inflexible in that there will be significant differences among families within and between each program, with respect to their readiness for work and their need for support services.

- ***Structuring Work Incentives.*** The proposal includes several elements designed to increase the work incentive, the most significant being the flat grant and time limits on eligibility. Little is known about the impact of such proposals. The time limits would result in significant state savings in AFDC grants. If they do not increase employment levels significantly, however, they could also result in a major shift of costs to other state programs and, in particular, to county programs. The potential shift of costs to counties would be mitigated to some degree by recent legislation (Ch 6/96 [SB 681, Hurtt]) which permits counties to limit General Assistance to three months in any 12-month period, for persons considered employable.

- ***Impact on Children.*** Any sanctions against parents for failing to become self-sufficient will have consequences for their children. Thus, it is important to consider what happens to families when aid is reduced or discontinued due to time limits. Given the limitations on General Assistance, the final "safety net" for children may be the child welfare system. In fact, under the Governor's proposal, families that reach the five-year time limit would be referred to a child welfare professional for an assessment of the capability of the parents to continue to care for their child. The proposal, however, does not address the potential consequences—both to children and to the child welfare programs—of such assessments.

- ***Support Services.*** The proposal provides for support services in order to help recipients achieve self-sufficiency. The provision of case management and other services, if needed, for all FTAP participants represents a significant change from current law. While additional information is needed, there is some evidence that under the proposal the cost of support services would be significantly higher than under current law, if the proposed program is fully funded.

- ***Cost-Effectiveness.*** Because (1) the grant levels are not specified and (2) the long-term impact on employment levels cannot be predicted, we cannot estimate the cost-effectiveness of the proposal.

Finally, we note that the proposal to redesign the AFDC Program serves as an opportunity to consider the state's welfare system in a broader perspective. More specifically, we recommend that the Legislature consider state assumption of responsibility for the General Assistance program, as we discuss in our companion volume, *The 1996-97 Budget: Perspectives and Issues*. At a minimum, the Legislature should ensure that any welfare redesign clearly links program responsibility, accountability, and financing to achieve its policy objectives.

CHILD SUPPORT ENFORCEMENT PROGRAM

Child support enforcement services are provided by county district attorneys to all persons who request such assistance. Collections made on behalf of AFDC recipients offset AFDC grant expenditures and therefore result in state and county savings.

Budget Underestimates Savings From Franchise Tax Board Program

We recommend that the budget's estimate of the impact of the Franchise Tax Board's child support enforcement program be adjusted to more accurately reflect recent data on monthly collections, for a General Fund savings of $6.2 million in 1995-96 and $5.3 million in 1996-97. (Reduce Item 5180-101-0001 by $5,300,000.)

Chapter 1223, Statutes of 1992 (AB 3589, Speier), established a program in which counties forward delinquent child support cases to the Franchise Tax Board (FTB) to attempt to recover these obligations. The budget estimates that the program will increase AFDC collections by $12.6 million in 1995-96 and $16.5 million in 1996-97, resulting in General Fund savings of $5.9 million and $8 million, respectively.

In reviewing the actual monthly collections from September through December 1995 (the most recent data available), we found that the FTB recovered an average of $2.3 million per month in AFDC collections for the 22 participating counties. If this trend continues, collections would amount to about $26 million in the current year and $28 million in the budget year, significantly higher than the budget's estimates.

Accordingly, we recommend that the budget's estimated AFDC child support collections be adjusted to reflect the current-year trend, requiring an increase of $13.4 million in 1995-96 and $8.5 million in 1996-97. This would result in additional General Fund savings of $6.2 million in 1995-96 and $5.3 million in 1996-97, due to the effect of the additional collections in offsetting AFDC grant expenditures.

We note that our estimate is conservative in that (1) we based our estimate on collections for September through December even though collections in December (the latest month of data) were significantly higher than in the preceding months and (2) the board anticipates that additional counties will choose to participate in the program in the budget year, thereby resulting in increased collections above the current year. We will review these factors with the department and the board prior to the budget hearings, and modify our recommendation if appropriate.

Proposed Child Support Court Commissioner System Needs Implementation Plan

We withhold recommendation on $19 million ($6.5 million General Fund) proposed to implement a commissioner-based child support court system, pending receipt of an implementation plan from the Department of Social Services.

Currently, most child support cases referred to the courts are heard by judges. In some counties, however, court commissioners are used to hear some of the cases. The Governor's Child Support Court Task Force recommended in 1995 that counties establish a statewide system in which court commissioners are dedicated specifically to the establishment of child support paternity and support orders. The budget proposes to fund such a system, effective January 1, 1997, assuming enactment of pending legislation (AB 1058, Speier).

The new court commissioner system would be designed to include streamlined procedures, dedicated support staff, automation, and better information and guidance for parents through the system. Federal financial participation at 66 percent of total costs would be available, provided that a plan of cooperation exists between the courts and the DSS. The budget proposes $6.5 million from the General Fund to support the half-year costs of 50 commissioners and five new positions for state-level administration by the Judicial Council. (An unspecified portion of these funds would replace county funds currently used for court commissioners.)

The DSS estimates that the program will result in state savings of $2.1 million in 1996-97 due to additional child support collections. Thus, the proposal is estimated to result in a net General Fund cost of $4.4 million in 1996-97. By 1998-99, the DSS estimates that the program will result in net General Fund savings of $17.9 million because of increased child support collections. We also note that the program would free up time for judges to hear other cases and would provide some savings to those counties that currently use county-funded commissioners.

We believe that the proposal to expand the use of commissioners has merit. The administration, however, has not provided sufficient information to justify the need for 50 commissioners in 1996-97. In fact, a workload study completed by the department in 1994 indicated that 25 commissioners would be needed. Caseload growth since 1994 would not justify increasing the number of commissioners needed to 50. In our discussions with the department, however, staff indicated that they would be able to provide additional information justifying the need for 50 commissioners because the 1994 study did not account for the backlog of child support cases. Accordingly, we withhold recommendation on the proposal, pending receipt of an implementation plan that shows (1) when each county will make the transition to the commissioner-based system and (2) the number of commissioners needed in each county or group of counties.

Budget Does Not Reflect Savings From Expanded License Match Program

We recommend that the budget's estimate of child support collections be adjusted to reflect the impact of expanding the State Licensing Match System, for a General Fund savings of $26 million in 1996-97. (Reduce Item 5180-101-0001 by $26,000,000.)

Chapter 481, Statutes of 1995 (AB 257, Speier) expanded the State Licensing Match System (SLMS) to require the Department of Motor Vehicles (DMV) to suspend or revoke the driver's license of delinquent child support obligors, and made other modifications to the state's child support collection system. When the bill was enacted, the Department of Finance estimated that AB 257 would result in a General Fund savings of $26 million in 1996-97, due to the impact on AFDC child support collections. We also note that similar legislation in Maine substantially increased child support collections.

Based on the experience in Maine and our discussions with staff at the DSS, we conclude that a net General Fund savings of $26 million is a reasonable estimate. The budget, however, does not reflect any savings from this program. Accordingly, we recommend that the budget's estimate for AFDC child support collections be increased to reflect a General Fund savings of $26 million in 1996-97.

AFDC—FOSTER CARE

Budget Should Reflect Additional Revenue and Savings

We recommend (1) increasing General Fund revenues by $172,000 and (2) reducing General Fund expenditures by $317,000 in order to reflect the impact of foster care group home audits. (Increase General Fund revenues by $172,000 and reduce Item 5180-101-0001 by $317,000.)

Current law requires the department to perform program and fiscal audits of foster care group homes. Group homes are paid a rate based on the level of care and supervision that is provided. The department is authorized to reduce the rate being paid to the group home and to collect any overpayments identified in audit findings that the required level of care and services was not provided.

The budget proposes $745,000 ($484,000 General Fund) to continue eight limited-term positions and establish two new positions to conduct group home audit activities. In addition to these positions, the department currently has five permanent positions performing group home audits. Based on our review, we find that continuation of the eight positions is justified on a workload basis.

Budget Does Not Reflect Revenues and Savings from Proposed Activities. Our analysis indicates that the Governor's Budget does not reflect any revenue or savings that would result from proposed group home audit activities. The department, however, estimates that additional General Fund revenues of approximately $172,000 will be generated from the collection of overpayments. In addition, the department estimates General Fund savings of $317,000 resulting from group home rate reductions. Accordingly, we recommend that the budget reflect the $172,000 in General Fund revenues and $317,000 in reduced expenditures resulting from these activities in 1996-97.

Technical Error in Calculating General Fund Share of Costs

We recommend a reduction of $1.3 million from the General Fund because a technical error in calculating the state share of costs for foster care resulted in overbudgeting. (Reduce Item 5180-101-0001 by $1,312,000.)

The budget proposes an increase in the Foster Care Program of $2.3 million from the General Fund ($4.8 million from all funds) as a result of a federal policy change affecting certain cases where the foster parent is a relative of the child. Our analysis indicates that the General Fund costs are overbudgeted because the department applied an incorrect state/county cost sharing ratio. Therefore, we recommend that the General Fund amount be reduced based on the correct cost sharing ratio. This would result in General Fund savings of $1,265,000 in 1995-96 and $1,312,000 in 1996-97. We note that this would also result in corresponding increases in county costs.

Budget Does Not Reflect Savings Anticipated From an Increase in Federal Funds

We recommend a General Fund reduction of $485,000 in the amount proposed for the Foster Care Program to reflect anticipated additional federal funds due to an increase in the federal share of costs of this program. (Reduce Item 5180-101-0001 by $485,000.)

The Federal Medical Assistance Percentage (FMAP) determines the federal share of costs in the Medicaid Program (Medi-Cal in California) as well as certain other programs. The Governor's Budget anticipates that the federal sharing ratio will increase from 50 percent to 50.23 percent of total costs for the affected programs, effective October 1, 1996. The budget assumes General Fund savings in certain programs (primarily Medi-Cal) due to the anticipated increase in federal funds, beginning in 1996-97.

The federal share of costs for foster care grants is also based on the FMAP. The budget, however, does not reflect a change in the federal share of costs. We estimate that the additional federal funds would result in General Fund savings of $485,000 in 1996-97. Accordingly, we recommend that the budget be amended to reflect these anticipated savings.

Department Will Not Meet Deadline for Report on a Revised Foster Care Rate Setting System

At the time this analysis was prepared, the Department of Social Services had not yet convened a working group to recommend a revised foster care rate setting system, as required by the Legislature. We recommend that the department report during budget hearings on the status of its efforts to meet this requirement.

Children who are placed in foster family homes generally receive the basic foster family home grant, ranging from $345 to $484 per month. Children with special medical and/or behavioral needs are also eligible for a specialized care increment over and above the basic foster family home grant.

Foster family agencies (FFAs) recruit and certify foster homes and provide training and support services to the foster parents. One of their objectives is to provide placement settings for children who have special needs and require a higher level of care than typically provided in a foster family home. The FFA rates generally range from $1,283 to $1,515 a month.

The *Supplemental Report of the 1995 Budget Act* requires the Department of Social Services to convene a working group to review the rate setting system for foster family homes and FFAs and to report its recommendations for a new or revised system by March 1, 1996. The working group must include representatives from the department, counties, providers, consumers, and the Legislature. The purpose of the review is to recommend a system that could help to provide for a greater range of service levels and placements for children in foster care. At the time this analysis was prepared, departmental staff indicated that they were still in the process of identifying potential participants of the working group. It is apparent that the Legislature's deadline for the report will not be met and we find no justification for the delay. To facilitate legislative oversight of this issue, we recommend that the department report during budget hearings on the status of its efforts to comply with the Legislature's directive.

Flexibility in Use of Foster Care Funds Could Increase Family Reunifications

We recommend the enactment of legislation to establish a pilot program whereby counties could use state foster care funds to provide ongoing support services to children and their families after reunification.

One of the goals of the Child Welfare Services Program is to safely reunify foster care children with their families, when appropriate. Although in some cases it may not be appropriate to return a foster child home to his/her family, there are instances where reunification is in the child's best interest. As some child welfare professionals have indicated, more children in long-term foster care could return home if *ongoing* support services were provided to the families. Currently, very few families receive ongoing services when a child is returned home, mainly due to lack of funding.

It is likely that some children who are in long-term foster care could be reunified if more resources were available to fund these ongoing services. Currently, state law prohibits the use of foster care funds to provide ongoing support services to families. Instead, the funds must be used to maintain the child in foster care placement (food, clothing, shelter, etc.). We recommend the enactment of legislation to establish a pilot program whereby counties could use state foster care funds to provide support services to children and their families after reunification. In other words, the program would give counties flexibility to use foster care funds to support a child in his/her family. This program would target the services to children in *long-term* foster care who could be returned home with the support of such services.

We note that this legislation could be designed so that at a minimum the General Fund costs of participating in the pilot program would not exceed current foster care costs for those cases. In some instances this proposal could result in net savings to the General Fund. This is because long-term foster care children typically remain in foster care homes until they reach age 18. This proposal, if it is successful, would reunify these children with their families, thereby avoiding long-term foster care costs.

Closure of County Probation Facilities Could Lead to Increases in Foster Care Costs

Possible closure of county juvenile camps and ranches could result in higher caseloads and costs in the Foster Care program.

Several counties are reporting that, as a consequence of reductions in federal funds, they intend to close local camps and ranches for juvenile offenders. Because foster care is an alternative placement option for some of these juvenile offenders, the closure of county camps and ranches (funded by the counties) could lead to higher caseloads in the Foster Care program (partially funded by the state). The budget, however, does not assume closure of any county camps and ranches. We discuss this issue in detail in our analysis of the Department of the Youth Authority.

SUPPLEMENTAL SECURITY INCOME/ STATE SUPPLEMENTARY PROGRAM

The Supplemental Security Income/State Supplementary Program (SSI/SSP) provides cash assistance to eligible aged, blind, and disabled persons. The budget proposes an appropriation of $1.6 billion from the General Fund for the state's share of the SSI/SSP in 1996-97. This is a decrease of $375 million, or 19 percent, from estimated current-year expenditures. This decrease is due primarily to the full-year effect of previous grant reductions (which have so far been delayed because of lack of federal approval), and the elimination of SSI/SSP benefits for noncitizens pursuant to proposed federal welfare reform legislation.

In December 1995, there were 330,852 aged, 21,833 blind, and 673,197 disabled SSI/SSP recipients.

Assumed Federal Law Changes Create a General Fund Risk

In the SSI/SSP, the budget proposes General Fund savings of $102 million in 1995-96 and $512 million in 1996-97 that are dependent on federal action to eliminate the maintenance-of-effort requirement and restrict program eligibility. The budget assumes that this will be achieved by the enactment of federal welfare reform legislation.

Background. Federal law allows states the discretion to set the level of the SSP grant (the state-funded component of SSI/SSP) as long as the payment remains at or above the federally-mandated maintenance-of-effort (MOE) level. The MOE level is the SSP grant level in effect in July 1983. Budget trailer bill legislation for 1995-96—Chapter 307, Statutes of 1995 (AB 908, Brulte)—reduced payments by 4.9 percent statewide, with an additional 4.9 percent reduction for persons living in low-cost counties, effective December 1995. The statewide reduction is scheduled to terminate on June 30, 1996 and the additional reduction to recipients in low-cost counties will be ongoing. These grant reductions would reduce the grants for most recipients below the federally mandated MOE, but federal legislation permitting this reduction has not been enacted.

Budget Savings Contingent on Federal Welfare Reform. Figure 32 (see next page) lists past and proposed budget actions that are dependent on federal legislation. As the figure shows, $614 million in General Fund savings in the current and budget years are at risk. With the exception of the elimination of drug and alcohol addiction as qualifying disabilities (which is included in separate pending legislation), the most recent version of federal welfare reform (passed by Congress but vetoed by the President) would enable the state to implement the proposals shown in Figure 32. We note however, that the budget assumes that the current-year grant reductions will become effective April 1, 1996. Because of recipient notification and other administrative requirements, it will not be possible to achieve all of the savings assumed in the budget for the current year even if federal welfare reform is enacted in March 1996.

Figure 32

State Savings Dependent on Federal Legislation SSI/SSP 1995-96 and 1996-97

(In Millions)

Budget Proposal	1995-96	1996-97	Total
Previous Budget Actions:			
1995-96 regional 4.9 percent grant reduction	$25	$101	$126
1995-96 statewide grant reduction	76	—	76
Eliminate drug/alcohol addiction as criteria	—	3	3
New Proposals:			
Make statewide 4.9 percent reduction permanent	—	$309[a]	$309
Restrict eligibility for noncitizens	1	90[b]	91
Restrict eligibility for disabled children	—	9	9
Totals	**$102**	**$512**	**$614**

[a] Total savings are estimated at $335 million, of which $309 million is dependent on federal action.

[b] $96 million in SSI/SSP savings partially offset by net costs of $6 million in Medi-Cal.

Budget Proposes to Make Temporary Reductions Permanent

By proposing to make past grant reductions permanent and to delete the requirement to restore the statutory cost of living adjustment, the budget would achieve a General Fund cost avoidance of $777 million in 1996-97.

Budget trailer bill legislation for 1991-92 and 1992-93 reduced SSI/SSP grants by 5.8 percent, suspended the statutory state cost of living adjustment (COLA), and specified that the grant reduction and the COLA suspension would remain operative until July 1, 1996.

Restoring the 5.8 percent grant reduction in 1996-97 would result in General Fund costs of $442 million. There would be no cost in 1996-97 to restore the COLA because of the interaction between the state COLA—which is based on the California Necessities Index (1.5 percent) and is applied to the entire SSI/SSP grant—and the federal COLA, which is based on the Consumer Price Index (2.9 percent) and is applied to the SSI portion of the grant. The Governor's Budget proposes to make the grant reduction and the COLA suspension permanent, for a General Fund cost avoidance of $442 million in 1996-97.

The budget also proposes to make permanent the statewide 4.9 percent grant reduction enacted in 1995-96. This would result in a General Fund cost avoidance of $335 million in 1996-97.

Figure 33 shows the SSI/SSP grants in 1996-97 for individuals and couples in Region 1 (high-cost counties) and Region 2 (low cost-counties) under both current law and the Governor's proposal. Grants under the Governor's proposal would be roughly 10 percent less than under current law. As a point of reference, we note that the federal poverty guideline in 1995 is $623 per month for an individual and $836 per month for a couple. Thus, under the Governor's proposal, the grant for an individual would be below the poverty guideline (96 percent of the poverty level in high-cost counties and 91 percent of poverty in low-cost counties). Under current law, the grant for an individual would be somewhat above the poverty line (107 percent of poverty in high-cost counties and 102 percent of poverty in low-cost counties).

Figure 33

SSI/SSP Monthly Payment Standards Current Law and Governor's Proposal[a] 1996-97

Region and Recipient Category	Current Law	Governor's Proposal	Difference
Region 1—High-cost counties			
Individuals	$663	$596	-$67
Couples	1,170	1,066	-104
Region 2—Low-cost counties			
Individuals	$633	$568	-$65
Couples	1,135	1,014	-121

[a] Does not include federal COLA which will be applied to SSI portion of grant on January 1, 1997.

SSI/SSP Benefits for Noncitizens—Budget Internally Inconsistent

We recommend a technical adjustment in the amount proposed for SSI/SSP grants because the proet underestimates the savings from eliminating SSI/SSP benefits for noncitizens, based on its own assumption of federal welfare reform legislation. (Reduce Item 5180-111-0001 by $34,052,000.)

The budget proposes to make most legal noncitizens ineligible for SSI / SSP effective January 1, 1997, assuming enactment of federal welfare reform legislation, which includes these restrictions. The most recent version of federal welfare reform legislation excepted certain legal noncitizens from the bill's prohibition. The budget, however, excludes two categories of recipients that are *not* excluded in the latest version of welfare reform legislation—specifically, noncitizens over age 75 and noncitizens that are too disabled to become citizens. The administration advises us that these exclusions were inadvertent and do not accurately reflect its proposal. Correcting for this error would result in a net increase in General Fund savings of $34.1 million which is not reflected in the Governor's Budget. Accordingly, we recommend this technical adjustment so that the budget will be consistent with its own assumptions.

Governor Proposes to Deny General Assistance to Noncitizens

The Governor proposes legislation to prohibit counties from providing General Assistance to those noncitizens who lose eligibility for federal benefits as a result of federal welfare reform.

If federal legislation is enacted to eliminate noncitizens from eligibility for SSI and Food Stamps, many of these persons would become eligible for county General Assistance benefits. The Governor proposes legislation to prohibit counties from providing General Assistance to those noncitizens who lose eligibility for federal benefits as a result of such legislation.

We note that denying aid to those noncitizens who do not attain citizenship would have a significant adverse effect on these individuals unless they can compensate for the loss of income through employment or some other means. In this respect, it is important to recognize that under federal law, noncitizens must reside in the country for five years and then must initiate an application process which currently takes more than a year to complete.

For a discussion of how this proposal affects the state-county relationship, please see Part V of our companion volume, *The 1996-97 Budget: Perspective and Issues.*

COUNTY ADMINISTRATION OF WELFARE PROGRAMS

The budget appropriates funds for the state and federal share of the costs incurred by counties for administering the following programs: (1) Aid to Families with Dependent Children (AFDC); (2) Food Stamps; (3) Child Support Enforcement; (4) Special Adults, including emergency assistance for aged, blind, and disabled persons; (5) Refugee Cash Assistance; and (6) Adoption Assistance.

The budget proposes an appropriation of $496.9 million from the General Fund for the state's share of the costs that counties will incur in administering welfare programs in 1996-97. This represents an increase of $23.1 million, or 4.9 percent, over estimated current-year expenditures.

Statewide Fingerprint Imaging System Needs Further Review

We withhold recommendation on the $15.7 million ($7.9 million General Fund) proposed to implement a new Statewide Fingerprint Imaging System that is designed to detect and prevent fraud in the Aid to Families with Dependent Children Program, pending receipt of additional information from the Health and Welfare Data Center.

The budget proposes $15.7 million ($7.9 million General Fund) to implement a Statewide Fingerprint Imaging System (SFIS) modeled on an existing fraud detection program in Los Angeles County. The Health and Welfare Data Center (HWDC) is responsible for developing and procuring the statewide system. The Department of Social Services (DSS) will provide the data center with $11.6 million ($5.8 million General Fund) for its costs related to its development and procurement of the system. The remaining funds will be used for county administration of the program ($3.8 million total, and $1.9 million General Fund) and for state operations at the DSS ($264,000 total, $132,000 General Fund).

Counties will phase into the program over a six-month period, beginning in January 1997. Partial year AFDC grant savings are estimated to be $11.7 million ($5.6 million General Fund) in 1996-97. When the system is fully operational in 1997-98, the program is estimated to provide net savings of $60.1 million ($28.5 million General Fund).

Background. Los Angeles County implemented its Automated Fingerprint Reporting and Match (AFIRM) pilot program in April 1994. The program requires all adult AFDC recipients to be fingerprinted in order to continue to receive AFDC benefits. A database stores fingerprint images, and the system compares these images to those of new applicants. If there is a positive match, aid will be denied. An evaluation of AFIRM concluded that the program would reduce AFDC benefit payments by $86 million over a 26-month period.

A follow-up study of 137 randomly selected cases that were terminated due to noncompliance with AFIRM found that 104 cases (76 percent) were engaged in some kind of fraudulent activity. Failure to confirm fraud in the remaining 24 percent of cases raises the issue of whether *some* of the AFDC grant savings should be attributed to reasons other than actual fraud.

Process Should Conform to Action Taken in HWDC Budget. In our analysis of the HWDC (please see the State Administration section of this *Analysis*), we discuss several issues pertaining to the expedited procurement process and the estimated cost of the SFIS. In that discussion, we withhold recommendation on all funds pertaining to the implementation of the SFIS pending receipt of additional information from the HWDC. Accordingly, we withhold recommendation on the $15.7 million proposed in this item for the SFIS.

Welfare Automation Projects Transferred To the Health and Welfare Data Center

We withhold recommendation on proposed funding for the Statewide Automated Welfare System and the Statewide Automated Child Support System, pending receipt of additional information from the Health and Welfare Data Center.

The responsibility of developing the Statewide Automated Welfare System (SAWS) and the Statewide Automated Child Support System (SACSS) has been moved from the DSS to the HWDC. A brief summary of these projects is provided below. For a more complete description of these programs and our recommendations, please see the State Administration section of this *Analysis.*

SAWS. The budget proposes $68.2 million ($29 million federal funds, $31 million General Fund, $4.6 million county funds, and $3.5 million in reimbursements) for the DSS and the HWDC to continue the development and implementation of the SAWS. The 1995 Budget Act required the HWDC to provide two reports to the Legislature regarding the SAWS. The first report, released November 1, 1995, presented a multiple county consortium strategy for implementing a SAWS.

Under this approach counties join together into consortia based on common business needs and working relationships. The report included a preliminary assignment of counties into four consortia, a summary of the consortia concept and rationale for each consortium, and a description of the responsibilities for key project stakeholders. The second report, to be released February 1, 1996, covers implementation issues, consortia government structures, and action plans.

Funding for the Implementation of Interim Statewide Automated Welfare System Should Conform to Action Taken in the HWDC Budget. In our analysis of the HWDC, we withhold recommendation on Implementation of Interim Statewide Automated Welfare System (ISAWS) implementation and maintenance pending receipt of additional information for the HWDC. The ISAWS is one of four proposed consortia that counties may choose to join in implementing SAWS. Accordingly, we also withhold recommendation on $40.9 million ($20.1 million General Fund) in the DSS budget for the ISAWS.

SACSS. The budget proposes $50.4 million ($42.1 million federal funds, $4.2 million General Fund, and $4.1 million county funds) for the implementation and the ongoing operation and maintenance of the SACSS in 1996-97. As of December 1995, seven pilot counties had implemented the SACSS. Statewide implementation is scheduled to be completed in February 1997.

In January 1996, the Department of Finance approved a revised Special Project Report (SPR) which projected an additional $108 million in total costs, through June 2000, above the $152 million previously estimated. However, none of these costs are reflected in the budget proposal for 1996-97.

Implementation of SACSS Should Conform to Action Taken in the HWDC Budget. In our analysis of the HWDC, we discuss several issues pertaining to the revised SPR for the SACSS project. In that analysis, we withhold recommendation on the SACSS project pending the receipt of additional information from the HWDC. Accordingly, we also withhold recommendation on the $50.3 million ($4.2 million General Fund) in the DSS budget for the project in 1996-97.

Proposal to Prohibit General Assistance for Noncitizens

The Governor proposes to prohibit counties from providing General Assistance to noncitizens made ineligible for federally funded programs, if pending welfare reform legislation is enacted.

If enacted into law, current versions of federal welfare reform now pending in Congress, would make legal noncitizens (with certain exceptions) ineligible for Supplemental Security Income (SSI) and Food Stamps effective January 1, 1997, and would give states the option of denying AFDC benefits to these individuals. With respect to AFDC, the Governor proposes to follow current state law and bar sponsored aliens from receiving these benefits. Based on these policies, we estimate that approximately 180,000 noncitizens would be denied SSI/State Supplementary Program (SSP) benefits, roughly 225,000 would be denied food stamps, and 8,339 sponsored aliens would be denied AFDC, unless the individuals attain citizenship status. Under current law, counties would be required to provide General Assistance to these noncitizens, provided they met county eligibility guidelines. The Governor, however, proposes legislation to prohibit counties from providing General Assistance to these noncitizens.

Essentially, this is a policy decision for the Legislature. We note, however, that General Assistance is part of the safety net for indigents. Thus, denying this aid to those noncitizens who do not attain citizenship would have a significant adverse effect on these individuals unless they can compensate for the loss of income through employment or some other means. In this respect, we also note that under federal law, noncitizens must reside in the country for five years, and then must initiate an application process which currently takes more than a year to complete.

Budget Exceeds Projected Spending Based on Recent Trends

We recommend that the proposed expenditure for unidentified activities ($8.9 million General Fund) in county administration be deleted because it is in excess of projected county spending in 1996-97, based on past trends adjusted for caseload growth, inflation, and policy changes. We further recommend that the Legislature consider redirecting the savings to expand the Greater Avenue for Independence Program because of its demonstrated effectiveness in increasing participant's employment and earnings. (Reduce Item 5180-141-0001 by $8,883,000).

Amount Budgeted Exceeds Projected County Spending. The current methodology used to budget for county administration is based on the amount counties actually spent in the past year, adjusted for projected changes in caseload and inflation in the budget year. This amount is also adjusted for policy changes. Because of recent economic conditions, the counties have not matched all the state and federal monies available for administrative costs in recent years. This experience is reflected in actual expenditures, and therefore is the basis used to project budget-year spending.

The budget reflects county administrative savings in 1996-97 from various fraud activities, legislation barring sponsored aliens from AFDC eligibility, and the consolidation of eligibility determination in the AFDC and Food Stamps Programs. The budget, however, proposes to allow counties to use $8.9 million of these General Fund savings (if matched by $3.8 million in county funds) to pay for other unidentified activities. The DSS's rationale is that the trend used to project the 1996-97 expenditures understates the amount counties would spend because, in recent years, the counties have cut back on spending due to their limited resources.

By adding $8.9 million from the General Fund to the baseline projection, the budget is assuming that counties will be willing to increase their match beyond the level reflected in recent years. We find no basis for this assumption. If anything, county fiscal resources are coming under more pressure, not less. Moreover, the department has not justified the request on the basis of programmatic needs because it has not been able to identify the activities for which these monies would be spent.

Greater Avenue for Independence (GAIN) Program Increases Earnings and Reduces AFDC Grant Payments. A recent evaluation of the Greater Avenue for Independence Program concluded that, on average, the program increased earnings for AFDC-FG (Family Group) cases by 22 percent over a three-year period and increased earnings for AFDC-U (Unemployed Parent) cases by 12 percent. Further, AFDC grant payments were reduced by an average of 6 percent. In Riverside County, moreover, the GAIN Program returned $2.84 to government budgets for every dollar spent on the program. Budget trailer bill legislation—Ch 306/95 (AB 1371, Weggeland)—modified the GAIN Program to make it more like the employment-oriented program operated by Riverside County.

Program Not Fully Funded. The DSS indicates that the proposed funding for the GAIN Program is substantially below the amount needed to accommodate all eligible AFDC recipients. Given the demonstrated effectiveness of the program, we recommend that the Legislature consider redirecting the savings realized by adoption of our recommendation for county administration to expand the GAIN Program. In effect, this would make additional state funds available to the counties, but with some assurance that the funds will be spent in an effective manner.

Overbudgeting for Food Stamps Program Administration

We recommend reducing the General Fund amount proposed for county administration of the Food Stamps Program by $9 million, because the budget overstates the caseload (based on the budget's own assumption of federal welfare reform legislation). (Reduce Item 5180-141-0001 by $9 million).

As indicated previously, the Governor's Budget proposal assumes the enactment of federal welfare reform legislation which would make legal noncitizens, with certain exceptions, ineligible to receive certain federal benefits, including food stamps. Pursuant to this provision, we estimate that approximately 225,000 noncitizens will lose eligibility for Food Stamps. The Governor's Budget, however, inadvertently fails to account for this reduction in the food stamps Program caseload and therefore overstates the state costs of program administration by $9 million. Accordingly, in order to make the budget consistent with its own assumptions, we recommend reducing the General Fund amount proposed for Food Stamps Program administration in 1996-97 by $9 million.

CHILD WELFARE SERVICES

The Child Welfare Services (CWS) Program provides services to abused and neglected children and children in foster care and their families. The CWS Program provides:

- Immediate social worker response to allegations of child abuse and neglect.
- Ongoing services to children and their families who have been identified as victims, or potential victims, of abuse or neglect.
- Services to children in foster care who have been temporarily or permanently removed from their families because of abuse or neglect.

Child Welfare Services Program Needs Improvement

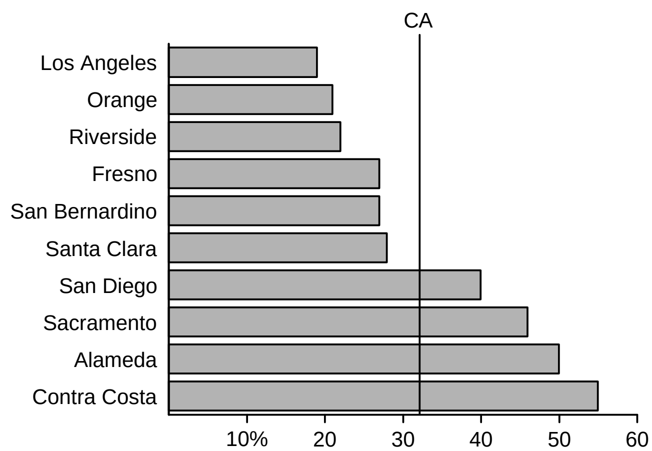
In January 1996, we issued a report in which we concluded that California's Child Welfare Services Program needs improvement. We recommend that the Department of Social Services (DSS) report at budget hearings on its efforts to improve the program.

In our report, *Child Abuse and Neglect in California* (January 1996), we present a variety of performance-related information that indicates a need for improvement in the state's CWS Program. We discuss our major findings below.

Significant Variation Among Counties in Percentage of Reports "Screened Out." One of the functions of the CWS Program is to respond to reports of child abuse and neglect. Counties are required to screen, by use of telephone assessments, reports of child abuse/neglect to determine whether an in-person investigation is necessary. Ideally, only those reports that do not constitute abuse or neglect are "screened out" in the initial response stage. As Figure 34 shows, there is significant variation among the counties in the percentage of reports that are "screened out." Without further investigation, we cannot determine whether some counties are screening out too many or not enough reports of abuse/neglect. We believe this is an area that warrants investigation by the department.

Figure 34

Proportion of Abuse/Neglect Reports "Screened Out" Among Counties 1994

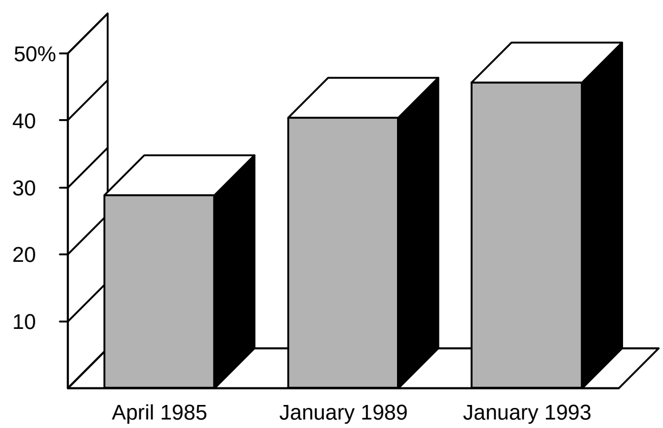


Recidivism Increasing. As shown in figure 35 (see next page), the percentage of children returning to the CWS Program has increased significantly over the years, from 29 percent in 1985 to 46 percent in 1993. These data suggest that the program has not been effective in preventing reabuse and neglect in a significant and growing number of cases. The increased recidivism may be partly due to changes in the CWS caseload, such as an increase in the number of families who are more difficult to serve effectively (for example, a higher proportion of cases where children have severe behavioral problems or parents who have substance abuse problems). Currently, there is a lack of information identifying those factors which contribute to the success of family maintenance and reunification services. If these services are working well we would expect to see recidivism mitigated. We believe that collecting such performance data could ultimately improve program outcomes.

Reliance on Foster Care Increasing. One of the goals of the CWS Program is to minimize the use of foster care placements in serving abused children and instead maintain or reunify such children with their families when appropriate. The data, however, suggest that reliance on foster care has been increasing because (1) foster care placement rates (relative to the population of children in the state) have increased since 1988, (2) family reunifications (returning foster care children to their parents) have not increased relative to the growth in foster care cases, and (3) the proportion of children in the CWS Program who are being placed in foster care (rather than receiving support services at home) has been increasing. These trends are not likely to be reversed until the effectiveness of family maintenance and reunification services is improved.

Figure 35

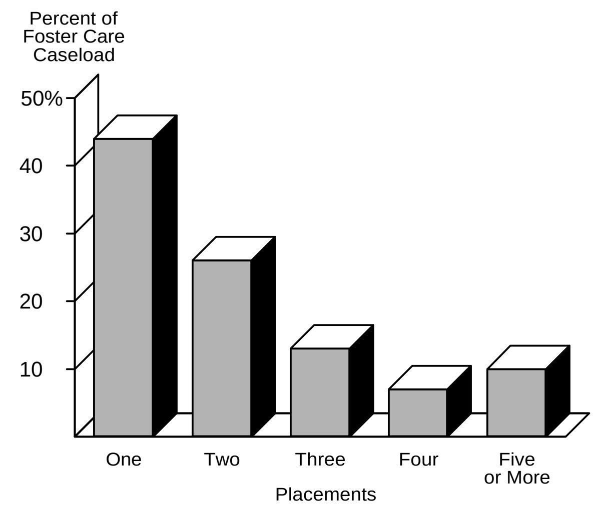
Percent of Children Previously In the CWS Program



Multiple Foster Care Placements. Another measure of the success of the CWS Program is the extent to which multiple foster care placements for the same child are minimized. The data show that in 1993-94, about one-third of children in foster care had experienced three or more different placements. (See Figure 36.) We note that Chapter 1294, Statutes of 1989 (SB 370, Presley) requires the department to develop a Level of Care Assessment tool to facilitate the assignment of a foster care child to the most appropriate placement, thereby reducing the chances of multiple placements. Although there is no statutory completion date, the department has not provided the Legislature with a project status report which was due in January 1995. We find no justification for the delay in completing this project.

Figure 36

Number of Different Placements For Foster Care Children 1993-94

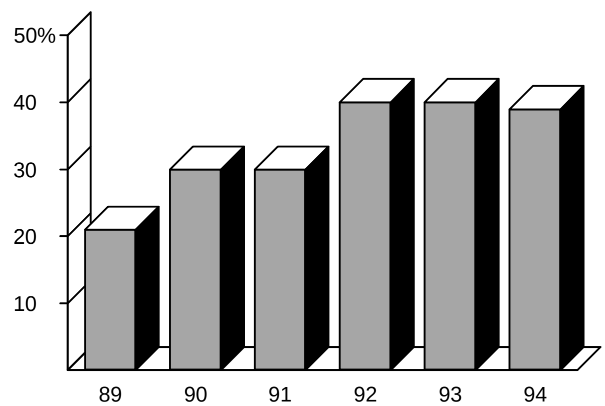


Use of Foster Care Group Homes Increasing More Than Foster Family Homes. When placing a child in foster care, current law gives priority to more family-like foster care settings and requires placement in foster family homes instead of group homes, when appropriate. The proportion of children placed in foster family homes, however, has actually decreased slightly over the years—from 88 percent in 1984 to 86 percent in 1995.

Less Than Half of Eligible Foster Care Children Receive Services Through Independent Living Program. Children who are emancipated from the foster care system (generally at age 18) must have a service plan to help them transition to independent living. As shown in Figure 37 (see next page), less than half of the eligible children receive services through the state's Independent Living Program (ILP). In our field visits, child welfare professionals have indicated that additional funds are needed to expand the ILP to serve all eligible youth. We note, however, that data are not sufficient to determine whether the program is effective.

Figure 37

Percent of Eligible Foster Care Children Served by Independent Living Program 1989 Through 1994



Current law requires the department to complete an evaluation of the ILP and develop recommendations on how independent living services could better prepare foster youth for independence. The evaluation was due in January 1995 but has not been completed. This evaluation is important in order to help the Legislature determine the appropriate funding level for the program. We find no justification for the department's delay in providing the report.

Recommendation. Reversing some of these trends will not be an easy task. The provision of additional resources could help, but given the competing demands for such resources it is important that available funding—whether new or existing—be used effectively. Some of these trends may be caused by factors that cannot be easily addressed by government agencies. Nevertheless, we believe that efforts should be made to improve the CWS Program. Thus, we recommend that the DSS comment during budget hearings on our findings and report on what actions could be taken—including activities by the department—to address the problems that we identified.

ADOPTIONS PROGRAMS

The department administers a statewide program of services to parents who wish to place children for adoption and to persons who wish to adopt children. Adoptions services are provided through state district offices, 28 county adoption agencies, and a variety of private agencies. Counties may choose to operate the Adoptions program or to turn the program over to the state for administration.

There are two components of the Adoptions program: (1) the Relinquishment (or Agency) Adoptions program, which provides services to children in foster care, and (2) the Independent Adoptions program, which provides adoption services to birth parents and adoptive parents when both agree on placement.

The Adoptions program is supported by the General Fund and federal funds. The budget proposes expenditures of $54 million ($36 million General Fund) for the program in 1996-97. The General Fund amount represents an increase of $7 million, or 24 percent, above current-year expenditures. This is due to the Governor's proposed “Adoptions Initiative.”

Adoptions Initiative

The administration indicates that the goal of the Governor's Adoptions Initiative is to increase the number of adoptions for children who would otherwise remain in long-term foster care. The two components of the initiative are described below.

Additional Staff for State's Adoptions Branch. The budget proposes $963,000 ($626,000 General Fund) and 14 limited-term (five-year) positions in the department's adoptions branch to develop and implement proposals to facilitate the adoption of children in foster care. The objectives are to improve the effectiveness of the service delivery system and to increase the productivity of adoptions caseworkers. The proposed activities include establishing performance goals, streamlining the adoptions process, and providing technical assistance and training.

County Performance Agreements and Increased Funding for Caseworkers. The budget proposes an augmentation of $10.6 million ($6.6 million General Fund) to increase the number of county caseworkers in the Adoptions program in 1996-97. The DSS advises that county agencies have historically been underfunded for the program and that the augmentation would fund counties at a level justified by their workload. The department estimates that the augmentation will fund 184 additional staff and allow counties to place 810 more children in adoptive homes in 1996-97. In addition, the DSS plans to establish performance agreements with county agencies under which the counties will be required to increase the number of adoptions as a condition for continuing to receive the higher level of funding.

The budget assumes General Fund savings in the Foster Care and Child Welfare Services programs of $726,000 from reduced foster care placements and General Fund costs in the Adoptions Assistance Program of $564,000 in 1996-97 from increased adoptions assistance grants (for those children who are eligible) resulting from the increased number of adoptions. While this proposal would result in net costs during the first years of implementation, we note that eventually there should be ongoing annual net savings (avoidance of foster care costs) associated with these adoptions.

Information Needed for Proposed Staff Increase

We withhold recommendation on General Fund expenditures of $626,000 for 14 new positions in the department's adoptions branch, pending receipt of additional information.

In order to evaluate the department's proposal for 14 additional staff in the adoptions branch, we requested information from the department regarding the workload of the existing staff. At the time this analysis was prepared, we had not received the information necessary to complete our review. Thus, we withhold recommendation on the proposal for new staff, pending receipt and review of this information from the department.

Details Lacking on Implementation of Performance Agreements

We recommend that the department report during budget hearings on its plans to implement performance agreements with county adoption agencies. If the Legislature adopts the proposal, we recommend that it be modified to include the establishment of performance agreements with state adoption offices as well as with the county agencies.

As mentioned above, the department proposes to establish performance agreements with counties, linking the increased funding to increased adoptions. In developing the agreements, the department plans to establish a baseline of placements against which counties must improve. At the time this analysis was prepared, the department did not have any details regarding the performance agreements, such as the specific number of adoptions needed to qualify for increased funding, or the disposition of funds withheld from counties that do not meet the standards (for example, whether these funds would be redirected to other counties). The department, however, indicated that it was in the process of reviewing alternative methods for implementation. We believe that the Legislature needs to review this information prior to approving the budget proposal.

In addition, we note that the proposal does not address the establishment of performance agreements with *state* adoption offices. We are not aware of any reason to distinguish between the county and state components. Under the budget proposal, both the state and county programs would be fully funded to serve estimated caseloads. Consequently, it seems reasonable to apply the performance criteria equally to both components of the program.

Accordingly, we recommend that the department report during budget hearings on its plans to develop and implement performance agreements with county adoption agencies. Furthermore, if the proposal is adopted, we recommend that the Legislature require that performance agreements also be established with state adoption offices.

COMMUNITY CARE LICENSING DIVISION

The Community Care Licensing Division (CCLD) within the Department of Social Services develops and enforces regulations designed to protect the health and safety of individuals in 24-hour residential care facilities and day care. Licensed facilities include day care, foster family homes and group homes, adult residential facilities, and residential facilities for the elderly.

The budget proposes expenditures of $70.3 million ($15 million General Fund) for the CCLD in 1996-97. This represents a 16 percent increase in General Fund expenditures from the current year.

Proposed Staffing Increase Does Not Reflect Efficiencies From Automation

We recommend that the Legislature delete 13 of the 54 proposed new positions for the Community Care Licensing Division, for a General Fund savings of $586,000, because the budget does not reflect efficiencies resulting from automation. (Reduce Item 5180-001-0001 by $586,000.)

The budget proposes an augmentation of $3.3 million ($2.8 million General Fund) for 54 new positions to address workload associated with an increase in the number of community care facilities that require licensure.

Our analysis indicates that 13 of these additional licensing staff—proposed for the child day care section—are not needed due to anticipated automation efficiencies. In January 1996, the Department of Finance approved a Special Project Report (SPR) for an automation project to provide child day care licensing staff with portable computers. The project will be implemented during 1995-96. The SPR indicated there would be annual savings of $586,000 and 13 positions resulting from efficiencies due to this automation project. These efficiencies stem from eliminating the need to manually complete parts of the licensing report, automating research capabilities for legal and technical questions, and providing the ability to print copies of necessary forms during a licensing visit. The projected savings, however, are not reflected in the department's budget.

Accordingly, we recommend that the Legislature delete 13 positions from the budget proposal in order to reflect the impact of automation, for a General Fund savings of $586,000 in 1996-97.

LIST OF FINDINGS AND RECOMMENDATIONS

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Crosscutting Issues

California Medical Assistance Program

		Analysis Page
5.	**Elimination of Optional Services.** We find that (1) the proposal could place an additional burden on county indigent health programs, and (2) the department's savings estimate probably is optimistic because federal law requires Medi-Cal to provide necessary transportation services.	C-38
6.	**Beneficiary Copayments Proposal Should Be Modified. Reduce Item 4260-101-0001 by $5,527,000.** Recommend that the Legislature modify budget proposal to assume collection of beneficiary copayments by (1) reducing the dispensing fee for all prescriptions, irrespective of whether copayments can be collected, and (2) exempting physician and clinic services from copayments to avoid potential primary care access and cost-shifting problems.	C-40
7.	**Budget Proposes "Distinct Part" Facility Rate Reduction.** The budget assumes passage of federal legislation to repeal the "Boren amendment," thereby allowing the state to reduce hospital-based "distinct part" nursing facility rates.	C-43
8.	**Nursing Facility Contracting Program Could Result in Savings. Reduce Item 4260-101-0001 by $10,000,000 and increase Item 4270-001-0001 by $175,000.** Recommend legislation to establish a contracting program for nursing facilities similar to the one currently in place for hospitals.	C-44
9.	**Expansion of "Assisted Living" Could Result in State Savings.** Recommend that the Department of Health Services report on the feasibility of expanding the "assisted living" model of service delivery in order to allow the provision of certain medical services to beneficiaries in less restrictive residential settings, and at lower costs.	C-47

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10. **Need Additional Information on Family Planning Proposal.** Withhold recommendation on the $20 million proposed to establish the family planning program, pending review of additional information.	C-48
11. **Strategic Plan Implementation Proceeds.** The department's strategic plan to expand managed care services is projected to enroll over half of all Medi-Cal beneficiaries in a managed care arrangement by the end of 1996-97.	C-54
12. **Targeting AFDC-Linked Beneficiaries Ignores Demonstrated Savings Potential.** Recommend that the Legislature include newly enrolled SSI/SSP-linked beneficiaries in managed care expansion in order to maximize savings potential.	C-56
13. **Budget Does Not Reflect Workload-Related Reductions Due to Managed Care Expansion. Reduce Item 4260-101-0001 by $3,280,000.** Recommend reducing the General Fund amount by $3.3 million to account for the workload-related reductions in field office staffing and claims processing expenditures due to expansion of managed care arrangements.	C-57
14. **Quality Review Contract Overbudgeted.** Reduce Item 4260-001-0001 by $274,000. Recommend the amount proposed to contract for managed care quality reviews be reduced by $274,000 in order to account for the effect of delays in implementing managed care.	C-58

Public Health

15. **Legislature Needs Increased Role in Proposed Teen Pregnancy Prevention Initiative.** Recommend enactment of legislation specifying criteria for the proposed allocation of teenage pregnancy prevention grants in order to ensure that grants are awarded in a manner consistent with legislative intent. Recommend that the	C-60

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department report at budget hearings on how it plans to coordinate the proposed new program and an existing teenage pregnancy prevention program. Further recommend the adoption of Budget Bill language requiring that the department contract for an evaluation of the teenage pregnancy prevention media campaign.

16. **Shelter Program Staff Not Justified. Reduce Item 4280-001-0001 by $250,000.** Recommend deleting four positions because they are not justified on a workload basis. C-64

17. **Department's Plan to Evaluate Program Should Be Reviewed By Legislature.** Recommend that the department report at budget hearings on (1) its plan to evaluate the Battered Women Shelter Program and (2) the feasibility of expanding the evaluation to encompass the newly proposed prevention component of the program and the related domestic violence program administered by the Office of Criminal Justice Planning. C-65

18. **AIDS Drug Assistance Program Faces Potential Shortfall.** Withhold recommendation, pending review of updated expenditure data. Recommend that the department report, during budget hearings, on whether it intends to add two recently-approved drugs to the ADAP drug formulary and, if so, how this will affect program costs. Finally, we present some options that could reduce the costs of the program. C-66

19. **Statutory Authority for Appropriating Proposition 99 Funds Expires June 30, 1996.** We identify several issues for the Legislature to consider in appropriating Proposition 99 funds for 1996-97. C-68

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Managed Risk Medical Insurance Board

20. **Legislative Oversight: The Access for Infants and Mothers Program Eligibility Expanded By Administrative Decision.** The Managed Risk Medical Insurance Board expanded the Access for Infants and Mothers (AIM) Program eligibility by increasing the income limit from 250 percent of the poverty level to 300 percent. C-75

21. **The Access for Infants and Mothers Program Overbudgeted in Current and Budget Years. (Reduce Item 4280-001-0309 by $5,460,000.)** Recommend reducing the proposed level of spending for the AIM Program by $15.5 million in the current year and $5.5 million in the budget year, for a corresponding savings to the Perinatal Insurance Fund, to reflect more realistic caseload growth. C-76

22. **Fund Reserve Excessive.** Recommend that the budget be adjusted to reflect a 5 percent reserve in the Perinatal Insurance Fund (AIM Program) and that the excess balances (up to $33 million) be reverted from the Perinatal Insurance Fund to the Cigarette and Tobacco Products Surtax Fund because these funds are not needed to support the AIM Program in 1996-97. This action would make these funds available for appropriation to support Proposition 99-funded programs. C-78

Department of Developmental Services

23. **Federal Funds Available for Early Start/Part H Program. Reduce Item 4300-101-0001 by $4,178,000.** Recommend a reduction of $4.2 million from the General Fund for support of the Early Start/Part H program because federal funds are available to support the program. C-79

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24.	**Day Training Activity Center (DTAC) Program Double Budgeted. Reduce Item 4300-101-0001 by $1,011,000.** Recommend reducing the General Fund amount budgeted for the Day Training Activity Center (DTAC) Program by $355,000 in 1995-96 and $1 million in 1996-97 to correct for double budgeting for clients being transferred from the Department of Rehabilitation.	C-81

Department of Mental Health

25.	**Implementation Problems with the Sexually Violent Predator Program.** Withhold recommendation on $22 million requested from the General Fund to implement the program until the Department of Mental Health and other state agencies responsible for operation of the program resolve significant implementation issues.	C-82
26.	**Additional Peace Officers at Metropolitan State Hospital Are Not Needed. Reduce Item 4440-011-0001 by $2,139,000.** Recommend deleting the proposed General Fund augmentation of $2.1 million for 53 positions because security requirements can be met with existing resources by more efficient use of available space.	C-83

Department of Community Services and Development

27.	**Details Lacking on Program Implementation.** Recommend that the department report during budget hearings on its plans to implement the Governor's Mentor Initiative in order to facilitate legislative review.	C-87
28.	**Federal Funds Should Replace General Fund Support for Mentor Initiative Program. Reduce Item 4700-101-0001 by $1,250,000.** Recommend a reduction of $1,250,000 from the General Fund because federal funds are available to support the program.	C-87

	Analysis Page
Employment Development Department	
29. **Excess Special Fund Revenues Should Be Transferred to General Fund. Increase General Fund Revenues by $3,500,000.** Recommend adoption of Budget Bill language to transfer the amount of the year-end balance in excess of $1 million from the Benefit Audit Fund (BAF) to the General Fund, because the revenues are not needed to support BAF expenditures, and it is appropriate to consider these revenues as fungible with the General Fund.	C-89
30. **Better Information Needed on Expansion of Targeted Industries Partnership Program.** Withhold recommendation on $2.1 million, pending review of information from the Department of Industrial Relations.	C-90
31. **Budget Assumes Major Reductions in Federal Funds for Job Training and Employment Services Programs.** The budget assumes a major reduction of $213 million in federal funds under the Job Training Partnership Act and $9 million in federal funds under the Wagner-Peyser Act in 1996-97, due to pending federal appropriations. Recommend that the department report during budget hearings on the potential impact of this reduction and what efforts the department proposes to minimize this impact.	C-91
Department of Rehabilitation	
32. **Fees and Copayments Could Raise Revenues to Serve Additional Vocational Rehabilitation Clients.** Recommend that the department report at budget hearings on the feasibility of expanding the use of client fees and copayments for vocational services and the extent to which the additional revenues could be used to reduce the waiting list for rehabilitation services.	C-93

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Aid to Families with Dependent Children

33. **Federal Welfare Reform Could Have a Significant Impact on Public Assistance Programs in California.** We review the major provisions of the Congressional proposal, and estimate that it would result in a loss of $8 billion in federal funds to California over a five-year period. C-96

34. **Assuming Federal Welfare Reform Creates Budgetary Risk.** The budget for the AFDC Program proposes General Fund savings of $172 million in 1995-96 and $667 million in 1996-97 that require federal action. C-99

35. **The Governor's Budget Proposes to Reduce Grants in the AFDC Program.** These changes result in combined General Fund savings and cost avoidance of $440 million. We review the Governor's proposals and comment on them. C-100

36. **Evaluating the Proposals to Reduce AFDC Grants.** The Governor's proposed grant reductions will result in significant savings and increase the financial incentives for recipients to work. We conclude that while some families will be able to compensate for the grant reductions through work, others will find this difficult due to low levels of education and employment experience, as well as a potential lack of job opportunities. C-103

37. **Governor Proposes to Redesign the Welfare System.** The Governor proposes to redesign the Aid to Families With Dependent Children (AFDC) Program, effective in 1997-98. The proposed redesign would replace the existing AFDC Program with four new programs. We summarize the Governor's welfare reform proposal and comment on it. C-105

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38. **Evaluating the Governor's Proposal to Redesign the AFDC Program.** We believe that the Governor's proposal is a useful starting point for the Legislature's deliberations on welfare reform. Little is known, however, about whether proposals such as the flat grant and time-limited eligibility would result in a significant increase in the number of welfare recipients who obtain employment. We recommend that the department submit a report, prior to budget hearings, that estimates the fiscal effect of the proposal. C-110

39. **Budget Underestimates Savings From Franchise Tax Board Program. Reduce Item 5180-101-0001 by $5,300,000.** Recommend that the budgeted level of child support collections for AFDC families be increased to more accurately reflect the most recent data for the program, for a General Fund savings of $6.2 million in 1995-96 and $5.3 million in 1996-97. C-117

40. **Proposed Child Support Court Commissioner System Needs Implementation Plan.** Withhold recommendation on $19 million ($6.5 million General Fund) proposed to implement a commissioner-based child support court system, pending receipt of an implementation plan from the Department of Social Services. C-118

41. **Budget Does Not Reflect Savings from Expanded License Match Program. Reduce Item 5180-101-0001 by $26,000,000.** Recommend that the budget's estimate of child support collections be adjusted to reflect the impact of expanding the State Licensing Match System, for a General Fund savings of $26 million in 1996-97. C-119

Foster Care

42. **Budget Should Reflect Additional Revenue and Savings. Increase General Fund Revenues by $172,000 and reduce Item 5180-101-0001 by $317,000.** Recommend that the budget reflect General Fund revenues of C-120

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$172,000 and expenditure reductions of $317,000 anticipated from the proposed continuation of foster care group home audits.

43. **Reduce Foster Care Appropriation to Correct Technical Error. Reduce Item 5180-101-0001 by $1,312,000.** Recommend a reduction of $1.3 million from the General Fund because a technical error in calculating the state share of cost resulted in overbudgeting. C-120

44. **Budget Does Not Reflect Savings Anticipated From an Increase in Federal Funds. Reduce Item 5180-101-0001 by $485,000.** Recommend a reduction of $485,000 in the Foster Care Program to reflect an increase in federal funds due to the anticipated change in the federal/state cost sharing ratio. C-121

45. **Department Will Not Meet Deadline for Report on a Revised Foster Care Rate Setting System.** Recommend that the department report during budget hearings on the status of its efforts to develop a revised foster care rate setting system, as required by the Legislature. C-121

46. **Flexibility in Use of Foster Care Funds Could Increase Family Reunifications.** Recommend legislation to establish a pilot program whereby counties could use state foster care funds to provide ongoing support services to children and their families after reunification. C-122

47. **Closure of County Probation Facilities Could Lead to Increases in Foster Care Costs.** Possible closure of juvenile camps and ranches could result in higher caseloads and costs in the Foster Care program. C-123

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Supplemental Security Income/ State Supplementary Program	
48. **Assumed Federal Law Changes Create a General Fund Risk.** In the SSI/SSP, the budget proposes General Fund savings of $102 million in 1995-96 and $512 million in 1996-97 that are dependent on federal action to eliminate the maintenance-of-effort requirement and restrict eligibility. The budget assumes that this will be achieved by the enactment of federal welfare reform.	C-124
49. **Budget Proposes to Make Temporary Reductions Permanent.** By proposing to make past grant reductions permanent and deleting the requirement to restore the statutory cost of living adjustment, the budget would achieve a General Fund cost avoidance of $777 million.	C-125
50. **SSI/SSP Budget Internally Inconsistent. Reduce Item 5180-111-0001 by $34,052,000.** Recommend technical adjustment in the amount proposed for SSI/SSP grants because the savings from eliminating SSI/SSP benefits for noncitizens, pursuant to budget's own assumption of federal welfare reform legislation, have been underestimated.	C-127
51. **Governor Proposes to Deny General Assistance to Noncitizens.** The Governor proposes legislation to prohibit counties from providing General Assistance to those noncitizens who lose eligibility for federal benefits as a result of federal welfare reform.	C-127
County Administration of Welfare Programs	
52. **Statewide Fingerprint Imaging System Needs Further Review**. Withhold recommendation pending receipt of additional information from the Health and Welfare Data Center (HWDC).	C-128

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53.	**Welfare Automation Projects Transferred to the HWDC.** Please refer to our analysis of the HWDC's budget.	C-129
54.	**Proposal to Prohibit General Assistance for Noncitizens.** If enacted into law, federal welfare reform could result in the denial of Supplemental Security Income/State Supplementary Program and Food Stamps to legal noncitizens. The Governor proposes to prohibit counties from providing General Assistance as well.	C-131
55.	**Budget Exceeds Projected Spending Based on Recent Trends. Reduce Item 5180-141-0001 by $8,883,000.** Recommend that a proposed expenditure for unidentified activities ($8.9 million General Fund) be deleted because the budget is in excess of projected county spending in 1996-97. Further recommend that the Legislature consider redirecting the savings to expand the Greater Avenue for Independance Program because of its demonstrated effectiveness in increasing participants employment and earnings.	C-131
56.	**Administration of Food Stamps Program is Overbudgeted. Reduce Item 5180-141-0001 by $9 million.** Reduce proposed expenditures for county administration of the Food Stamps Program because the budget overstates the caseload (assuming federal welfare reform is enacted).	C-133

Child Welfare Services

57.	**Child Welfare Services Program Needs Improvement.** Recommend that the Department of Social Services (1) comment during budget hearings on the findings of our report regarding the performance of the CWS Program and (2) report on what efforts can be made to improve the program.	C-134

	Analysis Page
Adoptions	
58. **Information Needed for Proposed Staff Increase.** Withhold recommendation on General Fund expenditures of $626,000 for 14 new positions in the department's adoptions branch, pending receipt of additional information.	C-140
59. **Details Lacking on Implementation of Performance Agreements.** Recommend that the department report during budget hearings on its plans to implement performance agreements with county adoption agencies. Further recommend that, if the proposal is adopted, the Legislature require that performance agreements also be established with state adoption agencies.	C-140
Community Care Licensing	
60. **Proposed Staffing Increase Does Not Reflect Efficiencies From Automation. Reduce Item 5180-001-0001 by $586,000.** Recommend that the Legislature delete 13 of the 54 proposed positions for a General Fund savings of $586,000, because the budget does not reflect efficiencies resulting from automation.	C-142