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STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY

RONALD REAGAN, Governor

DEPARTMENT OF SOCIAL WELFARE
2415 FIRST AVENUE, P.O. BOX 8074
SACRAMENTO 95818

AB6

February 20, 1970

NOTE: The original of this letter was delivered to the office of the Honorable JOHN BURTON on Friday February 20, 1970 at 5:30 p.m.

Honorable John L. Burton
State Capitol
Sacramento, California 95814

Dear Assemblyman Burton:

ASSEMBLY BILL 6

This is to inform you of this department's opposition to Assembly Bill 6 relative to exempting increases in social security benefits in determining the amount of public assistance received by persons under Old Age Security.

The department is opposed for the following reasons:

1. State legislation is unnecessary to exempt OASDI income increase, as specified by recent federal law changes increasing OASDI in determining the amount of aid received under our public assistance programs.

2. The amount of OASDI increase mandated as exempt income by federal law for January and February varies for each case and therefore an amount, as "the same amount", cannot be applied for increases to non-social security recipients of Old Age Security.

3. The amount of increase mandated by federal law to be exempt for March, April and May (received by recipients in April, May and June) is $4. In order to maintain conformity with federal law, the standard of need will have to be raised by this amount and must apply to all recipients of Old Age Security whether they receive social security or not. Although we could, effective April 1, increase need across the board and forego the application of exempt OASDI income of $4 for those cases, this approach is not appropriate in view of the action taken by Congress. Congress, in enacting the exempt income provisions relative to the increased OASDI

benefit specifically refused to extend this exemption beyond the June payment because of their declared intent to consider this whole matter in relation to the hearings and decisions relative to President Nixon's Welfare Reform Proposal (HR 14173).

If you desire to discuss this matter in greater detail, Mr. Philip J. Manriquez, Legislative Coordinator for the Department, will be available upon your request.

Very truly yours,

Robert Martin

Robert Martin
Director

AB 186

April 28, 1970

Honorable John Burton
Room 5144 State Capitol
Sacramento, California 95314

Dear Assemblyman Burton:

This is to inform you of this Department's opposition to AB 186 which transfers administration of public assistance from counties to state government.

The proposal would require an excessively large state organization and would eliminate local participation in welfare decisions. Furthermore, the bill eliminates use of private agencies by eliminating the authority for contracting with private employment agencies used in conjuction with the WIN program. General relief would be established as a state-wide welfare category causing a heavy increase in general fund costs. Such an increase should be considered as part of tax reform and not as a separate welfare issue.

Please contact Philip Manriquez, Assistant to the Director of this Department, if you desire additional information.

Very truly yours,

Robert Martin s/s

Robert Martin
Director

bcc: Human Relations Agency
Committee Chairman

bbcc: Jeff Davis, 17-10
Phil Manriquez
Director's File
Central Files

PM:sh

AB 186

STATE OF CALIFORNIA—HUMAN RELATIONS AGENCY RONALD REAGAN, Governor

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
SACRAMENTO 95814

2

March 11, 1970
REFER TO:

53:21:ml

Honorable John L. Burton
Member of the Assembly
State Capitol, Room 5144
Sacramento, California 95814

Dear Mr. Burton:

ASSEMBLY BILL NO. 186

I respectfully inform you that the Administration is opposed to your bill because the bill would destroy the existing authority for contracting with private employment agencies for referral of welfare recipients to such agencies at the same time they are referred to the Department of Human Resources Development. This is in addition to stated administration opposition on the ground that State responsibility for welfare administration violates the principle of local control over local matters.

Even if the State were to administer welfare, and it should not, certainly the fullest participation of the private sector should be maintained. A job for the welfare recipient is the ultimate goal of all efforts. The existing authority to contract with private employment agencies to enlist their facilities in finding jobs for welfare recipients is an important tool in the move from welfare to jobs. We are therefore opposed to the removal of this authority from Section 10655 of the Welfare and Institutions Code by your bill. The authority should be retained in the Department of Social Welfare, rather than counties, if the State were to assume responsibility for welfare program administration.

Please do not hesitate to contact me if you have any questions concerning our position.

Sincerely,

ALAN C. NELSON
ASSISTANT DIRECTOR - LEGAL

bcc: Phil Manriquez, SDSW Legislative Coordinator
Daniel Lopez

AB 194

January 13, 1970

Honorable Leo T. McCarthy
Assemblyman, Nineteenth District
State Capitol
Sacramento, California 95814

Dear Assemblyman McCarthy:

This is in response to your inquiry on the projected impact of the 15 percent increase in Social Security benefits.

Prior to answering your questions it might be useful to cite some of the provisions of the new tax reform law that relate to the OASDI benefit increase. Normally, an increase in OASDI benefits results in direct savings in public assistance expenditures. For the remainder of fiscal year 1969-70, however, language of the new law specifically precludes states from realizing the full savings that the 15 percent increase would otherwise generate. Provisions of the law which reduce the amount of savings are as follows:

1. Retroactive payments for the months of January and February are to be totally disregarded in computing the welfare grant. (The 15 percent increase is to commence with the January benefit. However, the Social Security Administration will not be geared up to provide this increase until April, i.e., the March benefit paid in April will contain the increase. A separate check will be issued at this time, containing the January and February increases and this check is not to be applied in determining the recipient's welfare grant.) The total disregard of retroactive payments applies to OASDI beneficiaries in all aid categories including AFDC.

2. Of the benefit increases received for the months of March, April, and May, all but $4 can be applied in reducing the welfare grant. Since the benefit payment is received in the month following the month to which it applies, this $4 pass-on provision affects welfare grants for the months of April, May, and June. The $4 pass-on applies only to OASDI beneficiaries of the adult aids and, therefore, does not include AFDC.

3. Commencing with the July welfare grant, the full amount of the 15 percent benefit increase can be used to reduce the amount of the aid grant.

With respect to point three, you should know that there is some evidence that Congress may act in the Spring to amend the law to continue the $4 pass-on through fiscal year 1970-71. Moreover, they may expand this to require our using the remaining savings to generate a $4 increase for all recipients, i.e., for beneficiaries and non-beneficiaries.

In responding to your request, we have provided answers to your questions in the sequence in which they were asked. Since the effective date of increase is January 1, 1970, the information specified in your request has been estimated for the periods of time from January through June 1970, and for the 1970-71 fiscal year.

1 and 2 combined. The total amount of savings to the State General Fund occurring as a result of a 15 percent increase in Social Security benefits, wwith the effects of the pass-on provisions included for January through June 1970 only, is estimated as follows, by source of funds:

Item	All programs	OAS	AB	ATD	AFDC*
Fiscal 1969-70 (April-June 1970)					
Total	$ 7,578,600	$ 5,246,200	$101,300	$1,445,100	$786,000
Federal	3,744,000	2,614,500	50,200	689,000	390,300
State	3,209,200	2,255,700	38,300	648,100	267,100
County	625,400	376,000	12,800	108,000	128,600
Fiscal 1970-71 (12 months)					
Total	45,745,300	33,178,400	681,000	8,421,300	3,464,600
Federal	22,607,900	16,535,100	337,400	4,014,900	1,720,500
State	19,477,600	14,265,700	257,700	3,776,900	1,177,300
County	3,659,800	2,377,600	85,900	629,500	566,800

* Family cases in AFDC.

3. If the full amount of the 15 percent increase were passed to those public assistance recipients benefiting from the increase, the average increase each beneficiary would receive is estimated as follows:

OAS	AB	ATD	AFDC*
$11.11	$9.91	$14.88	$14.90

* Family cases in AFDC.

4. If the total revenue generated by a 15 percent increase in Social Security benefits were passed on to all public assistance recipients within a program, the average monthly aid grant increase per recipient is estimated as follows:

	OAS	AB	ATD	AFDC*
Average increase per recipient	$8.76	$4.39	$3.82	$0.82

* Family cases in AFDC.

[illegible] incidence of OASDI beneficiaries among public assistance recipients by [illegible] is estimated as follows:

	OAS	AB	ATD	AFDC*
[illegible] of caseload ..	77.6	43.1	25.0	5.5

* [illegible]ily cases in AFDC.

[illegible] the information given here meets the intent of your inquiry. If you have [illegible] regarding this material, please let us know.

[illegible] truly yours,

[illegible] Martin
[illegible]

[illegible]

[illegible] # 19498

[illegible] F. Manriquez
W. L. Parker
J. M. McCoy

Director's File
Central Files
[illegible]S Files

AB 280

August 17, 1970

Honorable Willie L. Brown, Jr.
State Capitol, Room 5150
Sacramento, California 95814

Dear Assemblyman Brown:

This is to inform you of this Department's opposition to your Assembly Bill 280, regarding a pilot program to determine the effectiveness of a social welfare newsletter for recipients.

The Department's opposition is based primarily on the belief that such a program is unnecessary. We already make at least two continuing efforts to inform recipients of their rights and responsibilities. Informational pamphlets (enclosed) are distributed to each applicant for aid. On a continuing basis, recipients are informed of any changes in law or policy through "stuffers" enclosed with their checks. We feel the added expense of publishing and distributing a newsletter cannot be justified, in view of our present fiscal situation and the efforts we are already making in this area.

If you wish to discuss the matter please do not hesitate to contact Philip Manriquez, Legislative Coordinator, at 445-8956.

Very truly yours,

Robert Martin
Director

Enclosures

bcc: Human Relations Agency
Chairman - Assembly Health and Welfare Committee
Chairman - Senate Finance Committee

PM:pat
66:03

mailed
4-23-70 @ 11:30 a.m.

April 14, 1970

Honorable Willie Brown, Jr.
Room 5150 State Capitol
Sacramento, California

Dear Assemblyman Brown:

This is to advise you of this Department's opposition to AB-282 which provides for Aid to Families with Dependent Children on the basis of the inadequate earnings of a parent or parents.

The proposal is based upon the premise that people elect to remain on public assistance rather than accept full-time employment which pays less than our standard of assistance. We disagree with this general premise and believe that it should not be put into law until the principle has been carefully tested.

Furthermore, because the Social Security Act excludes from eligibility for Aid to Families with Dependent Children those families of the underemployed, federal financial participation would not be available. The cost of this proposal would approximate $31 million and borne entirely by state and county funds.

If you would like to discuss our position further you may contact Philip Manriquez, Assistant to the Director, telephone number 445-8956.

Very truly yours,

Robert Martin
Director

bcc: Human Relations Agency
Committee Chairman
Jeff Davis, 17-10
Legislative File
Director's File
Gen. File

PM:JFMc

August 31, 1970

Honorable Leo T. McCarthy
State Capitol, Room 4001
Sacramento, California 95814

Dear Assemblyman McCarthy:

This is in response to your request of August 26, 1970, that I write to the Governor in support of your bill, AB 592, regarding "meals-on-wheels". I regret that I cannot ask the Governor to support this measure for two basic reasons:

1. The present fiscal situation in the state simply does not allow for this expenditure.

2. While I recognize the value of the proposed project, I feel strongly that a program of this type can best be handled on the local level.

I believe I expressed these feelings to you in my letter of July 30. Unfortunately the circumstances remain unchanged.

Very truly yours,

Robert Martin
Director

bcc: Emanuel Newman
Legislative File
Director's File
General File

Control # 21417

VETO MESSAGE

AB 592

AB 592 should be vetoed because:

1. The meals-on-wheels program has been thoroughly tested in a number of areas. It is recognized as a valuable undertaking in some circumstances, therefore further pilot programs are unnecessary.

2. AB 592 is neither intended to solve a particular problem, nor is it aimed at any specified target area. Since the value of the concept is acknowledged, AB 592 would accomplish no purpose other than providing a service to a small number of people for a brief period of time.

3. In view of the state's financial circumstances, the $50,000 appropriated by this bill can better be spent on higher priority items.

SUGGESTED REPLY

file AB 592

Honorable Leo T. McCarthy
State Capitol, Room 4001
Sacramento, California 95814

Dear Assemblyman McCarthy:

Governor Reagan has asked me to answer the letter you sent him on October 30, 1970, regarding implementation of the project initiated by Assembly Bill 592.

Staff of the Department of Social Welfare advise that preparation for the project is underway and is designated as Project Proposal #380. Social Welfare Special Projects staff are presently negotiating with the Department of Health, Education, and Welfare to determine to what extent federal funds can be used for such a project. Concurrently, departmental fiscal staff are determining how much state money can be made available from the current year departmental budget assigned to restaurant meals for adult recipients. Departmental program staff are reviewing material concerning the operation of several projects similar to 'Meals on Wheels' carried out by nonprofit organizations. Among these are the Concord Coordinated Services Project (Contra Costa County) and the Health Education Demonstration Division sponsored operation in Pasadena. Once the results of these efforts are known, counties will be contacted to determine their willingness to participate in the project.

Please call me if you want more information as it is developed.

Very truly yours,

George Steffes
Legislative Secretary

cc: Director's file
Legislative Office
Charles Hobbs

A B 750

May 12, 1970

mailed
5-13-70
1:30 p.m.

Honorable Jerry Lewis
State Capitol, Room 6007
Sacramento, California 95814

Dear Assemblyman Lewis:

This is to officially inform you of the Administration's opposition to AB 750 which transfers responsibility for all day care operations and supervision to the Department of Education, except those enterprises operated for a profit and those caring for children less than three and over eleven years of age.

As already discussed with you, we are concerned about splitting between two departments the responsibility for day care of children based upon the age of the children and on the basis of public, nonprofit or commercial enterprises.

Also discussed with you was the fact that this Department and the Department of Education were in the process of developing a contractual arrangement that would coordinate children's center services and day care services between the departments. The contract would also provide the mechanism to utilize federal matching funds as mentioned in the Auditor General's report on children's centers. You were given a copy of the proposed contract. It is still our hope that your bill can be modified to reflect the provisions contained in the contract, in which case our opposition would be withdrawn.

Very truly yours,

Robert Martin
Director

bcc: Human Relations Agency
Committee Chairman
Legislative file
Director's file

PJM:jch

70 AB750

STATE OF CALIFORNIA
DEPARTMENT OF EDUCATION
STATE EDUCATION BUILDING, 721 CAPITOL MALL, SACRAMENTO 95814

August 28, 1970

Honorable Ronald Reagan
Governor, State of California
State Capitol
Sacramento, California

Dear Governor Reagan:

RE: ASSEMBLY BILL NO. 750
RECOMMENDATION: VETO

This bill affecting many changes in the Welfare and Institutions Code, Education Code and Revenue and Taxation Code constitutes a major revision of the law pertaining to childrens' centers. It is designed to provide coordination of children's centers, private day care, and preschool programs by mandating state administration by the Office of Compensatory Education. It creates an advisory committee to be appointed by the Governor.

The proposed amendment to Welfare and Institutions Code Section 16153 provides that the Office of Compensatory Education in the Department of Education shall have overall responsibility for the administration, at the state level, of all children's centers, day care, and preschool educational programs. It has been the long standing policy of this Department to oppose such legislation impinging on the authority of the executive branch by assigning purely administrative functions to a named unit within a department. The responsibility should be vested in the Department of Education to be administered through the unit or staff available and best qualified.

The proposed amendment to Welfare and Institutions Code Section 16155 declares a legislative intent that basic services presently provided by school districts in children's centers be maintained at the current cost per child per hour. This declaration of intent fails to take into consideration the probability of additional state or federal funds which may be provided for the program.

I recommend that you veto this measure.

Respectfully submitted,

Max Rafferty

Max Rafferty
Superintendent
of Public Instruction

AB 1165

MAX RAFFERTY
Superintendent of Public Instruction
and Director of Education

EVERETT T. CALVERT
Chief Deputy Superintendent

COLLIER McDERMON
Assistant Superintendent
(807 State Bldg.
Los Angeles 90012)

STATE OF CALIFORNIA
DEPARTMENT OF EDUCATION
721 CAPITOL MALL, SACRAMENTO, CALIFORNIA 95814

August 28, 1970

Honorable Ronald Reagan
Governor, State of California
State Capitol
Sacramento, California

Dear Governor Reagan:

RE: ASSEMBLY BILL NO. 1165
RECOMMENDATION: APPROVE

This bill amends several Education Code sections and adds one section to the Welfare and Institutions Code, substantially changing the law relating to childrens' centers. It requires an inter agency agreement between the Departments of Education and Social Welfare. It increases eligibility requirements for parents to place their children in the centers. It increases the average parent hourly fee from fourteen cents to sixteen cents. It requires the State Allocation Board to establish priorities for new centers.

I recommend that you approve this measure.

Respectfully submitted,

Max Rafferty

Max Rafferty
Superintendent of Public
Instruction

STATE OF CALIFORNIA—HUMAN RELATIONS AGENCY RONALD REAGAN, Governor

DEPARTMENT OF SOCIAL WELFARE
744 P STREET
SACRAMENTO 95814

August 4, 1970

file

Honorable March K. Fong
Member of Assembly, Fifteenth District
Assembly California Legislature
State Capitol
Sacramento, California 95814

Dear Assemblywoman Fong:

I appreciate your concern about funding for the State Preschool Program under the provisions of AB 1331 (1965) and Title IV-A of the Social Security Act.

The State Department of Social Welfare, under the provisions of Title IV-A, receives federal funds for social services, which may include the provision of certain types of educational preschool services for children selected by social workers from Families with Dependent Children and children of low income, disadvantaged families. The 25% the State Department of Social Welfare budgeted for the preschool program earns the 75% Title IV-A funds, which comprises the total allocation for this program. The entire cost of the State Preschool Program is paid from the State Department of Social Welfare's budget.

Although need for preschool services continues, funding has remained relatively static for the past three years, except for 1969-70 Fiscal Year which increased $986,173 over 1968-69 Fiscal Year. For the 1970-71 Fiscal Year, funding will remain at the same level as for 1969-70. Through concerted effort, on the part of the Departments of Education and Social Welfare, toward improving administration and operation of the program, we expect to provide services for the same number of children as in the past year and possibly a small added number.

A review of the situation in Alameda County, especially with reference to the Oakland Unified School District program, reveals an anticipated small increase in the number of children to be served under the program. We have been assured that the ratio of one adult to five children, as required by federal standards, is being maintained.

Children in Aid to Families with Dependent Children (AFDC) and the Medically Needy families will continue to receive medical examinations and necessary treatment under the Medi-Cal and Crippled Children's programs. This fiscal year, the Oakland Unified School District is including also a specified amount in the project budget for medical examinations. Psychological services are available through the local Mental Health clinics.

Because of the many pressures on the State budget, there was no increase proposed for the Preschool Services program for this fiscal year. Some programs received budget cuts, but we were able to maintain the preschool program at the current budget amount.

Thank you for your interest and concern.

Very truly yours,

Robert Martin
Director

cc: Spencer Benbow, Superintendent
Oakland School District

George Stokes, AFT-Oakland

Art Pokorny, Legislative Representative
Oakland School District

bcc: P. Manriquez, 17-7
E. H. Newman, 17-8
M. Suzuki, 16-40
N. Clayton, 16-39
M. Bullard, 16-39
M. A. Piggotti, 16-39

Director's File - Control No. 21042
Central File

State of California | Health and Welfare Agency

Memorandum

To : George Steffes
Legislative Secretary
Office of the Governor

Date : July 22, 1970

Subject : AB 1360

From : Department of Social Welfare, 744 P Street, Sacramento 95814

AB 1360 was amended significantly on June 17, 1970. It was amended again on July 2, 1970 and July 16, 1970. The amendments of July 2, 1970, were technical and made no substantive changes. The amendments of July 16, 1970, deleted the provision to transfer subvention money to WIN and add a provision that the provisions to increase grants under the Old Age Security and Aid to Families with Dependent Children would be inoperative unless additional funds are appropriated.

The three sets of amendments have had the following effects:

1. The bill is much less controversial. Most items drawing a negative response from audiences during earlier hearings were either amended out or compromised substantially.

2. The fiscal impact is now uncertain. A number of cost reduction proposals have been amended out. In its original form the bill would have saved, on paper at least, $13.2 million in State funds. To make this figure realistic would require that cost reduction proposals go into effect at the same time that cost increase proposals are implemented. Any other arrangement would have, and will, distort the reported cost/savings effect of the bill. Furthermore, the amendment of July 16, 1970, provides that the proposed increases to Old Age Security and Aid to Families with Dependent Children shall take effect only if the Legislature appropriates funds not already in the budget. In view of this amendment the bill can increase costs by $3.6 million for the seven month period December 1970 - June 1971; or it can save the State $11.3 million depending upon the State's ability to appropriate additional funds.

3. The bill has grown in significance.

   A. Considerable attention is being drawn to the bill because of the federal conformity issue in Aid to Families with Dependent Children (AFDC). At the center of the issue is the difference between the Federal Government's position and that of the State regarding increases in AFDC grants. A proposal in AB 1360 will increase these grants at a cost to the State of $24.2 million. This proposal could provide an answer to the federal question. Staff of the Department is studying the proposal in terms of the conformity issue and will report on this aspect of AB 1360 under separate cover.

B. The welfare fraud proposals contained in the present version of the bill have been "watered down" considerably. Changes between present and original versions are outlined in Appendix V.

C. The practice of giving welfare to parents who are able to work has been a concern for sometime. The first version of AB 1360 would have required county welfare departments to establish public works employment programs for fathers receiving aid under Aid to Families with Dependent Children. The present version of the bill still requires the employment program but makes the Department of Human Resources Development responsible for its implementation. Able bodied persons who refuse to accept a work assignment will lose their public assistance allowance; assistance will continue for other family members under a controlled payment system.

D. The problem of persons with high incomes receiving welfare is the problem receiving most attention at this time. AB 1360 will not completely eliminate the problem but it has the potential to reduce the incidence of these cases. How the bill relates to this problem is explained in Appendix VI.

The attached material consists of:

Appendix I	"What Does AB 1360 Do"
Appendix II	"What Does AB 1360 Cost"
Appendix II-A	Cost Impact on State General Fund
Appendix II-B	Cost Impact Upon Counties
Appendix III	Comparison Between Effect on State Expenditures of Previous Versions and Present Version of AB 1360
Appendix IV	Comparison Between Provisions of Previous Versions and Amended Version of AB 1360
Appendix V	Changes in the Fraud Proposals
Appendix VI	Effect of AB 1360 on Welfare Recipients With High Incomes

Robert Martin
Director

"WHAT DOES AB 1360 DO"

The bill as amended July 2, 1970:

1. Strengthens provisions of the "failure to support" section of the Penal Code by:

    a. Providing for a $1,000 fine as an alternate penalty.

    b. Authorizes the assignment of wages earned by persons failing to provide support.

2. Imposes welfare fraud control measures which:

    a. Require informational pamphlets to advise recipients of their responsibility for reporting changes in income and family composition.

    b. Authorize the establishment of a fraud control unit in state goverment.

    c. Require counties to provide training courses to help eligibility workers identify applications which require special investigation.

    d. Change the penalties for welfare fraud by:

        1. repealing existing statutes which stipulate welfare fraud to be a misdemeanor.

        2. providing that cases involving more than $200 be prosecuted as grand theft and that cases involving less than $200 be prosecuted as petty theft.

        3. providing penalties for welfare employees who knowingly aid or abet welfare fraud.

3. Tightens welfare application procedures by:

    a. Requiring both parents to sign applications for aid whenever possible.

    b. Requiring that social security numbers of all adult members of a household be reported on the application for aid.

    c. Requiring that all applications involving an absent father be referred to the District Attorney for investigation.

    d. Authorizing contracts with agencies to investigate cases identified as needing special investigative techniques.

App. I

4. Reduces welfare aid payments by:

   a. Allowing the implementation of a joint standard for determining the amount of grant for a married couple.

   b. Providing that the medical care component be excluded from Consumer Price Indices for the purpose of determining cost of living increases applicable to public assistance grants.

   c. Making parents liable for aid payments provided to their children who become parents out-of-wedlock.

   d. Establishing a new scale which increases the amounts that adult children must contribute toward the support of their parents receiving Old Age Security.

   e. Limiting the services for which AFDC parents are eligible under the medical assistance program.

5. IF FUNDS ARE APPROPRIATED Increases welfare aid payments by:

   a. Establishing a schedule of family allowances increasing maximum grants by approximately 20% over present maximums.

   b. Increasing grants for all persons receiving Old Age Security when federal law allows the action as an alternative to disregarding a portion of increases in Social Security benefits.

6. Allows counties the means to reduce administrative costs by:

   a. Allowing counties to establish their own dates for mailing welfare checks.

   b. Prohibiting the State from imposing staffing standards.

   c. Providing that voluntary services shall be provided only upon written request.

   d. Providing that counties may deduct all costs of recovering fraudulently received aid payments.

7. Requires the State to impose requirements upon counties that will increase their administrative costs. The requirements are:

   a. Distribute informational pamphlets advising recipients of their responsibility for reporting changes in income and family composition.

b. Offer as a direct service or under a contractual arrangement family training and education for mothers receiving Aid to Families with Dependent Children.

c. Inform all applicants for welfare of the services available to them but which must be requested in writing.

d. Seek restitution before filing criminal complaints against recipients who obtain aid illegally.

e. Develop regulations to make it possible for persons who cannot write to obtain services which are offered only upon written request.

f. Requires all counties to implement the Food Stamp Program.

8. Increases State administrative costs by requiring:

a. The development of regulations to make it possible for persons who cannot write to obtain services which are offered only upon written request.

b. That each county welfare department be furnished a set of regulations promulgated by the Department of Health, Education and Welfare.

c. The printing of all informational pamphlets in Spanish and English.

d. The Department of Human Resources Development to establish a public works employment program for unemployed males receiving public assistance.

e. Establishing a welfare fraud control unit in State Government.

9. Revamps the payment structure under Aid to Families with Dependent Children by:

a. Repealing the present standard of need.

b. Repealing the present schedule of grant maximums.

c. Establishing a schedule of family allowances increasing maximum grants by approximately 20% over present maximums.

d. Provides for automatic purchase of food stamps.

e. Establishes a maximum grant of $539 regardless of family size.

10. Enables California to disregard as income those portions of increases in Social Security mandated by federal law to be considered exempt income for purposes of determining welfare grants.

11. Allows monies from the Revolving Loan Fund to be loaned to blind persons already engaged in business.

12. Adopts public assistance standards to determine Food Stamp eligibility.

WHAT DOES AB 1360 COST

If funds in addition to the current budget are made available prior to December, 1970, the bill as amended July 16, 1970:

I. Increases State costs for the seven month period December 1970-June 1971, by at least $3.6 million dollars.

a. State aid payment costs will increase $3.6 million.

b. State administrative costs can be expected to increase slightly.

II. Potentially decreases county costs for the seven month period December 1970 - June 1971 by $4 million dollars.

a. County aid payment costs will increase $5.5 million.

b. County supplementary aid payments will decrease $9.5 million.

c. County administrative costs will increase in some areas and decrease in others. The decreases should more than offset the increases.

If funds in addition to the current budget are NOT made available during FY 70-71, the bill as amended July 16, 1970:

I. Reduces State costs for the seven month period December 1970 - June 1971, by $11.3 million dollars.

a. State aid payments would be reduced by $11,336,000.

b. State Administrative Costs would be expected to increase slightly.

II. Reduces county costs for the seven month period December 1970 - June 1971 by $1.4 million dollars.

a. County share of aid payments will be reduced by $1.4 million dollars.

b. County Administrative costs will increase in some areas and decrease in others. The decrease should more than offset the increases.

AB 1360

IMPACT UPON STATE GENERAL FUND

(Seven month estimates December 1970 - June 1971)

I. IMPACT UPON AID PAYMENTS.

	Increase	Reduction	Net Effect
Adopt Joint Living Standard		- $1,247,900	
Exclude Medical Care Component		- $1,627,500	
Responsibility of Parents of Unwed Minors		- $1,412,000	
Revise Relative Contribution Scale		- $1,565,000	
Reduce Medi-Cal Benefits for Parents Under Aid to Families with Dependent Children (AFDC)		- $5,483,000	
Increase Grants for AFDC 24.2	+ $14,128,000		
Increase Grants for Old Age Security 6.4	+ $ 800,000		
Parallel pass on 4.8	+ $14,928,000	-$11,336,000	+$3,592,0 (increase
	7.6	approx	
	$ 22,528,000	4,000,000	cost incr 18.5 million

II. IMPACT ON ADMINISTRATIVE COSTS.

There are four proposals in the bill potentially increasing state administrative costs. They are:

38 million 19.2 million

a. Provide counties with sets of federal regulations.

b. Print informational pamphlets in Spanish and English.

c. Establish a welfare fraud control unit.

d. Require the Department of Human Resources Development to establish a public works employment program.

19.3

	Increase	Reduction	Net Effect
Providing each county with a set of federal regulations will not cost anything. One-fourth of a position will probably be needed to disseminate changes to these manuals. Assuming that manuals were distributed in December, this proposal would cost approximately $2,500 dollars during FY 70-71.	$2,500		
Printing informational pamphlets in Spanish and English should cause a very slight increase in costs. Most pamphlets of this nature have already been or are in the process of being translated and printed in the Spanish language.			Negligible
Establishing a welfare fraud control unit will increase costs. It has been assumed that such a unit would consist of five persons each with an annual salary of $15,000. Assuming that such a unit could be established and put into operation for half of the current fiscal year, it would cost the State approximately $37,000 in salaries.	$37,000		
The requirement for the Department of Human Resources Development to establish a public works employment program does not take effect until July 1, 1971. Therefore, the proposal has no effect upon current year costs.			None
	+ $39,500		
Net Total Impact on State:			$3.6 million (increase)

AB 1360

IMPACT UPON COUNTY COSTS

(Seven Month Estimates December 1970 - June 1971)

I. COUNTY SHARE OF AID PAYMENTS.

	Increases	Reductions	Net Effect
Adopt Joint Living Standard		- $211,000	
Exclude Medical Care Component		- $283,000	
Responsibility of Parents of Unwed Minors		- $680,000	
Revise Relative Contribution Scale		- $261,000	
Reduce Medi-Cal Benefits for Parents Under Aid to Families with Dependent Children (AFDC)		None	
Increase Grants for AFDC	+ $6,802,600		
Increase Grants for Old Age Security	+ $ 88,200		
	+ $6,890,800	- $1,435,000	+ $5,455,8[illegible] (increase)

II. COUNTY SUPPLEMENTARY PAYMENTS.

	Increases	Reductions	Net Effect
During 1969, counties supplemented payments under Aid to Families with Dependent Children (AFDC) at a cost of $11,767,339. Increasing AFDC grants as proposed in AB 1360 will remove the need for supplementation in most cases. During previous hearings it was stated that by increasing grants as proposed in AB 1360 counties would no longer have to make supplementary payments costing $9.5 million dollars.		- $9,500,000	- $9,500,0[illegible] (decrease)

III. COUNTY ADMINISTRATIVE COSTS.

	Increase	Reduction	Net Effect
In general, the proposals related to tightening application procedures, improving the system for collecting support payments, and improving efforts to detect welfare fraud will increase county administrative costs. There is no information available which would provide a reliable estimate of how much county costs would increase as a result of carrying out these requirements. Furthermore, for an estimate to be reliable it would have to be related to the benefits accrued to the county as a result of these efforts, e.g. reduced fraud, increased collections etc. It is expected that the increase in Administrative costs will be more than offset by those elements of AB 1360 which provide counties administrative latitude. Examples of these elements are giving counties complete authority to establish local staffing standards, to establish their own days for mailing welfare checks, to provide voluntary services only upon written request, and allowing that recovery costs be deducted from the collection of fraudulent aid payments.	Slight Potential	Good Potential	Potential for Slight Decrease

IV COUNTY HOSPITAL COSTS.

The only proposal contained in AB 1360 which would have any impact upon county hospital costs is the proposal to limit medical assistance to parents of children receiving Aid to Families with Dependent Children (AFDC). Under this proposal the AFDC parent would not be eligible for non-emergent dental care, transportation and services from optometrists and podiatrists. Persons needing such services would most likely request them from county hospitals.

	Increase	Reduction	Net Effect
Resultant costs would depend upon a county's willingness to accommodate these persons; therefore no reliable prediction of a cost estimate in this area is possible.	Potential for slight increase		Slight increase

V. COUNTY GENERAL RELIEF COSTS.

	Increase	Reduction	Net Effect
There is no proposal in the present version of AB 1360 that will directly effect the costs for General Relief.			None
Net Total Impact upon Counties:			- $4,044,200 (potential savings)

State of California | Health and Welfare Agency

Memorandum

To : Robert Martin

cc: C. Hobbs
J. Davis

Date : July 22, 1970

Subject : Comparison Between Effect on State Expenditures of Previous Versions and Present Version of AB 1360

From : **Department of Social Welfare**

Philip Manriquez
Assistant to the Director

Based upon the May 1 estimates, the original version of AB 1360 would have reduced State costs by an estimated $28.2 million dollars for the seven months of December 1970 - June 1971. These savings were to have financed an increase in the maximum grants for Aid to Families with Dependent Children (AFDC) and a $4 per month increase for recipients of Old Age Security. These two proposals would cost the State approximately $15 million dollars for the seven-month period cited above. Therefore, the original bill would have produced a net savings to the State of approximately $13.2 million dollars. ($28.2 less $15 million = $13.2 million).

The amendments of June 17, 1970 deleted five cost reduction proposals originally contained in the bill. The proposals were:

1. Drop the non-federal AFDC-U cases	7 month savings: $12 million
2. Limit eligibility for AFDC families to those whose income was below 75% of California families.	7 months savings: $300,000
3. Welfare to be a lien upon property	7 months savings: $10 million
4. Man assuming role of spouse to support	7 months savings: indeterminate
5. Limit aid payments to new residents	7 months savings: indeterminate

TOTAL SAVINGS DELETED BY AMENDMENTS: $22,300,000

Four of the original cost reduction proposals remain in the bill. They are:

1. Joint living standard	7 months savings: $1,247,925
2. Exclude med-care from cost-of-living	7 months savings: $1,627,500

App. III

3. Parents of unwed mothers to be responsible for their support. 7 months savings: $1,412,250

4. Revise relative's contribution scale 7 months savings: $1,565,487

RETAINED SAVINGS FROM COST-REDUCTION PROPOSALS: $5,853,162

To offset the loss in expected savings, Assemblyman Duffy added a proposal to reduce medical assistance benefits to parents of children receiving AFDC. This proposal was presented to the Assembly Committee on Health and Welfare as producing a savings of $18 million dollars for Fiscal Year 1970-71. It has since been determined that this figure represents total federal and State money, therefore should have been presented as a proposal to save $9 million. Furthermore, the proposal is contingent upon receiving a waiver from the federal government before it can be implemented. If such a waiver is not received the State saves nothing. Assuming that the waiver is granted, the seven months savings would be only $5½ million.

Adding the expected seven months savings from Mr. Duffy's new proposal to the expected seven month savings from the original proposals retained in the bill produces a total expected saving of $11,400,000. The seven month cost of the bill is approximately $15 million. Therefore, the amended bill is now a cost bill which will increase State expenditures by approximately $3.6 million dollars.

Appendix

FISCAL IMPACT OF AB 1360
(Amended June 17, 1970)

DESCRIPTION OF PROPOSAL		7 Months Savings-Original Version	Savings Amended Out of Bill	Savings Retained in the Bill
Sec. 47:	Welfare to be a lien on property	$10,213,000	$10,213,000	
Sec. 49:	Joint living standard	1,247,900		$1,247,900
Sec. 51:	Exclude Med-care component	1,627,500		1,627,500
Sec. 56:	Exclude non-federal AFDC-U	11,830,000	11,830,000	
Sec. 57:	Limit Elegibility for AFDC	291,000	291,000	
Sec. 59:	Parents of unwed minor mothers	1,412,000		1,412,000
Sec. 69:	Revise Relative's contributions	1,565,000		1,565,000
Sec. 61:	Man assuming role of spouse	indeterminate	indeterminate	
Sec. 50:	Limit aid to new residents	indeterminate	indeterminate	
	TOTALS:	$28,185,000	$22,334,000	$5,853,000

NEW COST-REDUCTION PROPOSAL AMENDED INTO AB-1360, June 17, 1970:

Sec. 75:	Reduce Medi-Cal benefits for parents of AFDC Children. Seven month savings:	$5,483,000
	TOTAL EFFECT OF COST-REDUCING PROPOSALS IN AMENDED VERSION OF AB-1360:	$11,336,000

COST-INCREASE PROPOSALS CONTAINED IN AB-1360 (There is no change between original and amended version effect)

Sec. 62:	Increase grants for AFDC by establishing Schedule of Family Allowance:	$14,128,000	(7 mos.)
Sec. 68:	Pass-on of Social Security increase to all recipients of Old Age Security:	800,000	(7 mos.)
	TOTAL EFFECT OF COST-INCREASE PROPOSALS IN AMENDED VERSION OF AB-1360:	$14,928,000	

NET FISCAL IMPACT OF AB-1360 AS AMENDED JUNE [illegible] 1970 (cost minus savings) COST $3,592,[illegible]

App. IV

SECTION	PAGE	PREVIOUS VERSION	AMENDED VERSION	POSITION	COMMENTS
* 34	11-12	Revised failure to provide section of the Penal Code and required mandatory jail sentence for repeaters	Adds a maximum $1,000 fine as alternate penalty	oppose	This amendment completely waters down the deterrent language. A nominal fine could be imposed by the court in lieu jail.
35	13	Assignment of wages in failure to provide cases	No change		
36	13	Concurrent jurisdiction of courts in failure to provide.	deleted	neutral	This section was requested by the fraud study group and would mainly effect L.A. county.
37 37.4 37.5	13-14	Mandatory training of AFDC mothers	Requires the Department to offer family training & education. Permits such training to be contracted for.	favor	Since this training is to be "offered" instead of required the amendment removes the religious objections to making family planning mandatory.
38	14	Voluntary services upon written request	Requires departments to inform persons of services available. Requires the the Department to develop methods so persons who cannot write can obtain services.	favor	
39	14	Penalties for welfare employees.	No substantive change	favor	The amendment merely simplifies the language.
39.5	14	ADDITION	Requires Department to provide counties with sets of Federal Regulations.	oppose	Oppose is suggested because of the fiscal impact and the administrative burden to be caused.
40	14-15	Informational pamphlets	No change		
41	15	Fraud Control Unit within the Human Relations Agcy.	Unit to be supervised by Human Relations Agency.	support	Suggest language to ensure that the agency's role is not an operational one.

* "Sections 1 - 33 concern amendments to the Uniform Enforcement of Support Act. Changes made to these sections were worked out by the Attorney General's Office; therefore, are not

SECTION	PAGE	PREVIOUS VERSION	AMENDED VERSION	POSITION	COMMENTS
41.5	15-16	ADDITION	Prohibits Department from imposing staffing standards.	Support	To be implemented by administrative action
42	16	Provided for staggered payment dates.	Makes staggered payments optional to counties if plan is approved by the Department.	favor	This is the author's "Merchant's Amendment"
(43)		Provides access to welfare records.	deleted	not favor	Some vestige of the original proposal should be maintained.
44	16	Investigative training courses.	No change	support	
45	17	Income reports and provided social-security numbers, and,	No change	support	
		requires recipient to authorize employer to submit monthly reports, and,	deleted	support	
		disallows income deductions in determining amount of fraud.	deleted	Not favor	It does not appear to be realistic to exclude a portion of the grant received where the recipient fraudulently presented a claim.
(46)		Repeals payment date.	Restores payment date. Companion to Sec. 42.	favor	Companion to Section 42.
(47)		Welfare payments to be considered a lien on property.	deleted	support	The Administration supports removing this proposal.
48	17	Enabling statute to exempt social security increases.	No change	support	

SECTION	PAGE	PREVIOUS VERSION	AMENDED VERSION	POSITION	COMMENTS
49	18	Joint living standard.	Requires Department to report annually to Legislature on the rational and procedures used to arrive at the standard.	support	
(50)		Limit aid payments to new residents.	deleted	support	
51	18	Exclude "free" items from cost of living increases.	Excludes only medical care component.	support.	Medical care currently is the only item included in the Consumer Price Indices which is provided under public assistance and not paid for by the recipient.
52	18-19	Tighten application procedures by requiring signature of both parents.	Changes "must sign" to "shall sign."	support	
(53)		Requires supplemental income report.	deleted	support	This is currently being done on a pilot project basis. If determined to be feasible, the report can be required by administrative action.
54	19	Investigation of applicants.	Permits contractual arrangements for investigative services only if federal funds are available.	support	
55	19	Penalties for welfare fraud to be as provided in PC Secs. 486,-7,-8.	Stipulates in W&IC that fraud over $200 is a felony.	support	This is a "cleaner" way of making penalties coincide with grand theft & petty theft.
		and,			
		requires all actions necessary to obtain restitution.	Requires departments to first advise offender, in writing, of the suspected offense and to pursue developing "restitution agreement" before criminal action is filed.	oppose	Hampers effectiveness of fraud control efforts.

SECTION	PAGE	PREVIOUS VERSION	AMENDED VERSION	POSITION	COMMENTS
(56)		Exclude nonfederal AFDC-U	deleted	oppose	It is recommended that the original proposal be put back in. It now appears that the FAP will exclude AFDC-U entirely. As a compromise, excluding only persons receiving unemployment payments should be considered.
(57)		Limit elegibility for AFDC to families whose income is less than the income of 75% of the families in California.	deleted	support	Preliminary responses from HEW indicate this proposal would have raised another conformity issue.
58	22-23	Each county welfare department to establish a public employment program for recipients.	Makes Department of Human Resources Development responsible.	neutral.	
59	23-24	Parents of minor unwed mothers to be responsible for their support.	Unwed minor mother to be elegible for AFDC; makes aid payments chargeable against parents. Unwed mother can delay action against parents if child is placed for adoption.	favor	Full support is not expressed because of the Department's original position on this proposa
(60 & 61)		Responsibility of man-assuming-role-of-spouse.	deleted	support	
62 & 62.5	24-25	Increases grants for AFDC by adopting a Schedule of Family Allowance and repealing provision for a Standard of Need.	Establishes a maximum grant of $539.	favor	Program elements within the Department advise that the maximum grant will raise another conformity issue. Despite this information it is recommended that the proposal, as amended, be presented during the hearings on AFDC conformity issue for HEW's reaction.
(63)		Repeals payment date.	deleted,		Companion to Sec. 42

SECTION	PAGE	PREVIOUS VERSION	AMENDED VERSION	POSITION	COMMENTS
64 & 65	25-26	Investigation of applications by District Attorney.	Makes investigation of nonsupport cases involving adoptive child contingent upon mother's request.	oppose	The word "may" should be restored in this section. The operation of these sections should not be limited to the request of the mother who may be subject to the adverse influence of the non-paying father.
66 & 67	26	Repeals existing penalty provisions for AFDC.	No change	support	Companion to Section 55
68	26	Increase all Old Age Security grants by amount of social security increase mandated to be exempt.	No change	support	This provision was agreed to in deliberations carried out by the Human Relations Agency.
(68.5)		Mandates increase in Old Age Security December 1, 1970.	deleted	support	
69 & 70	26-28	Increases relative's contribution scale.	Provides that contributions be treated as recovery of aid granted.	support	Amendment provides that federal and State share is to be paid back to those jurisdictions.
71 & 72	28	Repeals existing penalty provisions.	deleted	support	Companion to Section 55
73	28-29	Broaden base for loans to blind persons.	No change	support	
74	29	Repeals penalty provisions in Aid to the Blind.	No change	support	Companion to Section 55
75	29	Repeals penalty provisions in Aid to the Disabled	No change	support	Companion to Section 55
75.5	29	ADDITION	Limits medical services provided to parents of AFDC children.	support	This is Mr. Duffy's proposal to offset in part the cost of increase in AFDC.
76 thru 82	29-31	Mandated Food Stamp Program	Applies public assistance elegibility standards to determine Food Stamp elegibility.	support	Amendments were suggested by this Department's food stamp personnel.

SECTION	PAGE	PREVIOUS VERSION	AMENDED VERSION	POSITION	COMMENTS
(83)	31	Transfers $3 million subvention funds to WIN.	Deleted	Favor	
83	31	<u>ADDITION</u>	Makes increase in OAS grants and AFDC grants contingent upon the Legislature appropriating additional funds.	Favor	It is too soon to assess the full impact of this provision. If additional funds are not available to appropriate then the entire complex of the bill is changed. The bill would then be a pure cost reduction measure.
84	31	<u>ADDITION</u>	Sets July 1, 1971 as the date for the Department of Human Resources Development to assume responsibility for public works programs.	Neutral	Companion to Section 58.

CHANGES IN FRAUD PROPOSALS

The fraud related proposals in AB 1360, together with the amendments to the Uniform Reciprocal Enforcement of Support Act (URESA) were heard in the Assembly Committee on Judiciary. Amendments to URESA were worked out by the legal staff of this Department and staff of the Attorney General's Office. Changes were mostly technical and it is assumed that they were in the best interest of the State.

Amendments to the fraud-related proposals in most cases weakened the proposal involved and were justified by reasons related to administrative problems involved in implementing original version concepts of justice, and, whether or not original proposals could be implemented by regulation without a statute.

The following changes were made:

ORIGINAL PROPOSAL	DISCRIPTION OF CHANGE
Revise failure to support law (P.C. Section 270) to provide mandatory sentence for second conviction, to require assignment of wages, and to grant superior courts concurrent jurisdiction. (Sections 34-36, SDSW proposal H-92).	Amended to permit a fine not exceeding $1000 as an alternate sentence for second convictions. Amendment reduces deterrent effect of confinement in jail. Amended to delete provision allowing superior court concurrent jurisdiction in failure to provide cases. Amendment is of no consequence except to Los Angeles county.
Require that applications involving an absent parent be referred to the district attorney for investigation. Investigation by DA to be optional if adoption is a consideration. (Sections 64 and 65, SDSW proposal H-92).	Amended to provide that cases involving an adoptive child will be investigated only upon mother's request. The amendment weakens the original proposal because District Attorneys would be required to halt their investigations at the mother's request even though it is due to pressure from the nonpaying father.
Require recipients of welfare to furnish income data including social security numbers of all persons in household and to authorize employer to submit income reports upon request. (Section 45, SDSW proposal H-93).	Amended to delete requirement for income reports from employers. The amendment weakens the original proposal, however is felt to be justified. The requirement for these reports would have adverse effect upon employer/employee relations and would have been an administrative burden upon counties.

App. V

Delete current provisions relating to handling of underpayments and overpayments. Deny income exemptions for purposes of determining amount of aid obtained illegally. Repeal restitution law in AFDC. (Sections 45 and 67, SDSW proposal H-93 and H-92).

Amended to require counties to seek restitution from persons obtaining aid illegally before a criminal complaint is filed. This amendment completely eliminates the deterrent effect which the original version was intended to effect. Also amended to repeal the provision denying income exemptions. This weakens the original proposal because it makes it possible to exclude part of the grant received frauduantly. However, technically, it would be correct to allow these exemptions so persons would be prosecuted only for that part of the grant to which they are not entitled.

Require recipients of AFDC to submit a monthly income report to the Department. (Section 53, SDSW proposal H-98).

Amended out of the bill entirely. The Department is currently engaged in a pilot project to test the feasability of monthly income reports. If found to be beneficial the practice can be implemented by administrative action.

Establish State Fraud and Investigation unit in Human Relations Agency. (Section 41).

Amended to provide that the proposed fraud-control unit is to be supervised by the Secretary of Human Relations. The change is technical as the original proposal did not intend to establish an operating unit within the Agency.

NO CHANGES WERE MADE IN THE FOLLOWING PROPOSALS

Require both parents to sign applications for AFDC. (Section 52, SDSW proposal H-97).

Establish pilot project to develop and test incentives to counties to improve fraud procedures. (Section 41).

Require annual report from Legislative Analyst on effectiveness of pilot project and cost/benefits resulting from modifications in laws relating to welfare fraud. (Section 41).

Provide that unauthorized use of Food Stamps is a misdemeanor. (Section 81).

Eliminate welfare fraud penalty sections in each aid category and provide general enforcement section to coincide penalties with those provided in the Penal Code for petty or grand theft. (Sections 55, 66, 71, 74, 75, SDSW proposal H-92).

Provide penalties for welfare worker knowingly aiding a recipient to defraud. (Section 39, SDSW proposal H-94).

Require welfare In-Service Training to include courses to help eligibility workers identify cases requiring special investigation (Section 44, SDSW proposal H-99).

Require thorough investigation of all applications and where deemed necessary to include special investigative techniques. Special investigation to be provided by contract with other agencies. (Section 54, SDSW proposal H-95).

Require information pamphlets to inform recipients of ther responsibilities to report income and resources. (Section 40, SDSW proposal H-96).

EFFECT OF AB 1360 ON WELFARE
RECIPIENTS WITH HIGH INCOMES

ISSUE: Do the provision of AB 1360 correct or have any effect upon the problem of persons with high income qualifying for public assistance?

CONCLUSION: AB 1360 will not eliminate the problem but it will reduce the number of such cases.

DISCUSSION: Cases, such as found in Alameda County, where persons with high incomes receive aid under Aid to Families with Dependent Children are caused by a combination of:

(a) the open-ended exemption of earnings required by the Social Security Act, Section 402 (a) (8);

(b) the inability of the State to place a dollar limit on the amount of "reasonable" work expenses which are required deductions from non-exempt earnings under Section 402 (a) (7);

(c) the requirement in federal regulations which require that earned income exemptions be computed on gross rather than net earned income;

(d) the cost-of-living increase in the Aid to Families with Dependent Children standards of assistance required by Section 402 (a) (23). (This has resulted in this State's standard of need to be significantly higher than the statutory maximums for aid under this program.)

AB 1360 does nothing, nor can it do anything about items (a), (b), and (c). The original version of the bill proposed to limit eligibility to families whose gross income was less than that earned by 75% of families in California. Response from the Department of Health, Education and Welfare indicated that the proposal could not be approved under existing provisions of the Social Security Act. Therefore, the proposal was taken out of the bill.

AB 1360 contains a proposal to eliminate the present standard of need and the existing statutory grant maximums. The proposal offers some relief to the "Alameda" type situation as it eliminates the situation described in paragraph (d). Eliminating the current standard of need and grant maximums is accomplished in sections 62 and 62.5 of the bill. The two devices are replaced

App. VI

by a "Schedule of Family Allowances" which provides a payment level above the current maximum grant; but, which is less than the current standard of need. Thus, for determining the amount of grant, nonexempt income will be deducted from a lower dollar figure offered by the new Schedule of Family Allowances. For example:

> The standard of need for a family living in Los Angeles (mother and three children) is $314.50. The maximum grant is $215. The composite family is entitled to a grant if nonexempt income is less than $314.50 per month. If nonexempt income is $275. per month the family is entitled to a grant of $39.50 ($314.50 minus $275).
>
> Under the proposal in AB 1360, the standard of need ($314.50) and maximum grant ($215) are repealed. They are replaced by a Schedule of Family Allowances which provides an allowance of $270 per month for the same family. Therefore, the family would not be entitled to a grant unless its nonexempt income is less than $270 per month. With nonexempt income of $275 per month the family in our example would not be entitled to a grant.

It is estimated that if this proposal becomes law, the AFDC grants of approximately 1,200 families will be reduced to zero. This effect has been computed in the cost estimates developed for this proposal. It should be noted that the 1,200 persons who will no longer receive a grant will not necessarily be those with the highest gross incomes; they will be those with the highest nonexempt income. (That is, those who play the welfare game well, but not well enough).

Incidently, as a separate action this Department is negotiating with the Department of Health, Education and Welfare to have its staff review, with the intention of changing, its regulations requiring that income exemptions be computed upon gross rather than net income.

In conclusion, the problem of persons with high incomes qualifying for welfare is being attacked on two fronts, AB 1360 and our negotiations with Health, Education and Welfare. The combined result of both efforts hopefully will eliminate the problem.