

155,000 disability determination applications will be processed. This represents an increase of 12,000 above the current year and 24,030 above the 1970-71 fiscal year.

DEPARTMENTAL ADMINISTRATION PROGRAM

We recommend approval.

This program includes the office of the director, management services, and field support services. These activities provide executive direction, planning, policy determination and staff support for operation of all departmental programs.

The budget proposes the expenditure of \$2,744,264 to support this program in 1972-73, an increase of \$113,961 above the amount estimated to be expended in the current year. Under program budgeting concepts, the entire amount for support of this program is charged to other programs.

No major changes are proposed for this program during 1972-73. Shifts in staffing were made during the current year to reflect the changes in workload associated with the increase in the programs mentioned above. A total of 17.6 new positions are proposed for the budget year, 15.6 of which were administratively added during the current year.

SOCIAL WELFARE

SUMMARY

Proposed total program expenditures 1972-73	
(all funds)	\$2,783,873,402
Estimated total program expenditures 1971-72	
(all funds)	\$2,665,225,134
Increase (4.6 percent)	+ \$118,648,268

RECOMMENDATIONS

(1) We recommend that the Legislature require the State Department of Social Welfare to submit all proposed new regulations to the Executive Committee of the County Welfare Directors Association for its advice.

(2) We recommend that the Legislature require the State Department of Social Welfare to submit the proposed regulations to the Executive Committee no later than 30 days prior to the date of filing with the Secretary of State, unless a regulation is to be adopted on an emergency basis in which case it shall be submitted to the Executive Committee no later than fifteen days prior to the date of filing.

(3) We recommend that the County Welfare Directors Association and the Director of the State Department of Social Welfare be required to jointly develop specific criteria establishing the basis for the issuance of emergency regulations. The association and the

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director should be further required to submit no later than the 30th day of the 1973 legislative session a listing of such criteria to the Legislature.

(4) We recommend that in all cases in which the director does not abide by the advice of the association, he be required to submit to it within 15 days a report specifying in detail the reasons for his refusal.

(5) We recommend that the Department of Social Welfare be required to develop specific, measurable goals as well as potential outputs for its Bureau of County Training and that these goals and outputs be included in the department's program budget statement for fiscal year 1973-74. The goals developed by the department should (a) assure a uniform application of welfare regulations throughout the state, (b) reflect a much heavier emphasis upon the training of eligibility technicians rather than social workers, and (c) stress the use of on-the-job training in preference to classroom instruction. A listing of the goals developed by the department should be provided to the Joint Legislative Budget Committee no later than June 30, 1972.

(6) We recommend that the Chief of the Bureau of County Training, State Department of Social Welfare, not be required to possess a master's degree in social work.

(7) We recommend that the Legislature require the State Department of Social Welfare to establish in Sacramento County a pilot project designed to test (a) the administrative feasibility, (b) the fiscal effect, and (c) the impact upon recipient work patterns associated with the implementation of the following AFDC restrictions: (1) The termination of all recipients whose total gross income, exclusive of grant payment and prior to any deductions, exceeds 150 percent of the need standard for such recipient; (2) the requirement that exemptions relating to expenses incurred by employed recipients shall be limited to no more than \$125 per month; and (3) provision for the deduction of all nonexempt income from the AFDE flat grant schedule defined by Section 11450 of the Welfare and Institutions Code.

GENERAL PROGRAM STATEMENT

For the 1972-73 fiscal year, proposed program expenditures (all funds) for support of public welfare activities total \$2,783,873,402, to be financed from General Fund appropriations, county funds, federal grants and reimbursements. The budget indicates that total expenditures for support of public welfare activities will increase \$118,648,268 above that estimated to be expended during the current fiscal year. Table 1 summarizes the department's proposed expenditures by program and source of funds.

Table 1
Total Proposed 1972-73 Welfare Expenditure Including Administrative Cost
by Category and Source of Funds
Governor's Budget

<i>Program</i>	<i>Total</i>	<i>Federal</i>	<i>General Fund</i>	<i>County</i>
State operations -----	\$22,657,362	\$8,429,992	\$14,227,370	--
Categorical aid -----	1,781,485,250	854,423,450	647,676,900	\$279,384,900
Attendant and out-of-home care -----	151,236,100	75,411,600	59,986,900	15,887,600
Special needs -----	59,318,700	29,596,800	27,306,200	2,415,700
Local administration of public assistance, including social services -----	459,847,000 *	294,705,000	49,398,600	115,743,400
Special social services -----	135,217,190	112,824,536	19,657,090	2,735,564
Bonus value of food stamps	174,111,800	174,111,800	--	--
Total -----	\$2,783,873,402	\$1,549,503,178	\$818,253,060	\$416,117,164

* The state does not participate in the funding of social services administrative costs.

Departmental Responsibilities

The Department of Social Welfare is charged with the following responsibilities:

- (1) To provide, within the limits of public resources, reasonable cash grant assistance to financially needy persons;
- (2) To furnish social services designed to assist financially needy persons to develop a capacity for self-support;
- (3) To provide protective social services to (a) financially needy persons who are disabled, and (b) persons who are subject to exploitative practices which threaten their health, opportunity for development or capacity for independence.

Major Legislation

Major legislation affecting the administration of welfare in California was enacted during the 1971-72 fiscal year. Chapter 578, Statutes of 1971 (Senate Bill 796), requires the implementation of very significant program modifications relating to eligibility and grant determinations, the administrative and funding relationship between the counties and the state, OAS responsible relative liability, confidentiality, family planning services, day care services, and employability programs. Among the more significant changes required to be effected by the statute are the following:

- (1) 150 percent of gross income limitation—Section 25.2 of the chaptered bill renders ineligible for aid, to the extent permitted by federal law, any AFDC recipient whose total gross income, exclusive of grant payment and prior to any deductions, exceeds 150 percent of the need standard for such recipient. (Section 11267 of the Welfare and Institutions [W. and I.] Code.)
- (2) Work Related Expenses—Section 28.1 provides that exemptions related to expenses incurred by employed AFDC recipients shall be limited to \$50 plus reasonable and necessary costs associated with child care. (Section 11451.6 of the W. and I. Code.)

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- (3) AFDC Flat Grant Schedule—Sections 28, 28.5, and 29.1 (a) eliminate the maximum participating base (MPB) and (b) provide for the establishment of a flat grant schedule adjusted to reflect only the differing dollar requirements related to various family sizes. Grants paid to AFDC recipients are required to equal the amount specified by the schedule when added to all other income available to the family after deduction from the gross income of the family of the exemptions required by federal and state law. The schedule is required to be adjusted annually, commencing during the 1973-74 fiscal year, to reflect changes in the cost of living. (Sections 11450, 11452, and 11453 of the W. and I. Code.)
- (4) Special Needs—Section 28 eliminates state participation in the funding of allowances in the AFDC program for special needs which are not common to the majority of needy persons. Recurring special needs not common to the majority of needy persons and nonrecurring special needs caused by sudden and unusual circumstances beyond the control of the needy family are to be funded by the counties. The state continues to participate in the funding of recurring special needs which are common to the majority of recipients. (Section 11450 of the W. and I. Code.)
- (5) Verification of Eligibility—Sections 23.2 and 25.1 provide that verification of applications of recipients requiring immediate assistance must occur within five working days. If eligibility is not verified within five working days, the county must bear the entire cost of the cash payment made to the applicant. (Sections 11056 and 11266 of the W. and I. Code.)
- (6) Exempt Property—Sections 24.1, 24.2, 24.12 and 24.13 repeal those sections of the Welfare and Institutions Code which provide for the exemption of certain personal property in determining eligibility for assistance under the provisions of the various aid programs. These sections establish maximum value limits relating to such personal property. (Sections 11155, 11258, and 11261 of the W. and I. Code.)
- (7) Changed Sharing Ratios: Administrative Costs—Section 23 requires that the State Department of Social Welfare, rather than the counties, assume all responsibility relating to the control of the eligibility and grant level determinations which underlie the various aid programs. It further requires that the state fund 50 percent of the administrative costs related thereto. The State Department of Social Welfare is permitted, however, to contract with the counties for the discharge of its responsibilities relating to the determination of eligibility and grant amounts. This section of the chaptered bill is not to be

- implemented until July 1, 1972. (Section 11050 of the W. and I. Code.)
- (8) **Changed Sharing Ratios: Grant Costs**—Sections 39.1 through 39.4 provide (a) that the state and the counties shall share equally the nonfederal costs for support of ATD cash grant payments and (b) that the state shall assume the full funding of the nonfederal costs for support of cash grant payments made to recipients of the three other adult aid programs, AB, APSB and OAS. This section of the chaptered bill is not to be implemented until July 1, 1972. (Sections 15201, 15202, 15203, and 15204 of the W. and I. Code.)
 - (9) **Lump Sum Income and Casual and Inconsequential Income**—Sections 22, 24.3, 24.4, 24.14 and 32.9 of the bill very significantly reduce the exemptions which can be claimed on the basis of the lump-sum income and casual and inconsequential income provisions of the Welfare and Institutions Code. (Sections 11018, 11157, 11262, and 12052 of the W. and I. Code.)
 - (10) **Absent Parents and Stepfather Restrictions**—Various sections provide for the implementation of administrative machinery needed to facilitate the collection of absent parent payments. In addition, Section 8.6 requires that a wife's community property interest in a stepfather's income be used for support of her children by a previous marriage. The section further provides, however, that in determining the wife's interest in her husband's community property, all prior support liability of her husband as well as \$300 of his gross monthly income shall first be excluded. (Section 512.75 of the Civil Code.)
 - (11) **OAS Responsible Relative Liability**—Section 33 authorizes a very significant increase in the relatives' contribution scale. In addition, the bill requires that relatives' contributions be paid directly to county welfare departments rather than the recipient. (Section 12101 of the W. and I. Code.)
 - (12) **Confidentiality**—Sections 11.5, 12, 13 and 14 permit the release of information by the State Franchise Tax Board and the Department of Human Resources Development to the Director of the State Department of Social Welfare for the purpose of determining entitlement to public social services. In addition, Section 19 permits county welfare departments to release lists of applicants for, or recipients of, public social services to any other county welfare department, the State Department of Social Welfare, or any other public agency to the extent required to verify eligibility. (Section 19286.5 of the Revenue and Taxation Code, and Sections 1094, 1095 and 2714 of the Unemployment Insurance Code.)
 - (13) **Work Programs**—The statute appropriated \$7 million to the

SOCIAL WELFARE—Continued

State Personnel Board for support of special work projects and career opportunities development programs and \$2 million to HRD and SDSW for the work incentive program (Sections 11300–11308 of the Welfare and Institutions Code, Sections 5000–5403 and 12000 of the Unemployment Insurance Code.)

- (14) Day Care Services—The statute appropriated \$3 million for support of an expansion of day care services throughout the state. Specifically, it requires each county to establish a day care program in cooperation with the Departments of Human Resources Development and Education. (Sections 10811 and 10811-5 of the Welfare and Institutions Code.)
- (15) Family Planning Services—Sections 16 and 17 provide that family planning services shall be offered to all former, current, or potential recipients of child-bearing age. These services are to be provided on the basis of contracts between county welfare departments and the State Department of Public Health, subject to the approval of the State Department of Social Welfare. Section 39.7 (a) appropriated \$1 million to the Department of Public Health, to be used in conjunction with \$3 million in federal matching funds, for provision of the family planning services. (Sections 10053.2 and 10053.3 of the W. and I. Code.)

Chapter 578: Full-Year Savings Estimate

The Department of Social Welfare estimated that passage of the act would generate, on a full fiscal year basis, a General Fund savings of approximately \$59.5 million during 1971–72. Table 2 depicts the estimated full-year savings associated with the various provisions incorporated into Chapter 578.

Table 2
SDSW Estimated Savings Associated with Implementation of Chapter 578

<i>Provision</i>	<i>Savings</i>
1. 150 percent of gross income limitation.....	\$4.6 million
2. Work-related expense exemption limitation.....	12.0
3. AFDC flat grant schedule.....	0.0
4. Stricter eligibility standards including reform of (a) special needs, (b) verification of eligibility, (c) exempt personal property.....	15.0
5. Standardized eligibility operations including (a) changed sharing ratios relating to grant and administrative costs and (b) contracting with counties to achieve enhanced administrative efficiency (not to be fully implemented until July 1, 1972)....	5.0
6. Lump sum income and casual and inconsequential income restrictions.....	0.5
7. Absent parents and stepfather restrictions.....	6.8
8. OAS responsible relative liability scale.....	17.6
9. Confidentiality.....	11.3
10. Work programs including day care services.....	(cost) 12.0
11. Family planning.....	(cost) 1.0
12. Others.....	(cost) 0.3
Total savings.....	\$59.5 million

Delayed Implementation of Chapter 578

With the exception of the provisions relating to (1) state assumption of the responsibilities underlying eligibility and grant determinations and (2) changed administrative and grant cost sharing ratios, which are to become effective July 1, 1972, implementation of Chapter 578 was scheduled for October 1, 1971. Since the implementation date was three months subsequent to the start of the fiscal year, the savings estimates associated with passage of the act had to be adjusted to reflect a maximum potential savings accrual period of only three-quarters of 1971-72 fiscal year. The adjustment reduced the maximum savings estimate for 1971-72 from \$59.5 million to \$44.6 million.

Survey of Implementation of Chapter 578

In early November, one month after the chaptered bill was scheduled to be implemented, we undertook a county survey in order to determine the extent to which the bill had been implemented and, in addition, the effectiveness of the administrative procedures developed by the department to effectuate the implementation. The survey was designed to serve as a monitoring device which could be used to determine the impact of the act throughout the course of the entire fiscal year. The survey will be updated in February and May of 1972. Sixteen counties, representing approximately 85 percent of the AFDC caseload and approximately 80 percent of the adult caseload, have been selected to participate in the survey.

Survey Findings for October 1971

The November survey indicated that the October implementation of Chapter 578 was undertaken amidst considerable administrative confusion. Of the 13 major provisions of Chapter 578 which we reviewed in our survey, only three—the work-related expense limitation, the casual and inconsequential income restriction, and the stepfather restriction—were fully implemented in all 16 of the survey counties. However, of these three provisions, only two were securing savings of any significance, the work-related expense limitation and the stepfather restriction.

Five of the provisions, the 150 percent of gross income limitation, the AFDC flat grant schedule, the family planning provision, the confidentiality provision, and the employability program including day care services, had not been implemented in any of the 16 survey counties.

The remaining four provisions, the five-day verification of eligibility restriction, the special needs restriction, the lump-sum income restriction, and the OAS responsible relatives' liability scale, had been partially implemented in several but not all of the survey counties.

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However, the counties which reported having implemented these four provisions indicated that significant savings related thereto had not yet materialized.

Table 3 summarizes the extent of implementation achieved during October.

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Table 3
Implementation of Major Provisions of Chapter 578—November 1971

<i>Fully implemented</i>	<i>Not implemented</i>	<i>Partially implemented</i>
\$50 work-related expense limitation	150 percent gross income limitation ¹	5-day verification of eligibility (no saving accruing)
casual and inconsequential income restriction (but no savings accruing)	AFDC flat grant schedule ²	special needs restrictions (no savings accruing)
stepfather restriction	family planning ³	lump sum income restrictions (no savings accruing)
	confidentiality ³	OAS responsible relatives liability scale (no savings have materialized)
	employability programs including day care services ³	

¹ Counties instructed not to implement by the Department of Social Welfare.

² Invalidated by the California Supreme Court.

³ Counties had received no implementing regulations from the State Department of Social Welfare.

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SOCIAL WELFARE—Continued**Survey Findings for October 1971: Savings Reestimate**

The extent of implementation revealed by our November survey caused us to further recalculate our estimate of savings associated with passage of the act.

The reestimate was not intended to reflect the maximum potential savings which we expected to accrue as a result of passage of the act. Rather, it was intended only to indicate the amount of savings which would accrue unless the act were more effectively and extensively implemented during the ensuing months. Table 4 summarizes the calculations underlying our November reestimate.

Table 4
Chapter 578 Savings Estimates Adjusted to Reflect November Survey Findings of October Implementation

<i>Provision</i>	<i>Estimated full year 1971-72 savings depicted in Table 0</i>	<i>Adjusted to reflect delayed implementation on 10-1-71</i>	<i>Further adjusted to reflect actual October implementation per county survey</i>
1. 150 percent of gross income limitation.....	\$4.6 million	\$3.4 million	--
2. Work-related expense limitation.....	12.0	9.0	\$9.0 million
3. AFDC flat grant schedule.....	--	--	--
4. Stricter eligibility standards including reform of (a) special needs, (b) verification of eligibility, and (c) exempt personal property.....	15.0	11.1	--
5. Standardized eligibility operations including (a) changed sharing ratios relating to grant and administrative costs, and (b) contracting with counties to achieve enhanced administrative efficiency.....	5.0	3.7	--
6. Lump sum income and casual and inconsequential income restrictions.....	0.5	0.4	0.4
7. Absent parent and stepfather restrictions.....	6.8	5.1	0.8
8. OAS responsible relative scale.....	17.6	13.2	*
9. Confidentiality.....	11.3	8.6	--
10. Work programs including day care services.....	12.0 (cost)	9.0 (cost)	--
11. Family planning services.....	1.0 (cost)	0.8 (cost)	--
12. Others.....	0.3 (cost)	0.1 (cost)	0.1 (cost)
Total savings.....	\$59.5 million	\$44.6 million	\$10.1 million

* Survey indicated that counties, because of court challenge, are placing contributions collected from relatives in trust rather than using them as abatements to offset grant costs. Therefore no savings have yet materialized.

SOCIAL WELFARE—Continued**County-State Problems Contributing to Confusion Underlying Implementation of Chapter 578**

In addition to revealing the confusion which characterized implementation of Chapter 578 during October, the November survey also highlighted many of the specific factors which gave rise to the confusion.

(A) Department Reorganization—Throughout the course of the current fiscal year, the Department of Social Welfare has been undergoing a major reorganization. The reorganization reflects a reordering of priorities on the part of departmental management. Specifically, the fiscal responsibilities of the department are being emphasized much more than in the past, and, correspondingly, the service responsibilities of the department are being less emphasized. We do not find fault with some shift of emphasis based upon a more realistic assessment on the part of departmental management of the relative importance of its service and fiscal functions. Nevertheless, we do question the wisdom of attempting to undertake a major departmental reorganization while at the same time attempting to implement the most complex, massive, and significant welfare act in the state's history.

The effective implementation of any major program change requires an administrative apparatus which is stable. Firmly established relationships between organizational units and management personnel within a department and between the department and other governmental agencies are indispensable preconditions for undertaking an efficient program implementation effort. Consequently, it would appear that a departmental reorganization, which disturbs such relationships, should not have been attempted while the department was engaged in an effort to implement major program modifications. The Department of Social Welfare, we believe, by attempting to undertake reorganization while at the same time implementing Chapter 578, made administrative confusion almost inevitable.

(B) Elimination of the Field Representatives and the Erosion of the State-County Relationship—A serious administrative failing arising from the department's reorganization efforts was, we believe, the elimination of the department's field representatives and the resultant weakening of the state-county relationship. The SDSW field representatives have in the past helped to coordinate and supervise on a day-to-day basis the activities of the 58 county welfare departments—the specific governmental units charged with the responsibility of directly administering the state's welfare programs.

SDSW departmental management was not unaware of the communication and supervisory difficulties which were generated because of the elimination of the field representatives. It did attempt

to establish new points of liaison with the counties. Nevertheless, almost without exception, the various counties included in our November survey indicated that the termination of the field representative function resulted in a critical communications and supervisory breakdown between the counties and SDSW at a time when such a breakdown could have been least afforded.

In short, rather than exerting every effort to reinforce the relationship between the state and the counties in order to expedite implementation of Chapter 578, the SDSW management chose to delete from the department's organizational structure a key administrative link with the counties—a link which county welfare officials have relied upon heavily in the past. The ad hoc, interim points of contact which the state department established as substitutes for the field representative positions proved to be incapable of providing the level of communications and supervisory efficiency necessary to assure a smooth implementation of Chapter 578.

(C) Circumvention of County Welfare Directors' Association (CWDA) by SDSW—The elimination of the field representative function is, while important in itself, also symptomatic, we believe, of a deeper, more general deterioration of the relationship between the State Department of Social Welfare and the various county welfare departments throughout the state. Testifying to this deeper, more general deterioration is the manner in which state welfare officials largely circumvented the County Welfare Directors' Association (CWDA), the primary organizational entity representing and reflecting the interests and concerns of county welfare officials, during the initial drafting stages of the implementing welfare reform regulations. Recourse to CWDA by the State Department of Social Welfare is not required by statute. However, in the past CWDA has provided important input to the department relating to (a) how properly to draft regulations, (b) the clarity and completeness of proposed regulations, (c) the administrative workability of proposed regulations, (d) potential legal problems associated with proposed regulations, (e) the consistency of proposed regulations with those already implemented and (f) the need for new regulations. CWDA has, in addition, played an important role in identifying problem areas associated with the state's welfare programs and has suggested workable solutions. Its publication of *Time for Change* constituted the basis for many of the reform provisions incorporated into Chapter 578. Finally, the organizational structure of CWDA provides for a quick assignment of important program and fiscal matters to appropriate informed personnel, permitting it thereby to function as a ready information resource. Valuable information relating to the program and fiscal impact of the department's proposed regulations implementing Chapter 578 could have been provided to SDSW by CWDA had the relationship between the two organizational entities

SOCIAL WELFARE—Continued

been more firmly established and more rigorously exploited. Instead, an inadequate level of county input characterized implementation of Chapter 578 resulting, we believe, in a considerable loss of administrative efficiency as well as additional costs to the taxpayer. Further discussion of the frayed relationship between state and county welfare officials is discussed in Item 255 of the Analysis.

The following recommendations have been made in order to (a) reinforce the state-county relationship by grounding it in formalized, institutional procedures; (b) provide for a routine county check of the clarity, completeness, workability and consistency of proposed departmental regulations; and (c) afford counties adequate lead time to prepare for implementation.

(1) We recommend that the Legislature require the State Department of Social Welfare to submit all new proposed regulations to the executive committee of the County Welfare Directors Association for its advice.

(2) We recommend that the Legislature require the State Department of Social Welfare to submit the proposed regulations to the executive committee no later than 30 days prior to the date of filing with the Secretary of State unless a regulation is to be adopted on an emergency basis in which case it shall be submitted to the executive committee no later than 15 days prior to the date of filing.

(3) We recommend that the County Welfare Directors Association and the Director of the State Department of Social Welfare be required to jointly develop specific criteria establishing the basis for the issuance of emergency regulations. The association and the director should be further required to submit no later than the 30th day of the 1973 legislative session a listing of such criteria to the Legislature.

(4) We recommend that in all cases in which the Director does not abide by the advice of the association, he be required to submit to it within 15 days a report specifying in detail the reasons for his refusal.

(D) Internal Departmental Weaknesses—In addition to eliminating critical points of contact with the counties and, in general, damaging the relationship between state and county welfare officials, the department's reorganization efforts tended, we believe, to seriously weaken the relationship between the services and program staff of the department on the one hand and the fiscal, regulations, and executive staff of the department on the other. The counties which we surveyed indicated that many of the difficulties associated with the regulations developed and promulgated by the department to implement Chapter 578 could have been avoided or at least alleviated if departmental management had vigorously required an adequate level of input on the part of its own program and services experts.

(E) Inadequate Lead Time—without exception, the counties

included in our November survey reported that the administrative difficulties associated with the lack of adequate lead time were, in many cases, insurmountable. Senate Bill 796, Chapter 578, was signed by the Governor on August 13, 1971. The bill was scheduled to become effective on October 1, 1971. The amount of lead time, therefore, afforded to the State Department of Social Welfare and the 58 county welfare departments throughout the state amounted to only 33 working days. In comparison to the amount of lead time provided by other major reform bills enacted by the California Legislature during recent years, a lead time of only 33 working days is indeed very short. The Lanterman-Petris-Short Act, which revamped the provision of mental health services, was passed by the Legislature during 1967 with an effective date of July 1, 1969, a lead time of approximately two years. The Lanterman Mental Retardation Services Act, which established wholly new procedures for the care and treatment of mentally retarded persons, was enacted during the 1969 Legislative Session with an effective date of July 1, 1971, a lead time of again approximately two years. The State Aid for Probation Services Act, which reorganized the probation system in California, was passed during 1965 with an operative date of July 1, 1966, a lead time of approximately one year.

Furthermore, although Chapter 578 was signed by the Governor on August 13, 1971, the initial guidelines for implementation were not provided to the counties until September 2, 1971. The guidelines, however, were not regulatory in effect, nor could it have been reasonably expected that the guidelines would be effectively used by the counties as a basis for planning implementation. At the most, the guidelines issued on September 2 amounted to little more than a summary description of the act itself. On September 14, supplementary guidelines were issued to the counties via telegram. These guidelines, like those issued on September 2, amounted to little more than a summary description of Chapter 578 and did not, therefore, furnish an adequate planning basis for implementation of the act. Further guidelines, similar to those issued on September 2 and 14, were provided to the counties on September 16 and 20. Finally, on September 23 through 29, advance and filed copies of the regulations began to arrive at county welfare departments. The actual amount of lead time, therefore, provided to county welfare departments to gear-up for implementation of Chapter 578 totaled little more than six working days.

The lack of adequate lead time cannot be attributed to the State Department of Social Welfare nor to the 58 county welfare departments throughout the state. It was inherent in the act itself. However, county welfare officials have indicated that the absence of lead time has been an endemic problem during recent years. There can be no doubt that unless it is satisfactorily remedied an efficient

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implementation of departmental regulations will not be possible. We believe that the adoption of recommendations No. 2 and No. 3 (page 719 of the analysis) should help not only to reinforce the relationship between state and county welfare officials but, in addition, produce the lead time required by the counties.

(F) Inadequate Training—Many of the difficulties associated with the department's implementation of Chapter 578 during October 1971 can be attributed to an inadequate training effort on the part of the department. One of the most effective means of assuring an efficient implementation of any major program change is to furnish adequate training to the administrative personnel responsible for effecting the change. Regardless of the amount of lead time provided and the adequacy of the implementing regulations, it is not reasonable to expect an effective implementation of a major program change in the absence of an intelligently devised and efficiently executed training effort. The organizational structure of the Department of Social Welfare appears to reflect an understanding of this administrative principle. Specifically, a county training bureau is included in the administrative branch of the department. Ostensibly, it is charged with the responsibility of developing and implementing for county use training programs related to eligibility and grant determinations as well as the provision of social services.

However, notwithstanding the department's establishment of a county training bureau, county welfare officials indicated during our November survey that departmental training related to the implementation of Chapter 578 was totally inadequate. The department did provide for one statewide training conference to which key county personnel were invited. However, the county welfare officials interviewed indicated that the training provided at the conference was not very useful. They further noted that because the conference was not held until September 29, 1971, only two days prior to the scheduled implementation of the act, the training, even if it had been adequate, could not have been brought back to the counties and put into effect in time to have lessened the administrative difficulties which developed during the first two weeks of October 1971.

Again, the absence of adequate training cannot be fully attributed to the State Department of Social Welfare. The department was not provided sufficient lead time to permit the development of an effective training program. Nevertheless, the counties which we surveyed reported that the county training bureau of the State Department of Social Welfare has not furnished adequate training services to county welfare personnel even when sufficient lead time was available. County welfare officials further complained that in the past the bureau (a) did not sufficiently stress training for eligibility

workers and (b) employed classroom instruction techniques rather than on-the-job training.

The department's failure to provide effective training to county welfare departments reflects, we believe, an inadequate estimation of the crucial administrative role of the training function. Effective training of county personnel by a centralized state training agency could, more than any other single undertaking, help to accomplish a uniform, efficient implementation of welfare regulations. Furthermore, the department's past stress upon the training of social workers rather than eligibility technicians is difficult to understand. The eligibility and grant administration of county welfare departments is far larger, more costly, more complex, and much more vulnerable to administrative weaknesses than the administration of the social service function. The vast organizational network of county welfare departments relates almost entirely to the determination of eligibility and the payment of grants. In comparison, the social services program is merely an adjunctive function. The adoption of the following recommendations will, we believe, help to establish an appropriate role for the department's bureau of county training:

(1) We recommend that the Department of Social Welfare be required to develop specific, measurable goals as well as potential outputs for its bureau of county training and that these goals and outputs be included in the department's program budget statement for fiscal year 1973-74. The goals developed by the department should (a) assure a uniform application of welfare regulations throughout the state, (b) reflect a much heavier emphasis upon the training eligibility technicians than social workers, and (c) stress the use of on-the-job training in preference to classroom instruction. A listing of the goals developed by the department should be provided to the Joint Legislative Budget Committee no later than June 30, 1972.

(2) We recommend that because of the altered training needs of county welfare departments, the Chief of the Bureau of County Training, State Department of Social Welfare, not be required to possess a master's degree in social work, which is the case under current departmental regulations.

Court Challenges: Chapter 578

Compounding the administrative difficulties generated by departmental reorganization, inadequate lead time and poor training was a series of court challenges directed at various provisions of Chapter 578 during the last three months of 1971. Specifically, suits were initiated against (a) the \$50 work-related expense limitation, (b) the AFDC flat grant schedule, (c) the stepfather restrictions, (d) the OAS liability scale, and (e) the alleged inadequacy of notices of terminations and grant reductions sent by county welfare departments to affected recipients.

(1) The \$50 Work-Related Expense Limitation—On September

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22, before the counties had received even the first packet of implementing regulations, the Sacramento Superior Court issued a temporary restraining order enjoining implementation of the \$50 work-related expense limitation. On September 28, however, the Court of Appeal, Third Appellate District, stayed execution of the restraining order.

Ten days later, on October 8, the Sacramento Superior Court issued a preliminary injunction enjoining any further implementation of the provision. The State Department of Social Welfare appealed the injunction to the Court of Appeal, Third Appellate District. Five days later, the State Attorney General advised the department that its appeal of the preliminary injunction had resulted in a stay of its execution. Consequently, the department directed the counties, pursuant to the advice of the Attorney General, to continue to implement the provision. However, on October 27, the Sacramento Superior Court issued another order stating that its October 8 preliminary injunction had not been stayed by the appeal and that full compliance should be immediately effected.

On November 1, the department filed an appeal from the October 27 superior court order. On the same day, the Attorney General advised the department that (1) the Sacramento Superior Court had no jurisdiction to issue its October 27 order and (2) the order was, in any case, stayed by the November 1 appeal. However, on November 4, the Court of Appeals, Third Appellate District, declined to stay execution of the October 27 Sacramento Superior Court order.

Approximately one month later, on December 8, the California Supreme Court refused to transfer the case from the Third Appellate District and declined to halt further proceedings in the superior court. The following day, the department notified the counties to cease implementing the provision.

Administrative costs: The counties included in our November survey reported that a significant portion of the excessive administrative costs incurred during October was attributable to the confusion generated by this court challenge. They expressed the further concern—a concern which proved later to be well-founded—that eventually the court challenge would result in a stay of implementation which would entail additional administrative costs to the counties by requiring expensive retroactive grant adjustments.

(2) **The AFDC Flat Grant Schedule**—On September 29, the California Supreme Court issued an order staying operation of Section 28, the section of the act relating to the AFDC flat grant schedule, pending a final determination of the proceedings.

Enforcement of the entire section was stayed.

The State Department of Social Welfare, claiming that the September 29 order precluded issuance of the October 1 AFDC grant payments, sought a clarification from the court on September 30. As a result, the California Supreme Court modified its September 29 order staying operation of Section 28 only as it affected subsection A of Section 11450 of the Welfare and Institutions Code. Procedurally, this required (1) reversion to the old MPB, including the 21.4 percent increase required by departmental regulations issued in April, and (2) the use of the new minimum standard of adequate care, Section 11452, instead of the old coded cost schedules. Nonexempt income was to be deducted from the minimum standard of adequate care rather than the flat grant schedule as required by the invalidated portion of Section 28.

This procedural change required county welfare departments to recompute all of the October 1 AFDC grant payments. Such a recomputation was, of course, administratively impossible given a lead time of only one day. Consequently, the State Department of Social Welfare filed an emergency regulation with the Secretary of State to permit AFDC monthly grants to be paid in two unequal installments. This revision allowed counties to release the miscalculated October 1 AFDC checks, which had been computed on the basis of subsection A, and correct for overpayments or underpayments in the balance of the monthly grants included in the midmonth October 15 payments. Nevertheless, several counties, notwithstanding the emergency regulations issued by the department, failed to mail the October 1 AFDC checks. Apparently, the confusion generated by a failure to anticipate the September 29 and 30 California Supreme Court orders in conjunction with the breakdown of the communication and supervisory relationship between state and county welfare officials proved simply too overwhelming to permit an orderly release of the first October grant payments as scheduled.

On December 6, the California Supreme Court invalidated subsection A of Section 11450 of the Welfare and Institutions Code. The court ruled that nonexempt income must be deducted from the minimum standard of adequate care (Section 11452) not from the grant schedule. In addition, the court decision implied a return to the computation of AFDC payments on the basis of the flat grant schedule. (The September 30 California Supreme Court order had required that the computation of AFDC grant payments be made on the basis of the old MPB plus the 21.4 percent increase required by departmental regulations issued in April.)

The effect of the December 8 California Supreme Court order was to generate increased costs to the state. As originally designed, Section 28 would have entailed no additional costs. Specifically, the

SOCIAL WELFARE—Continued

savings resulting from grant decreases to families with nonexempt outside income would have approximately balanced out the costs resulting from grant increases to families with no nonexempt outside income. However, as a result of having invalidated the deduction of nonexempt income from the AFDC flat grant schedule and requiring instead that the deduction be made from the need standard, the court decision has, in effect, eliminated the savings aspect of the provision while at the same time approving the cost aspect. We estimate that additional state funds of approximately \$12 million will be required as a result.

Administrative Costs: Between October 1 and October 15, the date the second payment of the October grant was scheduled to be mailed to recipients, all of the counties included in our November survey were able to secure sufficient clarification from the State Department of Social Welfare to permit a recalculation of the October grant and to adjust the October 15 payment accordingly. Thus, by the end of October, county welfare officials had largely overcome the initial confusion resulting from not planning for the two California Supreme Court orders. However, the administrative costs generated by that confusion were excessive. Many county welfare departments, especially those which have not developed automated procedures for determining grant amounts, were compelled to spend large amounts of county funds for support of overtime payments to staff.

(3) **The Stepfather Restrictions—**On October 6, the Sacramento Superior Court issued a temporary restraining order enjoining implementation of the stepfather restrictions. The case was, however, limited to three named recipients. On October 19, the court broadened the case to a class action and issued a preliminary injunction. The department immediately appealed the injunction to the Appellate Court, Third Appellate District, and eight days later, pursuant to advice provided by the Attorney General, notified the counties that its appeal of the October 19 injunction had resulted in a stay of its execution. Accordingly, the department directed the counties to continue to implement the provision.

On November 19, the Court of Appeal, Third Appellate District, declined to halt further proceedings in the Sacramento Superior Court. Accordingly, three days later the State Department of Social Welfare directed the counties to cease implementing the provision. On December 2, the department issued new regulations which required evidence that a stepfather's income is actually available, rather than merely assumed to be available, to the wife for support of her children by a previous marriage.

Administrative Costs: The November survey did indicate that implementation of the stepfather restrictions had been inefficient

and excessively costly. However, the survey produced evidence revealing that the confusion which resulted was more attributable to inadequately developed regulations than to the October 6 court challenge.

(4) **The OAS Liability Scale**—On October 20, the Sacramento Superior Court issued a temporary restraining order enjoining enforcement of the OAS liability scale. However, nine days later the Court of Appeal, third Appellate District, vacated the temporary restraining order and halted all further action of the Sacramento Superior Court, pending final determination of the proceedings scheduled for January 19, 1972.

Many of the counties, because of the uncertainty generated by the court challenge, are placing the contributions secured from relatives into trust funds rather than using the contributions as abatements to offset the cost of the OAS program.

(5) **The Inadequacy of the 15-Day Notices of Termination and Grant Reduction**—On September 28, the United States District Court for the Northern District of California issued a temporary restraining order enjoining implementation of the scheduled October 1 AFDC grant terminations, suspensions and reductions. The issuance of the temporary restraining order was based upon the alleged inadequacy of the SDSW designed 15-day notice of grant changes sent by county welfare departments to affected recipients. The court order further required that prior to October 8 supplemental payments be sent to recipients whose October 1 checks could not be corrected due to insufficient lead time.

Administrative Costs—Because the court order required supplemental checks to be issued prior to October 8, county welfare departments were precluded from correcting for October 1 payment errors through a simple adjustment of the midmonth check. The counties reported that this resulted in very significant increased administrative costs in addition to further delaying implementation of Chapter 578.

Court Challenges: Savings Reestimate

The court action which occurred during October, November and December required us to again recalculate our estimate of savings associated with implementation of Chapter 578. Table 5 depicts the amount of savings (cost) which can be anticipated if the current (December 1971) state of implementation is not improved during ensuing months. It is to be noted that should the current state of implementation continue to prevail during the remainder of 1971-72, a cost to the state of approximately \$11.6 million may result.

In short, rather than more extensively implementing the provisions of Chapter 578 during the two months following October, state and county welfare officials have actually lost considerable ground because of successful court challenges.

Table 5
Chapter 578 Cost-Savings Estimates Adjusted to Reflect Delayed Implementation and Court Actions

SOCIAL WELFARE
SOCIAL WELFARE—Continued

<i>Provision</i>	<i>Estimated full year 1971-72 savings depicted in Table 0</i>	<i>Adjusted to reflect delayed implementation on 10-1-71</i>	<i>Further adjusted to reflect both the results of the county survey for Oct. and the Nov. and Dec. court action</i>
1. 150 percent of gross income limitation.....	\$4.6 million	\$3.4 million	-- ¹
2. Work-related expenses limitation.....	12.0	9.0	--
3. AFDC flat grant schedule.....	--	--	- 12.0 (cost)
4. Stricter eligibility standards including reform of (a) special needs, (b) verification of eligibility, and (c) exempt personal property.....	15.0	11.1	-- ²
5. Standardized eligibility operations including (a) changed sharing ratios relating to grant and administrative costs, and (b) contracting with counties to achieve enhanced administrative efficiency.....	5.0	3.7	unknown ²
6. Lump sum income and casual and inconsequential income restrictions.....	0.5	0.4	+0.4
7. Absent parent and stepfather restrictions.....	6.8	5.1	--
8. OAS responsible relative scale.....	17.6	13.2	-- ³
9. Confidentiality.....	11.3	8.6	--
10. Work programs including day care services.....	12.0 (cost)	9.0 (cost)	-- ⁴
11. Family planning services.....	1.0 (cost)	0.8 (cost)	-- ⁴
12. Others.....	0.3	0.1	0.1
Total savings.....	\$59.5 million	\$44.6 million	11.6 (cost)

¹ Not implemented by order of State Department of Social Welfare.
² County survey conducted during November indicates no savings are accruing. Currently, staff of our office is planning to undertake an additional survey during February. That survey should provide further information as to savings potential of this provision.
³ County survey conducted during November indicated that counties, because of the court challenge, are placing contributions collected from relatives in trust funds rather than using them as abatements to offset cost of OAS program. Effect of this provision must remain unknown pending final determination of court proceedings.
⁴ County survey conducted during November indicated that no implementing regulations had been issued. Currently, staff of our office is planning to undertake an additional survey during February.

Social Welfare Summary

Court Challenges: Administrative Regulations

Implementation of Chapter 578 did not constitute the sole basis underlying the department's attempt to reform California's welfare system. The department proposed additionally to achieve reform and savings by recourse to unilateral administrative action. Specifically, the department developed and promulgated the following four major regulations for which no change in state or federal statute was thought to be necessary: (a) the elimination of AFDC-U families receiving Unemployment Insurance Benefits (UIB); (b) the redefinition of unemployment to require that eligibility for payments under the provisions of the AFDC-U program not become effective until after 30 days of unemployment have expired; (c) the redefinition of unemployment to require the elimination of AFDC-U families with heads of households employed for more than 25 hours per week (100 hours per month); and (d) the redetermination of eligibility every four months.

(1) **Unemployment Insurance Benefits**—The regulation requiring the elimination of AFDC-U families receiving unemployment insurance benefits was to become effective January 1, 1972. The regulation had been filed with the Secretary of State and issued to the various county welfare departments. However, the Department of Social Welfare notified the counties by telegram on December 27 and 28 and by letter on December 29 not to implement the regulation.

Fiscal Effect: The department estimates that approximately 15 percent of AFDC-U families are securing unemployment insurance benefits and, in addition, are entitled to an average grant of approximately \$154 per month. Therefore, based upon the department's own case-load estimates, the failure to implement the UIB regulation will result in a loss of savings to the state of approximately \$4.9 million during the current fiscal year.

(2) **30-Day Waiting Period**—The regulation rendering ineligible families with heads of households unemployed for less than 30 days became effective July 1, 1971. However, in December, the Sacramento Superior Court invalidated the regulation.

Fiscal Effect: It is estimated by the department that approximately three percent of the AFDC-U cases were affected by implementation of this regulation. The average grant is estimated to be approximately \$200 per month. Therefore, based upon the department's own case-load estimates, the invalidation of the regulation will result in a loss of savings to the state of approximately \$2.6 million during the current fiscal year.

(3) **25-Hour Per Week Redefinition of Unemployment**—On March 17, 1971, the department adopted regulations which required the termination of AFDC-U families with heads of households employed in excess of 25 hours per week (100 hours per month). The regulation became effective July 1, 1971. Currently, the regulation remains in effect.

Fiscal Effect: The department estimates that approximately seven percent of the AFDC-U cases were affected by implementation of this regulation. The average grant of the families affected is estimated to be \$180 per month. Consequently, based upon the department's es-

SOCIAL WELFARE—Continued

timated caseload, savings to the state of approximately \$2.0 million should result during the current fiscal year.

(4) The Four-Month Rule—In April 1971, the department adopted regulations requiring a redetermination of eligibility every four months. The regulation became effective on June 1, 1971. It was designed to eliminate AFDC families with outside earned income which cannot be exempted on any basis other than the work-related expense exclusions.

On May 25, the Sacramento Superior Court issued a temporary restraining order enjoining implementation of the regulation. However, the Department of Social Welfare, claiming that it was bound by an earlier Alameda Superior Court decision, continued to implement the regulation. Finally, on September 22, the California Supreme Court invalidated the regulation and, in addition, ordered retroactive grants to be paid to all of the families eliminated as a result of its implementation. The court further directed all county welfare departments to submit to the Director of the Department of Social Welfare a report identifying the administrative procedures and actions adopted to assure compliance with the order.

Fiscal Effect: We estimate that the loss of state savings associated with the invalidation of the regulation totals approximately \$9.0 million for the current fiscal year.

Table 6 indicates the amount of savings which can be anticipated as a result of unilateral departmental action if the current (December 1971) state of implementation is not improved during the ensuing months.

Table 6
Estimated Savings from Unilateral Departmental Reforms
Adjusted to Reflect Court Actions

<i>Regulation</i>	<i>Estimated Full Year Savings 1971-72 (in millions)</i>	<i>Adjusted to Reflect Effect of Court Action 1971-72</i>
1. UIB regulation -----	\$4.9	0
2. 30 day regulation -----	2.6	0
3. 25 hr./week regulation -----	2.0	2.0
4. 4 month rule -----	9.0	0
Total -----	\$18.5	2.0

Summary of Current State of Implementation of Welfare Reform Measures

Table 7 depicts the current state of implementation of each of the major welfare reform measures undertaken by the State Department of Social Welfare during the current fiscal year. In addition, the table compares the estimated full-year savings related to each of the measures with the adjusted savings estimates which are based upon (1) our county survey for October and (2) court actions which occurred during October, November and December. It should be noted that if the current state of implementation prevails throughout the remainder of the 1971-72 fiscal year, the department's reform efforts, both Chapter 578 and its unilateral administrative changes, may cost the state approximately \$9.6 million.

Table 7
Status of Welfare Reform Measures
January 1972

<i>Reform measure</i>	<i>Estimated full-year savings (in millions)</i>	<i>State of implementation</i>	<i>Adjusted savings estimate (in millions)</i>	<i>Difference between estimated full-year savings and adjusted savings estimate (in millions)</i>
<i>Chapter 578</i>				
1. 150 percent of gross income limitation ----	\$4.6	Not implemented by order of the department prior to 10-1-71.	--	\$-4.6
2. Work-related expense exemption limitation..	12.0	Implementation enjoined by preliminary injunction. Retroactive grant adjustments required. (Superior court.)	--	-12.0
3. AFDC flat grant schedule.....	--	Implementation of subsection A, requiring deduction of nonexempt income from flat grant schedule enjoined. (California Supreme Court.)	\$12.0 (cost)	-12.0
4. Stricter eligibility standards including reform of (a) special needs, (b) verification of eligibility, (c) exempt personal property.	15.0	Review of counties indicated a partial implementation but little savings accrual.	negligible (October)	-15.0
5. Standardized eligibility operations including (a) changed sharing ratios relative to grant administrative costs, and (b) contracting with counties to achieve enhanced administrative efficiency.	5.0	Not to be fully implemented until July 1, 1972. Review of counties indicates negligible savings.	unknown (October)	unknown
6. Lump sum income and causal and inconsequential income restrictions.	0.5	Review of counties indicated a partial implementation but negligible savings accrual.	0.5 (October)	--
7. Absent parent and stepfather restrictions..	6.8	Stepfather restrictions enjoined from being implemented by preliminary injunction. Retroactive grant adjustments. (Superior court.) Absent parent provisions not implemented due to administrative difficulties.	--	-6.8
8. OAS responsible relative scale.....	17.6	Not fully implemented. Savings accrual potential unknown. Currently, counties not using collected contributions as abatements against the cost of the program.	unknown (October.)	unknown

Table 7 Continued

<i>Reform measure</i>	<i>Estimated full-year savings (in millions)</i>	<i>State of implementation</i>	<i>Adjusted savings estimate (in millions)</i>	<i>Difference between estimated full-year savings and adjusted savings estimate (in millions)</i>
<i>Chapter 578</i>				
9. Confidentiality.....	11.3	Review of counties indicated no implementation. No regulations adopted by SDSW.	-- (October)	-11.3
10. Work programs including day-care services.....	12.0 (cost)	Survey for October indicated no implementation. No regulations adopted by SDSW.	-- (October)	+12.0
11. Family Planning Services.....	1.0 (cost)	Survey for October indicated no implementation. No regulations adopted by SDSW.	-- (October)	+1.0
12. Others.....	0.3	--	\$0.1 (cost)	+0.2
Totals for Chapter 578.....	\$59.5	--	\$11.6 (cost)	\$-48.5
<i>Unilateral administrative reform</i>				
13. UIB regulation.....	\$4.9	Implementation enjoined.....	--	\$-4.9
14. 30-day regulation.....	2.6	Implementation enjoined. Retroactive grant adjustments required.	--	-2.6
15. 25-week regulation.....	2.0	Currently in effect.....	\$2.0	--
16. 4-month rule.....	9.0	Invalidated by California Supreme Court. Retroactive grant adjustments required.	--	-9.0
Totals for unilateral administrative reform.....	\$18.5	--	\$2.0	\$-16.5
GRAND TOTALS.....	\$78.0	--	\$9.6 (cost)	\$-65.0

Pilot Project

We recommend that the Legislature require the State Department of Social Welfare to establish in Sacramento County a pilot project designed to test (a) the administrative feasibility, (b) the fiscal effect, and (c) the impact upon recipient work patterns associated with implementation of the following AFDC restrictions: (1) the termination of all recipients whose total gross income, exclusive of grant payment and prior to any deductions, exceeds 150 percent of the need standard for such recipient; (2) the requirement that exemptions relating to expenses incurred by employed recipients shall be limited to no more than \$125 per month; and (3) provision for the deduction of all nonexempt income from the AFDC flat grant schedule defined by Section 11450 of the Welfare and Institutions Code.

We further recommend that the department, in order to begin the project by July 1, 1972, be directed to immediately request a federal waiver of the social security amendment which otherwise would preclude implementation.

We continue to believe that there should be a ceiling limiting the amount of exemptions which can be deducted from the earnings used to compute the cash grant to which a recipient is entitled. The failure to establish such a ceiling has produced a group of public assistance recipients whose total income (public assistant grant supplemented by earned income) significantly exceeds the need standard defined by Section 11452 of the Welfare and Institutions Code. Additionally, it encourages the development of gross income differentials between recipients of equal needs.

The earned income exemption provisions of the federal Social Security Act were designed to provide an incentive to welfare recipients to eventually achieve total self-support, thereby eliminating their need for recourse to public assistance. However, a survey undertaken by our office during November of 1970 has led us to seriously doubt that the exemptions actually achieve this objective. The results of our survey appear to indicate that while earned income exemptions do induce recipients to *secure employment*, they do not induce *total self-support*. The restrictions which we have recommended be established by the department as the test elements of a pilot project are designed, we believe, to restructure the objectives of the earned income exemptions in light of this fact. Specifically, the objective is to encourage recipients to secure employment. Hopefully, the employment experience gained by the recipients will accomplish two additional objectives: (1) It will afford recipients an opportunity to develop or regain a sense of confidence in their ability to acquire and maintain employment; and (2) it will provide recipients with a limited opportunity to increase their standard of living above the need schedule defined by Section 11452 without, at the same time, permitting the establishment of grossly inequitable income differentials between recipients of equal needs.

SOCIAL WELFARE—Continued

In summary, we believe that implementation of our recommendation will provide welfare officials with an opportunity to test the validity of both the assumptions underlying the exemption provisions of the Social Security Act and those underlying the restrictions which we have proposed. Furthermore, it will permit welfare officials for the first time to empirically measure the actual fiscal impact and administrative feasibility of such restrictions. The results of such a pilot project could well bear significant impact upon future legislation affecting welfare programs. Should the results of the project demonstrate the invalidity of the assumptions underlying the current income exemption allowances, the way may be cleared for a successful challenge of the Social Security Act itself. And certainly, in view of the legal attacks which have challenged the major reform provisions of Chapter 578, it would be fruitless, we believe, to attempt any further welfare reform without first changing the Social Security Act. A pilot project such as we have recommended may well help to achieve that goal.

DEPARTMENT OF SOCIAL WELFARE

Item 255 from the General
Fund

Budget p. 170 Program p. 961

Requested 1972-73.....	\$14,227,370
Estimated 1971-72	9,801,474
Actual 1970-71	18,130,131
Requested increase \$4,425,896 (45.3 percent)	
Total recommended reduction	Withhold

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Withhold recommendation pending receipt of sufficient information to evaluate the significant increase in the proposed appropriation for the department. 748
2. Recommend 1972-73 funds for support of the expanded data reporting system (EDRS) project be withheld until the State Department of Social Welfare, together with the Department of Finance, Division of Electronic Data Processing Control and Development, present the entire EDRS proposal to the legislative fiscal committees during deliberations on the 1972-73 Budget Bill. The presentation should include a full disclosure of data, analysis and comments with regard to the issues raised in this analysis and should, in addition, include any alternative approaches which are now being considered. 749
3. Recommend the State Department of Social Welfare 749

- establish eligibility determination as its first priority item and grant determination as its second priority item for purposes of implementing EDRS.
4. Recommend that in the future, any request to private computer vendors for bids on the EDRS system design be separated from requests for EDP equipment. Further recommend that the State Department of Social Welfare undertake a thorough analysis and prepare the appropriate conceptual and detailed design before it requests bids from computer vendors since this is required for a meaningful response. 749
 5. Recommend the State Department of Social Welfare reevaluate its mandatory requirement that EDRS meet the Medi-Cal management system (MMS) pilot county deadline for sharing eligibility data. This recommendation is made for the purpose of providing the departments sufficient time to design the most appropriate interface. It is our understanding that the Department of Health Care Services has contingency plans which will suffice until such time as a coordinated system can be developed. 749
 6. Recommend the Department of Finance, through Section 4 of the Budget Act of 1971, propose alternative computer configurations to those proposed under the EDRS bids in order to more appropriately implement the state's policies regarding consolidated EDP resources. We suggest that the new IBM 370/165 computer currently being installed at the Department of Human Resources Development can serve as a central agency computer center for the State Department of Social Welfare. This will permit transfer of work now being performed on an IBM 360/30 to the Department of Human Resources Development, leaving one other computer in the State Department of Social Welfare for purposes of implementing EDRS (phase I and II) should the project be approved. 749

GENERAL PROGRAM STATEMENT

The State Department of Social Welfare is charged with the responsibility of coordinating and integrating public welfare activities throughout the state. In addition, the department is also required to provide fair hearings to welfare applicants on request and furnish specified reports to the federal government periodically.

Departmental Reorganization

During the 1971-72 fiscal year, the department has been reorganized into three major administrative branches: (1) the operations

DEPARTMENT OF SOCIAL WELFARE—Continued

branch, which is charged with the responsibility of administering the department's income maintenance systems and direct services program; (2) the legal affairs branch, which is charged with the responsibility of reconciling the department's programs with state and federal law and, in addition, properly representing the department's legal interests before the Legislature, the courts, and local, state and federal agencies; (3) the administrative branch, which is charged with the responsibility of providing necessary in-house support to departmental staff.

The department's reorganization reflects a reordering of priorities; specifically, the reorganization stresses the department's fiscal responsibilities and, correspondingly, deemphasizes its service responsibilities. The fiscal reorientation of the department is partly reflected in the fact that whereas four of the five branch chiefs under the old departmental organization were social service administrators, none of the three major administrative branches into which the department has been reorganized is headed by a social service administrator.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation pending receipt of sufficient information to evaluate the significant increase in the proposed appropriation for the department.

The budget proposes a total expenditure of \$14,227,370, which is \$4,436,096, or 45.3 percent, more than is estimated to be expended during the current fiscal year.

This increase is due primarily to the following factors: (1) The department is again requesting \$600,000 and 60 positions, as appropriated by Chapter 578, Statutes of 1971, to meet the increased demand for fair hearings. (2) The budget proposes \$1,084,744 in contract consultant funds to purchase assistance from the Attorney General's office and to purchase services from General Services and other sources to meet the increased demand for fair hearings and ATD hearing requests. (3) Fifteen positions and approximately \$1,400,000 are also requested for development and implementation of the expanded data reporting system. (4) A total of 74.5 positions and approximately \$300,000 previously included in the local assistance expenditure, are being transferred to this item in the budget year. (5) And, 27 new positions are proposed at a total cost of approximately \$350,000 to develop and implement contracts with the counties as provided by Chapter 578, Statutes of 1971.

We have not received sufficient workload information to recommend to the Legislature the level of funding proposed by this item. We have requested data relative to how the specific number of proposed positions was determined but have never received such data. We have requested information relative to the whole matter of departmental reorganization and have received organizational charts

and a listing of position reclassifications as required by Chapter 426, Statutes of 1971. However, we have not been supplied any functional description of what the various branches and units accomplish within the department. Therefore, we are withholding a recommendation pending receipt of such information and workload data.

Position Changes

(1) Reduction in Authorized Positions—The budget indicates a significant reduction of positions for support of state operations. It proposes to transfer 915.5 positions, which are in the community services branch to the Department of Mental Hygiene and add 104 new positions for a net decrease of 811.5 positions.

The 915.5 positions are being transferred to the Department of Mental Hygiene in order to facilitate the consolidation of services to the mentally ill and the mentally retarded. A discussion of this transfer is found in our analysis of Item 241.

(2) Proposed New Positions—Twenty-seven of the proposed new positions are required to implement Sections 23 and 42.5 of Chapter 578, the Welfare Reform Bill of 1971. Six of the positions are to be allocated to the contract administration bureau for the purpose of developing contracts with county welfare departments. The contracts will permit counties to discharge the state responsibility relating to the control of eligibility and grant level determinations for all aid programs. Two of the positions are to be allocated to the department's payment systems program for the purpose of coordinating implementation of county contracts with the State Department of Social Welfare. The remaining 19 positions are requested to audit the state's share, \$49,398,600, of the cost to county welfare departments of eligibility and grant determinations.

Fifteen of the proposed new positions are related to the expanded data reporting system. An analysis of the justification underlying these positions is provided under the heading "Expanded Data Reporting System," which follows this discussion.

A total of 60 positions are for support of the department's efforts to eliminate a fair hearing backlog. Thirty of the 60 positions are stenographic positions and the remaining 30 are for attorney positions.

EXPANDED DATA REPORTING SYSTEM

The State Department of Social Welfare (SDSW) is currently developing a program designed to organize a "total welfare management information system". It plans to expend \$1.3 million (\$491,940 General Fund and \$791,940 federal funds) during the current fiscal year for the purpose of implementing the first phase of the system which has been designated, the expanded data reporting system (EDRS). The department is requesting an additional \$1.4 million for fiscal year 1972-73 to continue the EDRS development. According to the SDSW, the total implementation cost of the system when fully implemented by June

DEPARTMENT OF SOCIAL WELFARE—Continued

30, 1975, is expected to approximate \$4 million. Annual operating costs of the system are expected to be \$28.5 million. Cost of operations as projected by the department will be shared by the federal government, the state and the counties and will include the complete cost for personnel, equipment and material for operations. The state will also assume \$242,000 annually for maintenance of the system.

The State Department of Social Welfare has estimated that \$101 million in administrative costs and overpayments to recipients will accrue as a result of implementing the EDRS. These savings are attributed to a 50-percent reduction in eligibility workers (\$26.7 million savings), 90 percent in budget and account clerks (\$5.3 million savings), 21-percent reduction in operating expenses (\$6.72 million savings) and an \$800,000 reduction in county and state reporting costs. In addition, the department expects the EDRS to achieve a \$57-million savings in recipient overpayments which have been identified in a recent audit by the Department of Finance.

Early Attempts to Automate Welfare Administration

During the past several years, the State Department of Social Welfare, the counties, the California Supervisors Association and the federal government have proposed various means by which the administration of welfare in California could be simplified and automated. These proposals were unsuccessful primarily because of the complexities inherent in the decentralized administration of welfare in California and complex regulations which made analysis of the problems and implementation of solutions more difficult.

Preceding EDRS, the most significant attempt to automate welfare processes in California was the result of a 1969 study performed by the Assembly Office of Research and the staff of the Assembly Social Welfare Committee entitled "California Welfare: A Legislative Program for Reform." This study resulted in a bill (AB 1351) which was subsequently signed into law as the Intergovernmental Welfare Management and Information Systems Act of 1969 (W. & I. Code, Article 1.5, Statutes of 1969). The 1969 act appropriated from the General Fund \$108,000 (to be matched by federal funds if possible) to begin a welfare information system study. Federal funds were secured and California became a participating state in the Nationwide Demonstration Project (NDP) which was sponsored by the Federal Department of Health, Education and Welfare (HEW). The 1970 Legislature, because of a shortage of funds and vague project objectives deleted requested state funds for this project from the 1970-71 Governor's Budget request. As a result, the State Department of Social Welfare was forced to secure full federal funding for a considerably reduced program.

The current attempt to implement the expanded data reporting system is a direct outgrowth of the Nationwide Demonstration

Project, although the scope of the project has been considerably modified. Nonetheless the EDRS has its genesis in the 1969 Intergovernmental Welfare Management and Information Systems Act and the design of the system is subject to the provisions of that law. Also, the department has described the EDRS development as its method of implementing the Welfare Reform Act of 1971.

Feasibility Study Inadequate

During the spring and summer of 1971, the SDSW, utilizing much of the work accomplished by the NDP staff, prepared a feasibility study for submission to the Department of Finance in accordance with Section 4 of the Budget Act of 1971 and the State Administrative Manual. Concurrently, a request for proposal (RFP) was prepared for submission to private computer vendors at the appropriate time. Both the feasibility study and the RFP with some modification, were approved by the Department of Finance and the RFP was submitted to the computer industry in early October 1971.

We cannot understand how a project of this magnitude could be justified or a request for proposal authorized for release to vendors on the basis of the information contained in the feasibility study submitted for approval to the Department of Finance. In this feasibility study it is indicated that the basic goal of the system is to develop a total welfare information system in compliance with the Intergovernmental Welfare Management and Information Systems Act of 1969. However, the RFP states that "No comprehensive analysis of information needs has been accomplished," even though such an analysis would be logically necessary and is specifically required by the 1969 act.

Without a thorough and detailed analysis of welfare information flow and welfare information requirements by SDSW and the California counties, it is virtually impossible to describe accurately to private vendors in a request for proposal what the State of California desires in an automated welfare management information system. Certainly, one would not normally engage a computer vendor to provide detailed analysis regarding precise requirements of a system which only a user (or a system consultant acting under direction of the user) can determine, nor would one expect such a computer vendor to be able to respond accurately to an RFP that does not detail these requirements.

To illustrate this point, the Department of Health Care Services retained the services of a private system consultant for a firm price of \$200,000 just to study existing Medi-Cal eligibility processes and make recommendations for an improved and integrated claims processing control system. The end result of this contract was a conceptual system design which was then used as a basis for solicitation of bids from potential contractors for the development and implementation of a Medi-Cal management system on a prototype basis.

DEPARTMENT OF SOCIAL WELFARE—Continued**Specific Questions Unanswered**

Because the feasibility study and the RFP do not adequately address the important and relevant components of the intended system, we are raising the following questions:

1. What action has the Department of Social Welfare taken to (a) simplify the basic welfare delivery system and (b) simplify, clarify and make uniform the current mass of welfare regulations and administrative processes upon which the EDRS is based?

2. A system objective is stated to "provide the data necessary to automate the fiscal and control processes and improve supervision over county operations." What are the fiscal and control processes which are to be automated in the counties and why is improved supervision beneficial? Further, how does automating these processes in fact make them more effective?

3. Why is it desirable to have a single centralized data base at the State Department of Social Welfare rather than to have local files or regional files? Why is it mandatory that the system be on-line?

4. Apparently, the only justification for a 24-hour update of recipient eligibility information is to meet the Department of Health Care Services requirement for that information. Since the Department of Health Care Services requires approximately 250 characters of information for each recipient to determine eligibility, why will the Social Welfare file contain from 5,000 to 8,000 characters of information on each recipient on-line?

5. What use is the Department of Social Welfare going to make of this mass of recipient information once collected and placed in a data base in Sacramento?

The answer to these questions and many others should be included in any cost/benefit analysis presented to the Department of Finance or the Legislature before an expenditure of funds is authorized.

Inadequate Cost and Savings Estimates

The feasibility study indicates that the system, once implemented, will result in federal, state and local administrative savings of \$101 million. The annual operating cost, on the other hand, is estimated to be \$28.5 million excluding a one-time cost for implementation of \$4 million. The costs and savings presented in the study are not substantiated with a discussion or display of the facts used to build the estimates. Indeed, the study does not even identify the period of time within which the savings will accrue. The \$800,000-reduction in reports, 50-percent reduction in eligibility workers, 90-percent reduction in budget and account clerks and 21-percent reduction in operating expenses are stated categorically with no reference to corroborating evidence. Included in the savings estimate is the recovery of \$57 million in overpayments made to recipients which the Depart-

ment of Finance has identified in a recent audit. On this point we note that the 1969 report referenced above entitled, California Welfare: A Legislative Program for Reform" concluded that the present welfare system errs in favor of the state, not the welfare recipient. This conclusion, the report stipulates, is based on data supplied to the Legislature by the SDSW division of quality control. Further, the study does not identify whether the \$57 million will be saved annually or whether this is a one-time recovery of funds.

We note also that, although full implementation of the EDRS is expected to extend through June 30, 1975, at a total one-time cost of \$4 million, the study indicates that a total of \$4 million will be expended during the current and 1972-73 fiscal years. This leaves the implementation costs for two years (phase III of the system) unaccounted for.

Poor Selection and Analysis of Alternatives

A major requirement of any feasibility study is that a reasonable number of alternatives to the solution of a problem be considered, and analyzed. The presumption of this requirement is, of course, that a rational analysis of appropriate alternatives will be made, and the most cost effective alternative selected for implementation. Further, it is presumed that once selected, the best alternative can be fully justified with documented evidence of its merit and cost, even if certain of the conclusions were arrived at using professional judgment in the absence of purely objective data.

The SDSW chose three alternative approaches for analysis and consideration: (1) the present method of doing business, (2) a slightly modified version of present methods which would provide automated report generation and eligibility and grant determination, and (3) the fully automated, on-line, data base management concept proposed as EDRS. In our judgment, the department in effect considered only one alternative since the first two listed above are obviously deficient in terms of achieving the stated objectives. The department should have thoroughly analyzed only those alternatives available within the basic concept of utilizing sophisticated electronic data processing techniques because it is generally agreed, by virtue of past efforts, that existing methods cannot adequately cope with the volumes of data which must be processed. The feasibility study does not provide any alternatives to the approach selected in this category.

Request for Proposal (RFP)

The RFP was approved (with some modifications) by the Department of Finance and distributed to the computer industry in early October 1971. The RFP as released posed at least five significant problems: (1) There is considerable opposition to the development of EDRS among the pilot counties, (2) the implementation time schedule is unrealistic, (3) it does not take into account state policies for the

DEPARTMENT OF SOCIAL WELFARE—Continued

consolidation and integration of the state's EDP resources, (4) subsystem priorities appear to be in a sequence of implementation which will not be conducive to the greatest savings and system effectiveness in the shortest time, and (5) it lacks, in our judgment, the conceptual and technical detail necessary for a vendor to understand his role in the project, make appropriate cost estimates, or provide operational alternatives.

Basically, the RFP asks computer vendors to bid on phases I and II of a three-phase implementation plan for a fixed price of \$800,000 (current-year funds). However, this price is to cover only phase I of the project, phase II going out to competitive bid near the completion of phase I. Work on phase I was originally scheduled to begin around December 8, 1971, with a completion date of September 1972. Phase I consisted of the development and implementation of the EDRS in seven pilot counties and was to be installed in two stages: stage I—the installation of hardware necessary to operate the system at the state level and the installation of the system and related hardware in Santa Clara and San Diego Counties; and stage II—the additional implementation of EDRS in Contra Costa, Humboldt, Monterey, Napa and San Joaquin Counties. Thus, the December 8, 1971, date has slipped because no vendor has been selected as of this writing.

Phase II of the EDRS consists of the implementation of the system in the remaining 51 counties, and phase III is described as the extension of the EDRS to a "total management and operational information system" which will be completed by June 30, 1975.

County Opposition to EDRS

Our discussions and correspondence with county welfare and administration officials revealed a considerable amount of opposition to the EDRS system at the county level. This opposition stems in our judgment, primarily from a lack of communications between state and county officials, and an apparent arbitrary attitude on the part of the SDSW in preparing and promoting the EDRS proposal.

To illustrate, we understand that until the EDRS RFP was made public, the seven pilot counties were unaware of their designation as pilot counties. Indeed, it is our understanding that some of the proposed pilot counties were not even given a copy of the RFP at the time it was issued to the vendors. Some counties reacted to this treatment by informing the director of SDSW that they were not interested in participating as a pilot and others sought to clarify and understand the full fiscal and operational impact their participation would have.

We further understand that as of November 30, 1971, only Napa County had committed itself to being a pilot county and that San Diego, San Joaquin, Humboldt, and Contra Costa Counties had made their participation as pilot counties conditional on (1) state identification of all state and county costs of the proposal and (2) state agree-

ment to pay most, if not all, of the county costs. We also understand that both Santa Clara and Monterey Counties have declined to be pilot counties under any circumstances. This of course has serious implications for the successful conclusion of the project because Santa Clara County is one of the two Medi-Cal management system (MMS) pilot counties and it is deemed important by SDSW that the interface between the Medi-Cal management system and the expanded data reporting system be tested in both Medi-Cal management system pilot counties. Otherwise, these counties will implement MMS by seeking eligibility data directly from the Department of Health Care Services. We do not concur that this interface should be of prime importance under the present circumstances since EDRS has much more significant deficiencies.

Statutory Requirements for State/County Planning

County opposition to the EDRS proposal is significant in at least one important operational sense. If the SDSW is required to design and install a statewide welfare computer system over county opposition, the system has little chance of success because of the direct relationship between counties and the welfare population.

The Legislature recognized this problem when it enacted the Intergovernmental Welfare Management and Information System Act of 1969. That act, among other things, directs the State Department of Social Welfare to "undertake a program to improve the management and to simplify and reduce the cost of welfare administration by developing efficient highly automated processes for determining eligibility and making aid payments. . . ." In addition, the act directs that "in carrying out the provisions of this article, the department shall:

- "(a) In conjunction with county welfare departments and other concerned county agencies and officials, conduct comprehensive surveys of the information needs for welfare management as a precondition to actual design and programming of the model electronic data processing systems. The department shall request that the federal Department of Health, Education, and Welfare conduct a survey of its own welfare information needs and provide the results of that survey to the state.
- "(b) With the participation of county government officials, develop a plan for implementing the provisions of this article."

In our judgment, the intent of the above section is that the determination of welfare information needs shall be a cooperative, analytical process utilizing the resources of the counties as well as the State Department of Social Welfare and that no system may be implemented until these conditions have been met. We have little evidence which would indicate that the department proceeded in accordance with the above intent.

DEPARTMENT OF SOCIAL WELFARE—Continued**Existing County Data Processing Systems**

According to the SDSW feasibility study, 43 county welfare departments are currently utilizing automatic data processing to some degree, ranging from simple warrant printing to rather sophisticated grant calculation, reporting system, and on-line inquiry systems. The very number of county EDP systems now in operation gives rise to some concern as to whether a "total welfare information system" is feasible or possible in the current decentralized environment. Also of importance is the fact that the SDSW does not indicate in either the feasibility study or the RFP whether any of the local systems have been examined for applicability to statewide processes. There is also no visible plan for integrating the state system with these county systems or any specified plan for replacing the local welfare systems.

Unrealistic Time Schedule and Cost Estimates for Phases I and II

Assuming that the questions in this analysis are answered satisfactorily, a new and better cost benefit study approved, and a contract signed with a vendor at an early date, we still do not believe that phase I can be implemented within the time designated in the RFP. In addition to the fact that the pilot counties have not yet been determined, we feel it is extremely unrealistic to assume that a contractor can design a data base and a system which has not been clearly defined in the RFP or feasibility study, install hardware in the counties and in the State Department of Social Welfare and program, test and implement the system in seven counties in seven months' time.

Previous state experience indicates that systems of this size and nature require a substantial amount of planning and time to design and implement. For example, the Department of Justice in 1967 began the design and installation of a criminal justice information system only half the size proposed by SDSW. Today, this system is less than 10 percent operational even though a total of \$7 million has been invested in the project to date. The Medi-Cal management system (MMS) at the Department of Health Care Services is another example of the cost and complexity involved when implementing a large system. The system design for the MMS was contracted to cost \$5.7 million over a two-year period and the project is now expected to cost at least \$1 million more after experiencing delays due to design changes.

In view of these experiences, we feel the schedule indicated in the feasibility study and RFP is totally unrealistic. This is further verified by the fact that during prospective vendor presentations (which we attended) every firm acknowledged the severe time constraints apparent in the project, particularly in phase I, and at least three vendors indicated the time schedule could not be met and recommended more time be allowed to complete phases I and II. Based on the

information provided in the RFP, we doubt that any vendor could realistically meet the time requirements specified unless he misinterprets the intent of the SDSW. On the other hand, we fully understand why contractors have bid on this project since the requirements stated in the RFP are so vague as to virtually assure the winning contractor a great deal of flexibility in defining the basic system and computer configuration. This will permit the vendor an opportunity to secure a long-range systems and hardware commitment based on a design favorable to that end.

It should also be noted that the SDSW only gave vendors 30 days in which to bid on an RFP of several hundred pages.

Lack of a Statewide EDP Perspective

Section 4 of the 1971 Budget Act requires that appropriations over \$10,000 for expansion, improvement or addition to electronic data processing activities, personnel, equipment, facilities or supplies to be expended during fiscal year 1971-72 or budgeted for fiscal year 1972-73 must be certified by the Director of Finance as being in compliance with the criteria and procedures outlined in the Supplementary Report of the Committee on Conference (Budget Act of 1970). As we understand the purpose of Section 4 it is to guarantee that the Director of Finance has reviewed the proposal and finds the project to be consistent with statewide plans for EDP. The criteria which he must use in assessing the merits of a project are stated to be as follows:

- A. Consolidation and optimum utilization of electronic data processing equipment.
- B. Maximum practical integration of electronic data processing systems.
- C. The establishment of service centers, as required, to provide data processing services to units of state government not included in consolidation plans.
- D. Adherence to standards insuring appropriate compatibility of systems and interchange of data and information.
- E. Proper management controls to insure the most efficient, effective and economical use of the state's resources.
- F. That a goal of any consolidation be to create functional information systems which are designed to process and provide information related to particular broad areas of subject matter.
- G. That the ultimate goal of this state is information systems that provide the most effective means of data storage, retrieval and exchange between units and agencies of state and local governments.
- H. That such goals as one-time collection of data, minimum duplication of records, and maximum availability of information at lowest overall cost will not jeopardize or compromise the confidentiality of information as provided by statute or the protection of the right of individual privacy as established by law."

DEPARTMENT OF SOCIAL WELFARE—Continued

In our judgment, the SDSW feasibility study and RFP do not reflect the above statewide perspective or the standards of quality implied in the criteria and procedures set forth in the Budget Act and the Committee on Conference report.

It appears that the SDSW has not considered state or agency plans in developing its own EDP plans. For example, the Department of Human Resources Development has just received legislative authorization to purchase an IBM 370/165 model computer. This modern and expandable machine (discussed in some detail under statewide EDP—Item 61) is comparable to approximately $\frac{1}{3}$ of the computing capability now existent in the entire executive branch of state government. This acquisition plus the Department of Health Care Services' plans, which could result in the acquisition of two more 370/165's to operate MMS, would result in a tremendous resident capacity within the Human Relations Agency. This capacity and the potential for duplication of both hardware and communication lines in the state would appear to make an agency approach to this problem mandatory. In our discussion of statewide EDP issues, we recommend that HRD become an agency data processing service center and that the work currently run on a 360/30 at SDSW be transferred to the HRD machine, thereby releasing another installed state computer.

Our review of the feasibility study and the RFP also leads us to question the validity of the decision by the Department of Finance in approving the feasibility study and the release of the request for proposal under these circumstances.

Absence of Legislative Review and Approval

The feasibility study and RFP states that this project is being implemented as part of the federal Nationwide Demonstration Project (NDP), a project involving a number of other demonstration states which are implementing automated welfare administrative systems. The 1970 Legislature deleted from the 1970 Budget Act all General Fund support for NDP because of the vague plans and objectives of the original proposal. The project staff was substantially reduced as a result of this action and the direction and supervision of the project was transferred from the Human Relations Agency to the State Department of Social Welfare. Additional federal funds were then secured by the department to continue California's participation.

The department did not specifically identify any General Fund support for the NDP in its 1971-72 budget request to the Legislature. We note, however, that \$491,940 of General Fund money is identified in the feasibility study for expenditure on phase I of the EDRS during this fiscal year. Further additional \$1,358,660 General Fund money is required for the project during the 1972-73 fiscal year. This makes a total of \$1,850,000 in General Fund money required for the two fiscal years.

Because the Legislature has not had an opportunity to specifically review the proposed expenditures for the current or budget year and has expressed itself once by deleting state funds from the Budget Act for this project, it would appear to us that the department should seek legislative approval before making any fiscal commitment to a project of this magnitude.

We also note in the feasibility study that only tentative approval has been granted by the federal government for \$150,000 of the funds required for phases I and II of the project. Although it is indicated that this \$150,000, once appropriated by the federal government, can then be matched equally by another federal grant, the department in fact has no federal commitment for \$300,000 of the \$1,283,880 required during the current fiscal year. Because state contribution for fiscal year 1971-72 is only \$491,940 of the \$800,000 required for contract services, we assume that anything less than a definite commitment from the federal government may preclude the state from entering into a firm contractual agreement with a private contractor.

Reports to the Legislature Required

The Intergovernmental Welfare Management and Information Systems Act of 1969 requires that the SDSW "Submit an annual report of activities and recommendations concerning implementation of the act . . . to the Governor and Legislature at each regular session of the Legislature." To our knowledge only the 1970 report has been submitted. Had a report been submitted by the department during the 1971 session, legislative staff may have been able to fully review the proposal before an RFP was issued, thereby averting many of the problems described above. In fact, we only learned of the EDRS proposal after the RFP was issued in October 1971.

It was after attendance by our staff at the County Welfare Directors Conference in Santa Cruz on November 5, 1971, that we were asked to participate on the Vendor Proposal Evaluation and Review Committees.

Correspondence With SDSW

After reviewing the SDSW feasibility study and request for proposal (RFP), as well as participating as an observer on the evaluation and review committees and discussing the expanded data reporting system with local officials, SDSW personnel, the Department of Finance and firms representing the computer and systems design industry, we concluded that there was sufficient evidence available to recommend that the EDRS be halted until certain issues were resolved. We therefore prepared a letter to the Director of SDSW on November 30, 1971, recommending that he cease all activities relating to implementation of EDRS until such time as the Legislature has had an opportunity to review the scope, objectives and cost of the entire project. We further recommended that the SDSW and the administration reevaluate its

DEPARTMENT OF SOCIAL WELFARE—Continued

approach to the EDRS in light of the issues we raised and be prepared for a full discussion of the matter before the fiscal committees of the Legislature during deliberations on the 1972-73 budget request. We concluded that, if the SDSW acted expeditiously, and assuming the Legislature gave its approval, work could still begin within the current fiscal year.

Present Status of EDRS

The Director of SDSW responded on December 1, 1971 and indicated that his department would review the contents of our letter and consult with experts in order to give us an answer as soon as possible. As of this writing, we have received no further response from the department.

The Department of Finance, in an EDP status report provided to our office each month, indicates that as of December 30, 1971, the SDSW had submitted to the Department of Finance a systems package in which a specific vendor was recommended to design the EDRS and supply the hardware to operate the system. The Department of Finance has raised a number of questions and has suggested an assessment of certain alternatives not previously considered. The Department of Finance reports, however, that the questions and issues have not been resolved as yet, and notification to the vendors has been withheld pending the outcome.

Summary of Issues

In view of the above analysis, it should be stated that our office is not opposed to the concept of a centralized system approach to welfare administration. We have in previous analyses recommended state administration of welfare and we also believe that administrative and procedural reforms should be an integral part of any welfare reform proposal.

The most significant questions and issues raised in this analysis regarding the expanded data reporting system (EDRS) are summarized below. These concerns are by no means a complete list of all the deficiencies apparent in the EDRS concept design, vendor selection procedures, project staffing and organization structure, or the inter-governmental relationships. The summary does represent, however, the key issues which, if resolved, will leave the department in a better position to resolve the less significant issues:

- (1) Inadequate feasibility study RFP and systems planning;
- (2) Inadequate substantiation of cost and savings estimates;
- (3) Apparent lack of county participation in planning the system;
- (4) Apparent reluctance of the pilot counties to participate in the project;
- (5) Deficiencies in the proposal with regard to planning, intergovernmental relations and reporting as outlined by the Intergov-

ernmental Welfare Management and Information Systems Act of 1969; and

- (6) Ambiguity as to how the EDRS proposal is meeting the requirements of the Welfare Reform Act of 1971;
- (7) The unrealistic time schedule for implementation of the system;
- (8) Apparent lack of consideration for the present state policy to consolidate EDP resources where feasible and appropriate (application of Section 4 of the Budget Act of 1971);
- (9) Apparent ambiguities in the source of present and future funds; and
- (10) The lack of legislative approval of the scope, objectives and costs, source of funds and system design of EDRS.

Department of Social Welfare
PAYMENT SYSTEM CASH GRANTS

Item 256 from the General Fund

Budget p. L-46 Program p. 961

Requested 1972-73.....	\$647,676,900
Estimated 1971-72	647,563,500
Actual 1970-71	641,391,891
Requested increase \$113,400 (0.02 percent)	
Total recommended reduction	Withhold

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | <i>Analysis page</i> |
|---|----------------------|
| 1. We are withholding our recommendation relating to expenditure levels pending a review of the spring caseload reestimates. | 767 |
| 2. We recommend that the Department of Social Welfare be required to submit to the Legislature a quarterly report of the department's own caseload and expenditure estimates. The report submitted by the department should include a projection of both the current and budget years of average monthly caseloads for each of the categorical aid programs, the average grant for each of the aid programs and the total estimated expenditures for each of the aid programs. The assumptions underlying each of the projections should be made explicit. In addition, the assumptions should be supported by a detailed analysis. | 768 |

PAYMENT SYSTEM CASH GRANTS—Continued**GENERAL PROGRAM STATEMENT**

The Welfare and Institutions Code requires the provision of prompt, humane, nondiscriminatory services and cash grant assistance to qualified applicants for public welfare. Public assistance programs in California furnish:

- (1) Cash grant assistance to supplement the resources of needy persons thereby enabling them to secure the necessities of life; and
- (2) Those social and medical services required to promote their physical and social well being, thereby enabling them, to the fullest extent possible, to remain active members of the community.

Income Maintenance Programs

(1) The Aid to Families with Dependent Children (AFDC) program is designed for needy children up to 21 years of age. Children between 18 and 21 years of age are eligible for aid only if in financial need and attending school or a training program regularly, or are employed and contributing to the family. The AFDC program consists of three basic elements: (a) the AFDC-FG (family group) element is designed to provide aid to dependent children who are in need of cash grant assistance and who are deprived of parental support and care because of death, continued absence from the home, or incapacity of one or both parents; (b) the AFDC-U (unemployed) element is designed to provide aid to children who are in need of cash grant assistance and who are deprived of parental support and care because of unemployment of one or both parents; and (c) the AFDC-BHI (boarding home and institution) element is designed to provide aid to needy children living outside of their own homes. These are children living in 24-hour foster care homes.

In general, the eligibility requirements relating to the AFDC program are: (1) the family's income or resources are insufficient to fund basic needs; and (2) the family does not own real property in excess of \$20,000 or personal property valued in excess of \$1,600 of which only \$600 can be in the form of liquid assets.

(2) Old Age Security (OAS) program is designed to furnish aid to needy persons 65 years of age or older. Eligibility standards preclude the ownership of real property, other than a home, in excess of \$5,000 of assessed value. In addition liquid assets must not exceed \$1,200 (\$2,000 for married couples). Eligible persons are entitled to a minimum income (public assistance grant plus outside income) of \$141 and a maximum income of \$206.

(3) Aid to the Needy Disabled (ATD) program is designed to furnish social services and cash grant assistance to permanently and total-

ly disabled persons between 18 and 64 years of age. Eligibility requirements relating to real and liquid assets coincide with those established for the Old Age Security program. In addition, however, persons applying for assistance under the provisions governing the Aid to the Needy Disabled program must be examined by a team of physicians. Eligible persons are entitled to a minimum income (public assistance grant plus outside income) of \$109. The current maximum grant, \$133 per month, is based upon a statewide grant average for the 1971-72 fiscal year.

(4) Aid to the Blind (AB) program is designed to provide assistance to needy persons who are either without sight or who are suffering from severely impaired sight. The eligibility requirements permit assistance only to persons who are over 16 years of age. In addition, the degree of sight impairment must be verified by an eye examination. Eligibility requirements relating to real and personal property coincide with those of the two other adult aid programs. Eligible persons are entitled to a minimum income (public assistance grant plus outside income) of \$165 per month. Maximum total income is not permitted to exceed \$209 per month.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$647,676,900 for support of categorical aid payments during 1972-73. This is \$113,400, or 0.02 percent, in excess of the amount estimated to be expended during the current fiscal year. Table 1 depicts the department's estimated 1971-72 and 1972-73 caseload and expenditure estimates for each of the categorical aid programs.

Table 1
State Department of Social Welfare Estimates of
Average Monthly Caseload and Expenditures for 1971-72 and 1972-73

Program	Estimated average monthly caseload (persons)		Estimated expenditures				
	Caseload	Difference	State		County		
			Expenditures	Difference	Expenditures	Difference	
(1) AFDC-FG							
1971-72-----	1,323,700		\$328,013,800		\$140,723,900		
1972-73-----	1,445,200	+121,500	352,033,200	+\$24,019,400 (+7.3%)	140,898,800	+\$174,900	
(2) AFDC-U							
1971-72-----	244,500		54,082,600		26,381,000		
1972-73-----	208,400	-36,100	44,445,300	-9,637,300 (-17.8%)	21,693,500	-4,687,500	
(3) AFDC-BHI							
1971-72-----	36,200		20,474,000		40,874,100		
1972-73-----	38,250	+2,050	21,441,000	+967,000 (+4.7%)	48,189,300	+7,315,200	
(4) OAS							
1971-72-----	318,200		127,325,900		21,221,600		
1972-73-----	320,275	+2,075	149,495,400	+22,169,500 (+17.4%)	----	-21,221,600	
(5) AB, APSB							
1971-72-----	14,175		8,269,200		2,701,200		
1972-73-----	14,490	+315	11,658,700	+3,389,500 (+41.0%)	----	-2,701,200	
(6) ATD							
1971-72-----	202,900		109,398,000		18,231,300		
1972-73-----	211,150	+8,250	68,603,300	-40,794,700 (-37.3%)	68,603,300	+50,372,000	
Total difference between 1971-72 and 1972-73, state and county-----		+98,090		+113,400 (+0.02%)		+29,251,800	

Changed Sharing Ratios

Table 1 indicates that the cost to the counties for support of categorical aid payments will increase \$29,251,800 during the budget year. However, \$24,731,196 of that amount reflects a shift in funding from the state to the counties. Specifically, Sections 39.1-39.4 of Chapter 578, Statutes of 1971, alter the cash grant sharing ratios to provide (a) that the state and the counties share equally the nonfederal costs for support of ATD payments, and (b) that the state assume full funding of the nonfederal costs for support of AB, APSB, and OAS payments. The changes are scheduled to become operative on July 1, 1972. Table 2 compares the estimated cash grant expenditures and funding shifts related to the changed sharing ratios which are to become operative during the budget year. In addition, the table depicts the fiscal effect generated by the changed administrative sharing ratio which is also to become operative July 1, 1972. Table 2 indicates that the net effect during 1972-73 of the changes in the various cost sharing ratios is to save the counties \$24,667,404 in 1972-73, and cost the state the same amount. Had the changes not occurred, the counties would have been required to spend that much more for support of welfare programs.

Table 2
Comparison of Estimated Administrative and Cash Grant Expenditures and
Funding Shifts Related to the Changes in the State-County Sharing Ratios, 1972-73 Fiscal Year

Program	Total nonfederal expenditure for 1972-73	State-county sharing ratios								Cost-savings resulting from changed sharing ratios	
		1972-73 costs under provisions of Old sharing ratio (prior to July 1, 1972)				1972-73 costs under provisions of New sharing ratio (subsequent to July 1, 1972)				State	County
		State		County		State		County			
		Ratio	Expenditure	Ratio	Expenditure	Ratio	Expenditure	Ratio	Expenditure		
OAS.....	\$149,495,400	6/7	\$128,138,914	1/7	\$21,356,486	100%	\$149,495,400	--	--	\$21,356,486	\$21,356,486
AB.....	11,658,700	3/4	8,744,025	1/4	2,914,675	100%	11,658,700	--	--	2,914,675	2,914,675
ATD.....	137,206,600	6/7	117,605,657	1/7	19,600,943	1/2	68,603,300	1/2	\$68,603,300	49,002,357	49,002,357
Net fiscal effect of new cash grant sharing ratio..	--	--	--	--	--	--	--	--	--	24,731,196	24,731,196
Administration.....	98,797,200	--	--	100%	98,797,200	1/2	49,398,600	1/2	49,398,600	49,398,600	49,398,600
Total net effect of changed grant and ad- ministrative cost sharing ratios.....	--	--	--	--	--	--	--	--	--	\$24,667,404	\$24,667,404
										cost	saving

766

317 12 10 48

Information Needs of the Legislature

(a) **Budget Document**—In the past, the Department of Social Welfare has included in the budget document a detailed analysis of the caseload and expenditure trends underlying its estimates. The analysis, in addition to establishing basic trend patterns, has specified the impact of major court decisions. However, the department has chosen to omit from the 1972-73 budget document any such analysis. In its place, the department substituted vague generalities which do not provide a reliable basis for evaluating the accuracy of its estimates. The budget document merely alludes to the passage of Chapter 578 and asserts that as a result of its implementation a sharp decline in caseload growth is anticipated.

(b) **Spring and Autumn Reestimates**—Normally, we have been furnished copies of caseload and expenditure estimates developed by the department during the spring and autumn. The estimate packets prepared by the department are usually sufficiently detailed to permit an evaluation of the categorical aid expenditure estimates included in the Governor's Budget. Specifically, the spring estimates are used as a check against the public assistance item appropriation just prior to passage of the Budget Bill; and, correspondingly, the autumn estimates are used as a check three to four months following passage of the Budget Bill. During the current fiscal year, however, we have been unable to secure a copy of the department's autumn estimates, nor have we been furnished the detailed assumptions underlying the revised 1971-72 and projected 1972-73 caseload and cost estimates which the department included in the budget document.

(c) **Legislative Action**—The Legislature has during the current fiscal year attempted to establish by statute a basic welfare data base to serve its informational needs. Chapter 1091, Statutes of 1971 (AB 1598), requires each county board of supervisors by May 15 of each year to submit to the Senate Finance Committee, the Assembly Ways and Means Committee and the Joint Legislative Budget Committee an expenditure and caseload report for the current and budget years. The report is to include estimates of (1) average monthly caseloads, (2) average monthly costs, and (3) the total appropriation and expenditure for each of the categorical aid programs. The estimates are to be developed on the basis of assumptions furnished by the Department of Social Welfare.

In addition, Chapter 1, Statutes of 1971, First Extraordinary Session (AB 1), requires all county welfare departments to furnish each month to the Department of Finance a copy of the monthly caseload and expenditure report routinely submitted to the State Department of Social Welfare. The report is to be submitted to the Department of Finance at the same time that it is submitted to the State Department of Social Welfare. The Department of Finance, upon receipt of the respective county reports, is required to make the data contained therein immediately available to the Joint Legislative Budget Com-

PAYMENT SYSTEM CASH GRANTS—Continued

mittee.

(d) Quarterly Report—*We recommend that the data base established by AB 1 and AB 1598 be supplemented by a quarterly report to the Legislature of the department's own caseload and expenditure estimates. The report submitted by the department should include a projection for both the current and budget years of (1) average monthly caseloads for each of the categorical aid programs, (2) the average grant for each of the aid programs, and (3) the total estimated expenditures for each of the aid programs. The assumptions underlying each of the projections should be made explicit. In addition, the assumptions should be supported by a detailed analysis.*

Caseload and Expenditure Trends

(1) AFDC Program—The Governor's Budget indicates a General Fund expenditure of \$352,033,200 for support of AFDC-FG cash grant payments during 1972-73. This is \$24,019,400 (7.3 percent) in excess of the amount estimated to be expended during the current fiscal year. The additional funds for 1972-73 are required to support an estimated increase of approximately 121,500 persons.

The \$24.0 million funding increase for support of the AFDC-FG program is partially offset by an estimated decrease in General Fund support for the AFDC-U program. Specifically, the budget document indicates an expenditure of only \$44,445,300 during the budget year, a decrease of \$9,637,300 (17.8 percent) below the amount estimated to be expended during the current fiscal year. The expenditure reduction is based upon an estimated caseload decrease of approximately 36,100 persons.

Basis of SDSW Estimate—The AFDC-FG and U caseload and expenditure estimates cited in the budget document are apparently based upon full implementation of the Governor's Welfare Reform Program. Specifically, the budget narrative states that a "sharp decline" in the growth rate underlying AFDC expenditure increases is anticipated for the budget year "as a result of reforms initiated in 1971 . . ." The narrative identifies the reform measures as: (1) absent parent and stepfather restrictions, (2) work programs, (3) child care, (4) community work experience, (5) separation of eligibility determination processes from aid payment processes (ostensibly including the 150 percent of gross income limitation), (6) elimination of loopholes in the eligibility requirements, and (7) restriction of deductions from earned income of employed recipients (ostensibly including the \$50 work-related expense exemption limitation).

Assuming (1) that the caseload and expenditure estimates projected by the department reflect full implementation of the Welfare Reform Program and (2) that the basic caseload trends underlying the estimates are accurate, the required General Fund support indicated in the budget document may be considerably understated. Administra-

tive difficulties compounded by court action initiated during the last three months of the 1971 calendar year have virtually eliminated the savings potential associated with the reform program.

Legislative Analyst's Estimate—Our independent analysis of basic AFDC caseload trends indicate that the average monthly AFDC-FG and AFDC-U caseloads will be respectively 1,500,000 and 278,000 persons per month. Based upon these estimates, the AFDC program may be underfunded by approximately \$28 million General Fund dollars. The following assumptions underlie our AFDC expenditure estimates:

- (A) **End of the Recession**—The California economy is steadily regaining the ground it lost during the one-year recession from November of 1969 through December of 1970. Unemployment has dropped from 7.4 in April of 1971 to 6.1 in December of 1971. Business activity, employment, nonresidential construction, consumer spending and personal and farm income are expected to improve substantially. The aerospace-electronics industry, which had been contracting since the middle of 1968, has stabilized.

There can be little doubt that the gradual decline in the rate of caseload growth which has characterized the AFDC-FG and U programs since the spring of 1971 is very much related to the improved state of the California economy. Consequently, it is our judgment that the basic AFDC-FG and U caseload growth patterns will revert to the trends which prevailed immediately prior to the onset of the recession; specifically, the period from July of 1968 through October of 1969.

- (B) **Reform Failings and Retroactive Adjustments**—Our estimates have not been adjusted to reflect any significant impact resulting from implementation of the Welfare Reform Program, including both Chapter 578 and the administrative reform measures undertaken unilaterally by the department. Our estimates reflect the effect of retroactive eligibility and grant adjustments made for the months of October through December as a result of court challenges.

(2) **The Adult Aid Programs**—The Governor's Budget indicates a General Fund expenditure of \$229,757,400 for support of adult aid cash grant payments. This is \$15,235,700 (6.2 percent) below the amount estimated to be expended during the current fiscal year. The decrease is largely attributable to the altered state-county cost sharing ratios previously discussed.

In addition, however, the budget narrative appears to assume implementation of the OAS Responsible Relatives Liability Scale, Section 33 of Chapter 578. The State Department of Social Welfare had estimated a \$17.6 million General Fund savings associated with implementation of the scale. Currently (January 1972), enforcement of Section 33 is being challenged in the Sacramento Superior Court.

PAYMENT SYSTEM CASH GRANTS—Continued

County welfare departments, as a result of the court challenge, are placing the contributions collected from relatives into trust funds. Should the courts invalidate Section 33, OAS General Fund support may be understated by approximately the amount of the section's estimated fiscal impact, \$17.6 million.

Our estimates of the 1971-72 public assistance caseloads must remain somewhat tentative until at least April or May of the current fiscal year. At that time, sufficient data should be available to either conform or adjust our estimates.

Department of Social Welfare

OTHER PAYMENTS

(Attendant, Out-of-Home, and Intermediate Care and Special Needs)

Item 257 from the General Fund

Budget p. L-46 Program p. 962

Requested 1972-73.....	\$87,293,100
Estimated 1971-72	80,490,200
Actual 1970-71	51,049,100*
Requested increase \$6,802,900 (8.5 percent)	
Total recommended reduction	None

* General Fund support for special needs was included in grant costs and not in a separate appropriation until FY 1971-72.

GENERAL PROGRAM STATEMENT

The funds proposed in this item are for support of the following four program elements of the adult assistance program:

(1) Attendant and Homemaker Services: Attendant and homemaker services are designed to assist infirm recipients to remain in their own homes, thereby avoiding institutionalization. The services consist primarily of housekeeping and personal care. State law requires gradual conversion from the existing attendant care program to homemaker services. This conversion will permit utilization of a more favorable federal funding ratio. Current state regulations require all counties to convert to homemaker services by December 31, 1972.

(2) Out-of-Home Care: Out-of-home care consists of a protective, nonmedical living arrangement apart from the recipient's own home. The services provided include board, room, personal care, and designated supplementary services related to the recipient's individual needs.

(3) Intermediate Care: Intermediate care consists of a protective living arrangement which, in addition to providing board, room and personal care, includes supervision of health related services designed to prevent physical deterioration and to restore, to the greatest extent possible, full health. The level of nursing care furnished by intermedi-

ate care facilities is less than that provided by skilled nursing homes.

The intermediate care program was established during fiscal year 1970-71 in cooperation with the State Departments of Health Care Services and Public Health. The vendor payments for board, room and personal care and supervision are categorical aid payments funded by the department. However, by contract, the actual payments are furnished by the Department of Health Care Services.

(4) Special Needs: Special needs consist of those items which are not commonly required by all recipients. The need for such items are most often related to physical infirmities or other conditions peculiar to individual or family circumstances. Funds for support of such special need items are not included in the basic grants of adult aid recipients. Therefore, departmental regulations permit the issuance of special grants to fund the cost of such needs, and these costs are paid from this item.

In the past, General Fund support was provided through a separate item for the recurring and nonrecurring special needs of recipients in the Aid to Families with Dependent Children (AFDC) program. However, Chapter 578, Statutes of 1971, provided that recurring special needs were to be incorporated in the grants of AFDC recipients and that funds for nonrecurring special needs of AFDC recipients were to be provided by the counties.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes a total General Fund appropriation of \$87,293,100 for support of attendant and homemaker services, out-of-home care, intermediate care and special needs. This is an increase of \$6,802,900, or 8.5 percent, over the amount estimated to be expended for the same elements during the current fiscal year. A breakdown of the individual element decreases and increases included in this overall appropriation increase is indicated in Table 1.

(1) Attendant and Homemaker Services—The proposed 1972-73 General Fund appropriation for attendant and homemaker services reflects a decrease of \$547,500, or 2.6 percent, from the General Fund amount estimated to be expended in the current year. However, the budget proposes an increase of \$538,300 in the total nonfederal funds available for attendant and homemaker services. Chapter 578, Statutes of 1971, provided after July 1, 1972, (1) that the counties assume 50 percent of the nonfederal costs for the Aid to the Totally Disabled program, and (2) that the state fund all of the nonfederal costs for support of the OAS, AB, and APSB programs. The net result of these changes with regard to attendant and homemaker services was that county cost increased by \$1,085,800 while General Fund costs were reduced by \$547,500 in the budget year.

Table 1
Attendant and Homemaker Services, Out-of-Home Care, Intermediate Care,
and Special Needs Costs to the General Fund by Fiscal Year

<i>Type of service</i>	<i>1970-71</i>	<i>1971-72</i>	<i>1972-73</i>	<i>Change from 1971-72 to 1972-73</i>	
				<i>Amount</i>	<i>Percent</i>
Attendant and homemaker services.....	\$23,473,181	\$21,458,400	\$20,910,900	-\$547,500	-2.6
Out-of-home care.....	24,970,919	28,872,200	26,579,700	-2,292,500	-7.9
Intermediate care.....	55,000	5,067,100	12,496,300	+7,429,200	+146.6
Special needs.....	2,550,000*	25,092,500	27,306,200	+2,213,700	+8.8
Total.....	\$48,499,100	\$80,490,200	\$87,293,100	+\$6,802,900	

* Until fiscal year 1971-72, funds for special needs were included in grant costs. The amount shown here relates to special shelter payments and funds authorized by Chapter 1426, Statutes of 1970.

(2) Out-of-Home Care—For the budget year, the department proposes a General Fund decrease of \$2,292,500, or 7.9 percent, from the amount estimated to be expended in the budget year for support of this item. In this program also, however, the change in state/county sharing ratios has made it possible for the department to actually propose total increased expenditures for out-of-home care while at the same time decreasing General Fund expenditures. The counties will be paying \$5,214,300 more for out-of-home care in the budget year than they paid in the current year. Thus, the net nonfederal expenditure increase proposed for the budget year is \$2,921,800.

(3) Intermediate Care—The proposed 1972-73 General Fund expenditure for support of intermediate care is \$12,496,300 which is \$7,429,200, or 146.6 percent, above the amount estimated to be expended during the current fiscal year. In the absence of supporting data from either the program budget narrative or backup information, we have assumed that this increase is due primarily to the fact that the intermediate care program, which was established and developed during 1970-71 and 1971-72, will be in full operation during the budget year. The effect of recent federal legislation transferring the funding of this program to the Department of Health Care Services will be presented at the budget hearings.

(4) Special Needs—For the current year, \$18,788,600 was appropriated from the General Fund for support of special needs. In order to meet a greater than anticipated demand for special needs, the department transferred \$2,662,300 from Item 256 of the Budget Act to Item 257, the Special Needs Item, during the current fiscal year. In addition, the budget indicates that the department will request a deficiency appropriation of \$3,641,600 during the current session of the Legislature. Thus, the department anticipates a total expenditure of \$25,092,500 in the current year for support of special needs.

The proposed special needs expenditure from the General Fund for the budget year is \$27,306,200, which is \$2,213,700, or 8.8 percent, above the amount estimated to be expended in the current year. We assume that this increase is related to the fact that the department anticipates an overall increase in the adult caseload during the budget year.

**Department of Social Welfare
SPECIAL SOCIAL SERVICES**

Item 258 from the General
Fund

Budget p. L-46 Program p. 965

Requested 1972-73.....	\$8,667,390
Estimated 1971-72	9,188,385
Actual 1970-71	9,354,088
Requested decrease \$520,990 (5.7 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The programs funded under this item are highly specialized social services, staff development, public assistance and experimental and improvement programs. They include: (1) the Self-Support program, (2) the Family and Child Development program, (3) the Child Protection program, (4) the Adoption program, (5) the Public Protection program, (6) the Public Welfare Manpower program, (7) the Demonstration program, and (8) the nationwide social information system.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$8,667,390 for support of the department's specialized social services programs. Included in this appropriation is a reappropriation of \$3,000,000 from Chapter 578, Statutes of 1971, for the WIN program and child care services. This is a decrease of \$520,990, or 5.7 percent, below the amount estimated to be expended for comparable programs during the current fiscal year. The budget indicates, however, that an additional \$10,989,700 General Fund dollars will be made available through a transfer to the department from the appropriation item for education in the 1972 Budget Act. Thus, a total of \$19,657,090 General Fund is proposed for support of the department's special social services programs during 1972-73.

Department of Social Welfare
LOCAL ADMINISTRATION OF PUBLIC ASSISTANCE

Item 259 from the General Fund

Budget p. L-46 Program p. 962

Table with 2 columns: Description and Amount. Rows include Requested 1972-73 (\$49,398,600), Estimated 1971-72, Actual 1970-71, Requested increase \$49,398,600 (- percent), and Total recommended reduction (\$350,000).

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

- 1. Recommend the state not participate in the funding of any additional salary costs for social workers performing eligibility technician functions. (Estimated savings \$350,000.) 775

GENERAL PROGRAM STATEMENT

In the past, state law and regulations required that county governments, acting through county welfare departments, (a) determine eligibility, (b) determine grant amounts, (c) provide grants to recipients, and (d) furnish social services designed to reduce dependency. The cost for providing these administrative services was shared by the counties and the federal government. The federal government funded 50 percent of the administrative cost related to eligibility and grant determination and 75 percent of the cost related to the provision of social services.

Section 23 of Chapter 578, Statutes of 1971, provides, however, that the State Department of Social Welfare, rather than county welfare departments, be charged with the responsibility relating to the control of eligibility and grant level determinations for all aid programs. The chaptered bill also provides that the department may contract with the counties for the discharge of these responsibilities. Section 42.5 of the bill further provides that the state shall pay 50 percent of all nonfederal administrative costs relating to eligibility and grant determinations in all categorical aid programs. The section relating to administrative costs is to become effective on July 1, 1972.

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$49,398,600 from the General Fund for payment of 50 percent of the county administrative costs related to eligibility and grant determination, as required by Section 42.5 of Chapter 578, Statutes of 1971. It is hoped that in the future those proposals included in the Governor's Welfare Reform Program to simplify administrative procedures will also reduce administrative costs.

We recommend that the funds included in this appropriation not be

LOCAL ADMINISTRATION OF PUBLIC ASSISTANCE—Continued

used in support of those additional salary costs for social workers performing eligibility technician functions.

Separation of social work and eligibility functions was mandated by the 1967 amendments to the Social Security Act. In California, the counties were directed by the state to develop separate staffs to perform eligibility functions and social work functions by January 1, 1970, in the adult programs and by July 1, 1970, in the children's program. Because the educational and experience requirements for eligibility technicians were less than those for social workers, the salary ranges for eligibility workers were also lower. However, because the counties were not immediately able to recruit and train persons to perform eligibility functions and because the number of actual social work positions needed was drastically reduced by separation, the counties simply assigned many of their social workers to the eligibility work positions. With regard to the determination of salaries for these social workers now performing eligibility worker functions, the counties generally used the following three methods:

(1) Social workers performing eligibility functions were allowed to maintain their social worker classification and salary and were allowed to proceed upward on the social worker pay scale.

(2) In other counties, social workers who were assigned to eligibility functions had their salaries frozen at the level they had attained when they were transferred from the social worker to the eligibility worker classification. Their salaries could only increase if their eligibility worker salary level exceeded their last social worker salary level.

(3) And, in a few counties, persons who had previously performed social worker functions and were now performing eligibility worker functions were simply reclassified as eligibility workers and paid on the basis of the eligibility worker pay scale.

It is our opinion that a sufficient time has passed and enough attrition has occurred in county welfare department staffs for those persons whose social work positions were eliminated because of separation to either have found other positions at that level or, if they wished to continue to perform eligibility worker functions, to be reclassified formally as eligibility workers and paid on that basis. Regardless of whether or not the counties accept this recommendation, we do not feel that state money should be used in support of salaries for county personnel working out of classification.

We therefore recommend that state regulations specifically preclude the payment by the state of county administrative costs which are additional costs for salaries of social workers performing eligibility worker functions.

We estimate that implementation of this recommendation will result in state savings of approximately \$350,000.