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INTRODUCTION

This document contains 47 items of potential state and county welfare cost savings defined by two task forces. The document is divided into six sections, each preceded by a summary sheet of the items in that section. The sections are as follows:

Administrative Action (State)

State Regulation

Pending State Legislation

New State Law

Federal Regulation

Federal Law

The items in each section are listed in descending order of expected savings and are briefly described in individual backup sheets. There is redundancy in savings among the items. Therefore, don't add the savings of several items. Analyze the items to be certain that summing is appropriate. One group of items, with a combined expected State General Fund savings of \$110 million, has been so analyzed and consists of the items on pages 4, 7, 8, 10, 11, 12, 16, 17, 18, 26, 33, and 39.

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ADMINISTRATIVE ACTION

Item	Program	GF Savings FY 70-71	Time to Implement Change
Eliminate Homemaker and Attendant Care Services	Disabled (ATD) Aged (OAS)	\$17.5 million	Immediate Implementation
Eliminate Community Services Division	Disabled (ATD) Aged (OAS)	\$11.8 million	Immediate Implementation
Sample Field Audits	County Admin- istration	\$11 million	Immediate Implementation
Eliminate \$4 Special Need Item for the Aged	Aged (OAS)	\$ 5.9 million	Immediate Implementation
Reduce Various Community Services Division Caseloads	Disabled (ATD) Aged (OAS) Non-recipient	\$ 4.1 million	Immediate Implementation
Eliminate Unmet Sheltered Needs	All Programs	\$ 1.5 million	Immediate Implementation
Eliminate Special Programs	State Admin- istration	\$.6 million	Immediate Implementation
Reduce SDSW Budget 5%	State Admin- istration	\$.6 million	Immediate Implementation
Eliminate Educational Stipends	State Admin- istration	\$.5 million	Immediate Implementation
Eliminate Sheltered Employment for Mentally Retarded	Disabled (ATD)	\$.06 million	Immediate Implementation
Reduce Intensity of Service	All Programs and County Administration	Estimate being Developed	Immediate Implementation

HOMEMAKER AND ATTENDANT CARE SERVICES

SUBJECT:

The Governor's Budget currently contains an item for homemaker and attendant care services.

ISSUE:

Should the Governor blue pencil this item in order to save the General Fund approximately \$17.5 million? County savings would approximate \$3 million.

DISCUSSION:

Currently, in an effort to avoid institutional placement, the State allows recipients to hire attendants for housekeeping services, personal needs, etc. Last year, a new feature, homemaker services was added to the program which allows counties to hire civil service employees for this service. Six counties are currently participating in the homemaker aspect of the program on a pilot basis. Often attendant care services are provided by relatives and friends and thus payments are made for services that might normally be provided free of charge. As an offset to the General Fund savings, some recipients no longer provided homemaker or attendant care services will require out-of-home care at increased cost. The amount of offset is impossible to determine.

COMMUNITY SERVICES DIVISION

SUBJECT:

The Department of Social Welfare provides services to the mentally ill and the mentally retarded through various field offices throughout the State.

ISSUE:

Should the Community Services Division be eliminated by removal from the Governor's Budget? State General Fund savings would be approximately \$11.8 million.

DISCUSSION:

The Community Services Division could be eliminated but real savings by this action are considered doubtful. Much of the Division's caseload would be shifted to other programs (county government under the Lanterman-Petris-Short Act, regional centers for the mentally retarded, etc.) where the State General Fund cost would be higher. This item overlaps with the option of eliminating all adult services--if services were eliminated about 22,000 of the 24,000 Community Services Division caseload would be eliminated. The elimination of the Community Services Division would also have a deleterious effect on the State's capacity to move patients from State institutions into community facilities.

SAMPLE FIELD AUDITS

SUBJECT:

The Department of Social Welfare currently operates a field audit program on the basis of sample case selection, however, claim cuts are only made against the sample cases and not against the universe the sample represents.

ISSUE:

Should Department of Social Welfare base claim cuts resulting from field audits on a projection of error in sample cases to total caseload? The State General Fund saving amounts to approximately \$11 million annually. The counties would lose approximately \$40 million in State and federal funds.

DISCUSSION:

Sample auditing can be implemented at the beginning of the 1970-71 fiscal year. Scientific sample selection already exists, but has never been applied against the total caseload because of county objections.

\$4 SPECIAL NEED ITEM FOR THE AGED

SUBJECT:

The Governor's Budget contains \$4 special need item for OAS recipients.

ISSUE:

Should the Governor "bluepencil" the \$4 special OAS need item in the 70-71 Budget? State General Fund savings for this deletion would amount to approximately \$5.9 million. The counties would save approximately \$1 million.

DISCUSSION:

The 1967 Legislature added the \$4 special need item to the budget for OAS recipients. The item was not recommended by the Department in 1967 or subsequent years. It has since been incorporated in the basic OAS grant as "Community Participation."

REDUCE COMMUNITY SERVICES DIVISION CASELOADS

SUBJECT

The State Department of Social Welfare's Community Services Division currently provides nursing home placement for the mentally retarded, and services to former and potential welfare recipients, and non-aided, non-linked cases.

ISSUE

Should the Governor take action to eliminate funds for mentally retarded nursing home placements, former and potential and non-aided, non-linked caseloads, and funds for Family Care from the 1970-1971 fiscal year budget? The State General Fund saving would amount to approximately \$4.1 million.

DISCUSSION

The State Department of Social Welfare is currently attempting to resolve the mentally retarded nursing home placement question of whether the cost of nursing home care for the mentally retarded children between the ages of five and thirteen can be Medi-Cal. This issue will be resolved with the Department of Health Care Services in the very near future. The State Department of Social Welfare has the discretion to eliminate services to former and potential aid recipients and to non-aided, non-linked cases, thus reducing the total Community Services Division caseload by about 40%. Family Care funds are used to place people not eligible for categorical aid into community out-of-home care facilities. While the Governor has the discretion to eliminate this expenditure, there would be an offset cost in the Department of Mental Hygiene since many of these patients would require continued treatment in state institutions.

UNMET SHELTER NEEDS

SUBJECT:

The Governor's Budget now contains funds for unmet shelter needs.

ISSUE:

Should the Governor discontinue these payments? General Fund savings
would amount to approximately \$1.5 million; county savings would approximate
\$0.4 million.

DISCUSSION:

Public Assistance recipients now receive special allowances for unmet shelter needs. These funds are available for home repairs of various kinds. It is within the discretion of the Governor to discontinue these allowances at any time.

SPECIAL PROGRAMS

SUBJECT:

The State Department of Social Welfare budget contains several special programs which are not required by the federal government or State law.

ISSUE:

Should the Governor take action to eliminate the following social welfare special programs from the 1970-71 budget:

Train recipients in Watts and Venice areas as licensed day care parents.	(\$10,000)
--	------------

Recruit, employ, train 29 case aides in provision of services to mentally handicapped persons.	(\$53,250)
--	------------

Assist counties to improve welfare administration, planning, and staffing.	(\$162,850)
--	-------------

Private-public activities on behalf of children.	(\$100,000)
--	-------------

Work-study program to employ youth part-time while in school.	(\$3,600)
---	-----------

Study patterns of aging welfare recipients.	(\$10,000)
---	------------

Nation-wide demonstration program for social information systems. Includes support for development of an agency data processing center and single agency-wide information system.	(\$319,500)
---	-------------

The total General Fund savings would be approximately \$0.6 million. No county funds are involved.

DISCUSSION:

California has operated demonstration projects for a number of years. The objective of these special programs is to create and test innovative approaches to welfare administration and delivery of services.

REDUCE STATE DEPARTMENT OF SOCIAL WELFARE BUDGET BY 5%

SUBJECT

The State Department of Social Welfare's support budget contains approximately \$20 million for the maintenance of State's staff.

ISSUE

Should the State Department of Social Welfare reduce its 1970-1971 budget by 5%? The State General Fund savings would be approximately \$.6 million.

DISCUSSION

The Department is currently obligated to generate salary savings which approximate 6% of the budget. It is estimated an additional savings are achievable in the magnitude of about 5%.

EDUCATIONAL STIPENDS

SUBJECT:

The State Department of Social Welfare's 1970-1971 fiscal year budget contains funds for educational stipends and for field instruction units.

ISSUE:

Should the Governor take action to eliminate funds for graduate social work training stipends and field instruction units from the 1970-1971 fiscal year budget? The State General Fund saving would be approximately \$.5 million.

DISCUSSION:

Educational stipends are currently offered graduate social work candidates, emphasizing selection of Negro and Mexican-American students. Field instruction units enable graduate and undergraduate school of social work to provide field supervision of students.

ELIMINATE SHELTERED EMPLOYMENT FOR THE MENTALLY RETARDED

SUBJECT:

The Department of Social Welfare has in its 1970-71 budget funds to provide employment for mentally retarded recipients not qualified for usual vocational rehabilitation services.

ISSUE:

Should the Governor take action to eliminate the sheltered employment for the mentally retarded item from the 1970-71 budget? State General Fund savings would amount to approximately \$60,000. County savings would be approximately \$18,000.

DISCUSSION:

The funds provided for this service are contracted to the Department of Rehabilitation which provides counseling, work evaluation, and training in private and non-private workshops.

REDUCE THE INTENSITY OF SERVICES ✓

SUBJECT:

The State Department of Social Welfare, through county welfare departments, offers the welfare recipients a variety of social services.

ISSUE:

Should the State Department of Social Welfare administratively adjust the intensity of service? State General Fund savings would be small, however, since social services are almost exclusively provided through the county welfare departments, and the cost of these services is borne almost entirely by county and federal governments.

DISCUSSION:

Administratively the State Department of Social Welfare can adjust the intensity of services in a variety of ways -- reducing frequency of follow-up and inspection, eliminating outreach efforts, providing services only on requests, redefining the scope of allowable services, etc.

STATE REGULATION

Item	Program	GF Savings FY 70-71	Time to Implement Change
Eliminate All Special Needs	All Programs	\$15,600,000	3 Mos.
Reduce Personal Needs Allowances for Recipients Receiving Out-of-Home Care to \$5	Aged (OAS) Blind (AB) Disabled (ATD)	\$ 5,500,000	3 Mos.
Redefine Unemployment to 30 Hour or Less	Families (AFDC)	\$ 1,500,000	3 Mos.
Utilize Prior Budget Planning for All Aids	All Programs	Impossible to Estimate	3 Mos.
Work-Related Expenses Fixed at \$40	Families (AFDC)	Estimate Not Available	3 Mos.

ELIMINATE ALL SPECIAL NEEDS

SUBJECT:

State regulations make available a variety of special need allowances to all aids depending on individual circumstances.

ISSUE:

Should the Director revise regulations to delete payment for a variety of special need allowances such as supplementary transportation expenses, restaurant meals, special diets, etc., State general fund savings would be approximately \$15.6 million; county savings, \$1.1 million.

DISCUSSION:

Special allowances have been added to the grant programs because of demonstrated need and/or pressure from the legislature, the counties, and special interest groups; many are of long standing. The rationale for addition has been equitable treatment of individuals, prevention of physical deterioration, maintenance of healthful and/or safe living conditions.

Can this be minimized?

REDUCE PERSONAL NEEDS ALLOWANCES FOR
RECIPIENTS RECEIVING OUT-OF-HOME CARE TO \$5

SUBJECT:

State law provides for a personal needs allowance for persons living out of their own homes; the amount is established by state regulation.

ISSUE:

Should the Director take action to revise the personal needs allowance to \$5 per month? State General Fund savings for this change would be approximately 5.5 million, county savings approximately 0.9 million.

DISCUSSION:

The amount for nursing home and hospital care was established by the department at the maximum allowable under state law. Amounts allowable in other congregate care facilities are determined within the total grant maximum by regulation. The amounts involved could be reduced without affecting the general level of care provided by the facility.

REDEFINE UNEMPLOYMENT TO 30 HOURS OR LESS

SUBJECT:

HEW regulations require states to use a minimum of 30 hours per week in the definition of unemployment for the AFDC program.

ISSUE:

Should the Department change its current requirement defining unemployment at 35 hours or less to 30 hours or less and reduce the number of eligible recipients. General fund savings would amount to approximately \$1.5 million; counties would save \$0.5 million.

DISCUSSION:

The decision for adoption of the 35-hour standard was based on the typical earnings which would equate to the welfare grant level. HEW regulations currently allow a 30-hour or less standard to be utilized in determining eligibility for federal participation. For the lowest income families involved, such as the migrant farm laborers, this would cause an increase in the utilization of county General Relief or surplus commodities.

UTILIZE PRIOR BUDGET PLANNING FOR ALL AIDS

SUBJECT:

In determining grants, county welfare departments have the option whether to use actual income from the immediate past period or estimated income for the month of the grant.

ISSUE:

Should the Director take action to mandate utilization of the prior month actual income data for grant computation?

DISCUSSION:

It is impossible to estimate savings directly attributable to this change. It would firmly fix the amount of income and, therefore, substantially reduce the number of adjustments to grants. Coupled with an automatic statement of earnings from the recipient, this change would remind the recipient of the reporting requirements, assist in the prosecution of fraudulent claims for aid, reduce the number of instances for which appeals could be filed, and increase consistency between counties in reporting eligibility.

WORK-RELATED EXPENSES FIXED AT \$40

SUBJECT:

HEW regulations and court decisions require the State to allow for work-related expenses in determining grants.

ISSUE:

Should the Department adopt regulations to allow for reasonable work-related expenses and define these to be \$40 per month? Although there would be considerable General Fund savings for this change, available data does not enable a specific estimate.

DISCUSSION:

California was forced to comply with the basic federal regulation by a court order in the Nesbitt vs. Montgomery decision. In a number of other states the flat work-related amount for expenses of employment has been utilized. We believe that a similar method is possible in California even in consideration of the decision in the Nesbitt vs. Montgomery case.

PENDING STATE LEGISLATION

Item	Program	GF Savings FY 70-71	Time to implement Change
Eliminate All Welfare Programs	All Programs	\$504 million	Immediately upon adoption of AB 1752
Maximum Allowable Property Reserves	All Adult Categories	\$36.4 million	Immediately upon adoption of AB 1316
Revise Disability Criteria in ATD to 1965 Standard	Aid to the Disabled	\$27.6 million	Immediately upon adoption of AB 1315
Establish a Lien Law for Adult Aids	All aids except Families with Dependent Children	\$14.2 million	Immediately upon adoption of AB 1360
Exclude Medical Care Component When Calculating Cost of Living Increases	All Programs	\$2.1 million	Immediately upon adoption of AB 1360
Revise the Relatives' Responsibility Scale	Old Age Security	\$1.9 million	Immediately upon adoption of AB 1360
Make Parents Responsible for Supporting Minor Unwed Mothers and Their Children	Aid to Families with Dependent Children	\$1.65 million	Immediately upon adoption of AB 1360
State Administration of Public Welfare Programs	All Programs	Indeterminate	Immediately upon adoption of AB 186 or SB 89
Establish a Single Adult Aid Standard	All Adult Categories	Indeterminate	Immediately upon adoption of AB 1988
Welfare Benefits for Strikers	Aid to Families with Dependent Children - Unemployed	Indeterminate	Immediately upon adoption of SB 852

ELIMINATE ALL WELFARE PROGRAMS

SUBJECT

States are not required to establish and maintain welfare programs.

ISSUE

Should the State of California eliminate its public assistance programs. This would reduce state expenditures by 504 million during FY 70-71 if programs were eliminated by September 1970.

DISCUSSION

The Federal Social Security Amendments relating to Social Welfare do not require the states to adopt a welfare system. The purpose of these amendments is to provide funds in order to enable and encourage the several states to more adequately provide for the general welfare of its citizens.

MAXIMUM ALLOWABLE PROPERTY RESERVES

SUBJECT

State law currently allows recipients of adult aids to retain personal and/or real property not to exceed \$1,200 for a single person or \$2,000 for a married couple.

ISSUE

Should the Governor take action to reduce this maximum allowable reserve? And if so, to what level should it be reduced?

Reducing the reserves to \$600 per single recipient and \$1,200 for a married couple would net the state \$36.4 million for fiscal year 1970/71 if implemented by September 1970. This provision is currently incorporated in AB 1316.

DISCUSSION

Under current federal regulations almost all property limitations are expressed in terms of maximum but not minimum amounts which a state may allow a recipient to retain. Property reserve allowances in other states range from \$00 to the maximum allowed under federal law. California has one of the highest reserve maximums in the nation.

REVISE DISABILITY CRITERIA IN ATD TO 1965 STANDARD

SUBJECT

The definition of total disability is set forth in the Welfare and Institutions Code. Since the program's implementation in 1957, the definition has been liberalized twice, in 1961 and 1965.

ISSUE

Should the Governor take action to restrict the definition and thereby reduce the number of persons eligible for the program? By adopting the definition of totally disabled that was in effect in 1965, the State general fund would save \$27.6 million in fiscal year 1970/71 if implemented by September 1970. The counties would save approximately \$4.5 million. This change is currently incorporated in the Administration sponsored bill SB 1315.

DISCUSSION

There has been rapid growth in the ATD caseload in the past several years, to a current total of more than 168,000 persons - almost three times greater than the total in New York State and at more than three times the cost. The caseload in California is almost 40% of the national total, and its cost more than 28%. Adopting the 1961 definition would result in greater saving within the ATD program, but the net effect could be added cost to the state general fund if mentally retarded recipients, no longer eligible for ATD, were returned to state hospitals at state expense.

ESTABLISH A LIEN LAW FOR ADULT AIDS

SUBJECT

The welfare laws of several states provide that public assistance payments be considered a lien against property owned by the recipient. The State of California has no such provision.

ISSUE

What action can the Governor take to provide that aid paid to recipients of public assistance under the adult categories shall be considered a lien against real property owned by such recipients? Adoption of a lien law for adult aids would save the state general fund \$14.2 million during fiscal year 70/71, if implemented by September 1970, and would save the counties \$2.5 million. This alternative is contained in the administration-sponsored bill (AB 1360).

DISCUSSION

A lien provision does not penalize the recipient nor does it deprive him of the full use of his property while he or his spouse require it. Moreover, the imposition of a lien is equitable to all taxpayers. The present practice allows an heir of the deceased recipient to recoup more than his fair share of the tax contribution made for the support of recipients of public assistance.

EXCLUDE MEDICAL CARE COMPONENT WHEN CALCULATING COST OF LIVING INCREASES

SUBJECT

Under present statutes, public assistance grants are adjusted annually to reflect cost of living increases. The cost of living index, as published by the U. S. Bureau of Labor Statistics is the basis for determining needed adjustments and includes a factor for medical care. Since public assistance recipients receive free medical care, inclusion of the medical care component results in unwarranted increases.

ISSUE

What action can the Governor take to eliminate the medical care component from consideration? The statutory changes necessary are proposed in the administration sponsored bill, AB 1360. This would save the state general fund \$2.1 million if implemented by September 1970 and would save the counties \$325,000.

DISCUSSION

The state attempted to eliminate administratively the medical component but was precluded from doing so by a 1969 court decision (Daly vs. Montgomery).

REVISE THE RELATIVES' RESPONSIBILITY SCALE

SUBJECT

Section 12101 of the Welfare and Institutions Code contains a relatives' responsibility scale in the Old Age Security program. The scale has not been revised since 1965.

ISSUE

What action can the Governor take to increase the rate of contributions by responsible relatives with adequate incomes to the care of elderly welfare recipients and reduce the burden on the state taxpayers? Section 69 of the administration sponsored Assembly Bill 1360 would update the scale to increase the liability of adult children to contribute toward the support of their parents by amounts ranging from \$5 to \$40 per month, depending on their net income. The saving to the state general fund would be approximately \$1.9 million if implemented by September 1970, and the counties would save \$330,000.

DISCUSSION

The major difficulty with the relatives' responsibility law over the years has been the fact that the major element of enforcement has been placed upon the recipient of aid to inform the County Welfare Department that the employed son or daughter was not making required contributions. AB 1360 would require the employed son or daughter to make the payment to the County Welfare Department to offset the expenditures for aid, and the recipient would receive the full amount of aid without regard to the contribution from the responsible relative.

MAKE PARENTS RESPONSIBLE FOR SUPPORTING MINOR UNWED MOTHERS AND THEIR CHILDREN

SUBJECT

Under present California law, minor girls who become pregnant may apply for and receive public assistance without regard to the financial status of their parents.

ISSUE

What can the Governor do to make parents of such minor girls responsible for their support and that of their illegitimate children? Section 59 of the administration sponsored AB 1360 would make this responsibility a matter of law. This would save the state general fund \$1.65 million, and would save the counties \$750,000 during fiscal year 1970/71, if implemented by September 1970.

DISCUSSION

Young girls can, if pregnant, qualify for state financial support and services. With it they can establish their own households at taxpayer expense, regardless of the financial status of their parents. The Department of Social Welfare estimates that there are 14,600 such cases now receiving aid, and that parental support averaging approximately \$70 per month would be available for half of them.

STATE ADMINISTRATION OF PUBLIC WELFARE PROGRAMS

SUBJECT

At the present time, County Welfare Departments administer public welfare programs under the supervision of the State Department of Social Welfare and subject to state and federal regulations. This necessitates three government levels of administrative control.

ISSUE

What action can the Governor take to reduce the complexity of welfare administration in California as well as effect the substantial savings in costs estimated by the State Legislative Analyst if the state assumes direct administration? Senate Bill 89 and Assembly Bill 186 both propose the transfer of welfare administration to the state. Although the savings could be substantial, the State Department of Social Welfare doubts that the Legislative Analyst's estimate --\$56 million -- could be realized in F.Y. 70-71.

DISCUSSION

The Administration is on record in opposition to the passage of both bills, on the basis of the desirability of maintaining local interest and participation in welfare problems, and also because both bills would destroy the existing authority for contracting with private employment agencies for job referrals for welfare recipients.

ESTABLISH A SINGLE ADULT AID STANDARD

SUBJECT

At the present time, aid standards among the adult categories of public assistance vary from one program to another, under various provisions of the state Welfare and Institutions Code.

ISSUE

What action can be taken by the Governor to effect savings by adopting a uniform standard of assistance for adult aid categories? Assembly Bill 1988 would eliminate minimum and maximum grants in the aged and blind categories, and would establish a uniform maximum average grant as currently provided for the Aid to Disabled program. The grant amount is unspecified in the bill, so, potential savings cannot be estimated.

DISCUSSION

The proposal contained in Assembly Bill 1988 has the backing of the County Supervisors Association of California. It can be assumed that there would be reduced administrative costs, but the net financial effect of the uniform standard would depend on the level at which the standard is set.

WELFARE BENEFITS FOR STRIKERS

SUBJECT

Under current department regulations, welfare benefits are paid to strikers who are otherwise eligible for Aid to Families with Dependent Children - Unemployed Group, and who are engaged in a strike declared bona fide by the Human Resources Development Department.

ISSUE

Should striking workers who are otherwise eligible for Aid to Families with Dependent Children - Unemployed Group, receive welfare benefits?

DISCUSSION

Positive action will be necessary if a precedent of nine years is to be reversed. Three alternatives are available:

1. Pass legislation which would declare all strikers ineligible for welfare benefits. Senate Bill 852, Cologne, does this, although it does exempt strikers engaged in state or federally sponsored job training.
2. Establish regulations which declare strikers ineligible for aid.
3. Continue aid for strikers engaged in legitimate strikes, but tighten existing policy by designating a single agency, either by law or executive action, responsible for declaring the legitimacy of a strike.

NEW STATE LAW			
Item	Program	GF Savings FY 70-71	Time to Implement Change*
AFDC Grant Ceiling at Maximum Participation Base	Families (AFDC)	\$37,000,000	4 mos.
Reduction of Adult Aid Standard	Aged (OAS) Blind (AB) Disabled (ATD)	\$33,600,000	4 mos.
AFDC-U (Unemployed Parent Eligibility)	Families (AFDC-U)	\$33,000,000	4 mos.
Reduction of Welfare Grants	All Programs	\$25,600,000 (5%) \$51,200,000 (10%)	4 mos.
Real Property Exemptions in Adult Aids	Aged (OAS) Blind (AB) Disabled (ATD)	\$10,800,000	4 mos.
Reduce Grant Allowances for Shared Living	All Programs	\$ 5,400,000	4 mos.
Ceiling on Adult Aids Grants	Aged (OAS) Blind (AB) Disabled (ATD)	\$ 5,250,000	4 mos.
Recovery from Estates	Blind (AB) Disabled (ATD)	No estimate Available	4 mos.
Fees for Licensing	All Programs	No estimate Available	4 mos.

*Assumes prompt enactment of emergency legislation, signature by the Governor, parallel preparation of implementing regulations for emergency adoption, and changes operational by October, 1970.

AFDC GRANT CEILING AT MAXIMUM PARTICIPATION BASE

SUBJECT:

Current state law defines a scale of family "need" which exceeds the allowable AFDC grant. Families with income may supplement the grant up to this scale of need.

ISSUE:

Shall the Governor seek an amendment to state law to delete the scale of need, which would have the effect of placing a ceiling on all AFDC grants at maximum participation base except for exempt earnings? State general fund savings will apprximate \$37 million for 9 months of F.Y. '70-71. Counties will save approximately \$17.8.

DISCUSSION:

State law currently defines family "need" on a scale which exceeds the maximum participation base. This allows families to apply their non-exempt (unearned) income to their needs in excess of the maximum participation base. Only when grant plus income exceeds need is the excess income used to reduce the grant. Families with no outside income receive only the maximum grant allowed, which is less than the need.

The 1967 Social Security Act amendments require that the first \$30 of earned (exempt) income plus 1/3 of the balance be disregarded when computing the grant. This provision precludes completely wiping out the inequity between families with and those without income, but would reduce the disparities and would generate substantial savings within current federal constraints.

The Administration sponsored AB 1360 deletes the scale of need and raises the current scale of payments for Aid to Families with Dependent Children. The proposal would cost the State \$24 million. Also included in AB 1360 is a proposal to exclude from eligibility families whose gross income is higher than that earned by 25% of California families.

If enacted, these provisions would modify the projected general fund and county savings cited in the "Issue" statement.

REDUCTION OF ADULT AID STANDARD

SUBJECT:

Reduction of the average California aid payment for aged, blind, and disabled persons to the average payment for like programs in the State of New York.

ISSUE:

Should the Governor seek a change in state law to reduce the average categorical aid payment for aged, blind, and disabled persons to the average payment level in the State of New York? State general fund savings for the change would approximate \$33.6 million for 9 months of F.Y. '70-71. Counties would save approximately \$6 million for the same period.

DISCUSSION:

The Social Security Act and HEW regulation leave the option of aid payment level open to each state. In the State of New York the level of aid for aged, blind, and disabled recipients is lower than that for California. In his February, 1970 report to the Assembly Ways and Means Committee, Mr. A. Allan Post suggested California reduce its average payment level to that of the State of New York.

AFDC-U PROGRAM

SUBJECT:

Federal law does not require California to provide for families of unemployed parent(s) within the AFDC program.

ISSUE:

Shall the Governor seek deletion of the AFDC-U program as defined in existing state law? State general fund savings would approximate \$33 million during 9 months of F.Y. '70-71. Counties will save approximately \$5.5 million.

DISCUSSION:

Federal law provides for federal participation in the costs of an unemployed parent program within AFDC, but does not require it. In 1965, the California Legislature enacted legislation to include families of unemployed parents in the AFDC program on the basis that the action would reduce desertions and help families remain intact. The federal law does not require continuation of this program.

The Administration sponsored AB 1360 excludes only families whose parents are not eligible for federal sharing in grant costs. If enacted, this provision would exclude approximately 7390 families with a saving of \$13.5 million to general fund and \$6.7 approximately for counties.

REDUCTION OF WELFARE GRANTS

SUBJECT:

Reduction of Welfare Grants in California is a state option.

ISSUE:

Should the Governor seek a change in the law to reduce the level of all categorical aid grants by from 5 to 10%? State general fund savings would approximate \$25.6 for 9 months of F.Y. '70-71, the counties would save approximately \$10 million for a comparable period at the 5% level; \$51 million state general funds; \$20 million county saving at the 10% level.

DISCUSSION:

The level of welfare grants in California is set by State standards. An across-the-board reduction of all categorical aid grants of a particular percentage could effect substantial savings.

Real Property Exemptions in Adult Aids

SUBJECT:

State law permits an applicant or recipient to retain personal property, without reference to its value, which serves as his home. In addition, the law permits retention of other real property used to provide income for his support.

ISSUE:

Should the Governor initiate legislation which limits the ownership of real property used as the home to a maximum assessed value of \$5,000 (less encumbrance) and eliminate the provision for the retention of income producing property?

For 9 months of F.Y. '70-71, State general fund savings resulting from this change would total approximately \$10.8 million. Counties would save approximately \$1.8 million for the same period.

DISCUSSION:

The savings will accrue not only from the ineligibility of a number of current recipients, but in the reduction in the number of persons who would be eligible under existing provisions.

CEILING ON ADULT GRANTS

SUBJECT:

Under state statutes and regulations, a basic assistance grant plus a special allowance for attendant care may exceed the costs allowed for comparable care in a group living facility (i.e. Boarding Home for Aged or Institution for Aged).

ISSUE:

Should the Governor initiate legislation to establish a grant ceiling for all adult aids at a level not to exceed assistance payments to or on behalf of recipients in group facilities? State general fund savings for this change during 9 months of F.Y. '70-71 would be approximately \$5.25 million. For counties the savings would be approximately \$.9 million.

DISCUSSION:

Currently an adult aid recipient living in his own home under exceptional circumstances, may be allowed actual costs up to \$300 for an attendant to assist in housekeeping and personal care in addition to his basic grant. This could result in a total grant for the single recipient in excess of \$400. The maximum grant allowed for an adult aid recipient needing "extensive care and supervision" in a non-medical facility is \$226.00.

REDUCED GRANT IN SHARED LIVING ARRANGEMENT

SUBJECT:

Grants for two or more recipients with a shared living arrangement.

ISSUE:

Should the Governor initiate legislation to provide a reduction in the grants for two or more recipients who can realize economies under shared living arrangements? State general fund savings for a period of 9 months in F.Y. 70-71 would be approximately \$5.25 million. County savings would be approximately \$.9.

DISCUSSION:

Pending legislation (Section 49 of AB 1360) proposes such authorization for married couples only when both are recipients of the same or different adult aid programs. This proposal would extend the concept to all aids and all recipients whether married couples, siblings, parent-child, or room mates.

RECOVERY FROM ESTATES

SUBJECT:

State law currently authorizes the department only in the aged program (OAS) to recover the cost of aid from the estate of a recipient when ineligibility is discovered after death.

ISSUE:

Should the Governor initiate legislation to extend this recovery provision from the estates of ineligible recipients of the AB and ATD programs? No estimate of savings available.

FEEs FOR LICENSING

SUBJECT:

No fees are charged by the Department of Social Welfare or county welfare departments for licenses issued for facilities caring for children and the aged.

ISSUE:

Should the Governor initiate state legislation which authorizes the Department of Social Welfare and the county welfare departments to charge licensing fees?

The total licensing program represents an annual state general fund expenditure of approximately \$1.9 million. The net off-sets to such costs, beyond the minimal additional costs involved in fee collection, would depend on the schedule of fees to be charged.

DISCUSSION:

The two other state departments with licensing programs, Public Health and Mental Hygiene, currently have licensing fees. An interdepartmental task force is already developing the framework for a standard approach to the setting of licensing fees.

FEDERAL REGULATIONS

Item	Program	Gen Fund Savings FY 70-71	Months to Implement Change
Fair Hearing Process	All Programs	\$8.8 million (\$10.6 full year)	2
Net Earnings vs. Gross Earnings	AFDC	\$3.4 million (\$4.5 full year)	3
Definition of an Unemployed Father	AFDC-U	\$2.8 million (\$3.8 full year)	3
Fair Hearings in Relation to Social Services	AFDC	*	3
Welfare Staffing Standards	All Service Programs	*	3
State Option for Revised Eligibility Method	AFDC	*	1
Failure to Take Work While Referred to WIN	AFDC	*	3
District Attorney's Costs--Reimbursement	AFDC	*	3

*No estimate has been made of these items.

FAIR HEARING PROCESS

SUBJECT:

To take effect July 1, 1970, HEW proposes regulations to require states to change from a two-step process for fair hearings to a one-step process.

ISSUE:

Shall California oppose this proposed change and press for continuation of the present fair hearing procedures? If the regulations are placed in effect, our state costs will increase by an estimated \$10,600,000, and county costs by \$1,000,000.

DISCUSSION:

In the present two-step fair hearing process, many cases are fairly disposed of at a preliminary "evidentiary" hearing and do not have to be processed through the formal "fair" hearing. The "evidentiary" hearing is conducted by the county; the "fair" hearing by the state. The U. S. Supreme Court supported the legitimacy of the evidentiary hearing in Goldberg v. Kelly and in Wheeler v. Montgomery.

The proposed one-step process would require that all cases go through the state formal fair hearing. In addition to the cost of hiring many more hearing officers and supporting staff to handle this workload, aid payments pending outcome of the hearing would have to be continued to recipients subsequently found ineligible for aid.

For fiscal year 1970-71, additional staff to hear public welfare cases would cost approximately \$2.9 million in state funds. Continued aid payments to recipients later found ineligible would cost an estimated \$4.8 million in state funds (plus an additional \$1.0 million in county funds).

In addition, the Welfare Department has been notified by Health Care Services that they intend to remove approximately 40,000 cases from the Medicare case-load. The resulting need for additional hearing officers and supporting staff is estimated to represent added state costs of another \$2.9 million, bringing total state costs to \$10.6 million.

NET EARNINGS VS. GROSS EARNINGS

SUBJECT:

HEW regulations require states to use gross earnings rather than net earnings as a basis for determining the size of welfare grants.

ISSUE:

Shall the Governor request HEW to change this federal regulation to permit states to use net earnings as a basis for determining welfare grants? This would reduce the number of welfare recipients who have high gross incomes, i.e., the Alameda County situation.

State general fund savings for this change would amount to approximately \$4.5 million. The counties would save approximately \$2 million.

DISCUSSION:

California was forced to comply with this federal regulation by a court order in the Nesbitt vs. Montgomery decision. We believe that the HEW regulations which prescribe the method to be used in determining the amount of earned income which must be disregarded exceed requirements of federal law.

Example Assuming Gross Earnings \$300, Total Work Expense \$75

<u>Gross Method</u>		<u>Net Method</u>	
Gross Earnings	\$300	Gross Earnings	\$300
Minus \$30	<u>-30</u>	Minus Work Exp.	<u>-75</u>
	270		225
Minus 1/3 bal.	<u>-90</u>	Minus \$30	<u>-30</u>
	180		195
Minus Work Exp.	<u>-75</u>	Minus 1/3 Bal	<u>65</u>
Amount to be applied	105	Amount to be applied	130
against need standard		against need standard	
in arriving at grant		in arriving at grant	

DEFINITION OF AN UNEMPLOYED FATHER

SUBJECT:

Federal regulations require states to consider as "unemployed" any parent who is working less than 30 hours per week, for purposes of eligibility for AFDC, and permit the states to consider as unemployed any person who is working less than 35 hours per week.

ISSUE:

Shall California request HEW to adopt regulations defining unemployment as any employment of less than 20 hours per week? This would create an estimated savings of \$3,759,000 in state funds during 1970-71 and county savings of \$1,809,900.

DISCUSSION:

The Social Security Act permits the secretary of HEW to determine the standards of unemployment for eligibility purposes in the AFDC-Unemployed Parent program. The House Ways and Means Committee, in their report on HR 16311, indicate that 30 and 35 hours per week sets the limit too high. Their report states, "It may be an incentive for many families to restrict their work activities."

FAIR HEARINGS IN RELATION TO SOCIAL SERVICES

SUBJECT:

HEW regulations require states to provide for a fair hearing under which applicants and recipients of AFDC may appeal Agency actions which: deny or exclude them from a service program; fail to take into account their choice of services; require them to participate in a service program.

ISSUE:

Should California protest this requirement which entails an indeterminate minor workload increment for the Department's hearing officers?

DISCUSSION:

There is no basis in the federal law for the Secretary to require any fair hearing process in the social service program. Fair hearing requirements in all of the Titles of the Social Security Act, including Title IV (AFDC), very specifically limit this to matters relating to money payments.

WELFARE STAFFING STANDARDS

SUBJECT:

Federal regulations on staffing standards have the effect of forcing California to maintain the level in effect in 1967-68; namely, one social worker for every 60 cases and one supervisor for every five workers.

ISSUE:

Shall California request HEW for a change in regulations to remove the obstacles preventing states from determining the staff required to carry out their own social service programs? This should result in savings to the state, but we have not been able to estimate their amount.

DISCUSSION:

No current federal law specifies a staffing standard. The above ratios were federally mandated in 1962. In 1968, federal regulations were adopted that did not specify a caseload or supervisory figure, but required of states, instead, an explanation of how the quantity and quality of services will be maintained in instances where the number of professional staff performing eligibility and/or service result in caseload or workload higher than that in effect in 1967-68.

In July 1968, California obtained permission to modify standards to apply the 60-to-1 and 5-to-1 ratios on an averaging basis within counties, thus giving some workload flexibility in larger counties, but very little in smaller counties.

STATE OPTION FOR REVISED ELIGIBILITY METHOD

SUBJECT:

By July 1, 1970, the secretary of HEW will decide, by federal regulation, whether the states must use the new simplified eligibility methods for determining AFDC eligibility (1) statewide, (2) statewide on an optional county basis, or (3) not at all.

ISSUE:

If the secretary of HEW does not prohibit states from using the new method shall the Governor press for a federal regulation to permit the states to exercise an option? If the secretary decides to impose the new method on the states, additional costs are likely to occur in amounts that cannot yet be estimated.

DISCUSSION:

The simplified method of determining eligibility opens the possibility of increased fraud as well as non-fraudulent overpayments that could go undetected. The method involves a self-declaration system of application for aid, unverified except for spot-checks. This is similar to the honor system of filing income tax reports except that it lacks substantiation such as the W-2 Form provides for tax reports. A test of the method in California is due for completion July 31, 1970. Results are still inconclusive.

FAILURE TO TAKE WORK WHILE REFERRED TO WIN

SUBJECT:

When a welfare recipient has been referred to the Work Incentive Program (WIN) and refuses an offer of employment without good cause, he is taken out of the grant, but welfare payments must still continue to be paid to his family through vendor or third party payments. This holds true even though he is only in a "holding" status in the WIN program with no work or training activity going on. Currently there are about 30,000 recipients in a holding status.

ISSUE:

Should California urge the Secretary of HEW to change his regulations so as to permit states to discontinue all aid to the family where a man in WIN holding status refuses employment without good cause?

DISCUSSION:

Prior to the enactment of the 1967 amendments of the Social Security Act, states were permitted to discontinue aid for families when the father refused employment without good cause. In enacting the WIN program, Congress specified that persons referred to WIN who refused employment would be removed from the grant, with aid continuing to the rest of the family through vendor or third party payments.

However, federal regulations define "referrals" to WIN so broadly that it covers the individual in WIN "holding" status who is neither working nor receiving training. This results in a situation where a person whose time is not constructively applied to anything can simply refuse to be employed, without jeopardizing welfare income to the other members of his family. Although he himself is removed from the allowed budget, nothing prevents him from sharing in the family's remaining allowance.

The Secretary's regulations are in accord with a literal interpretation of the law. However, we do not believe that the Congress intended that this provision should be applied to the many thousands of persons who are in a "holding status".

DISTRICT ATTORNEY'S COSTS -- REIMBURSEMENT

SUBJECT:

HEW regulations create inequities in reimbursing district attorneys for their cooperative activities in obtaining child support from absent parents of families on welfare.

ISSUE:

A proposal by SDSW to correct this matter is under study by the HEW Legal Counsel. 1) Shall California press for an immediate decision on the proposal? 2) As an alternative or concurrently should California press the Secretary of HEW to delete the restrictive language in the regulation?

DISCUSSION:

1) Present regulations limit reimbursement to those costs of a district attorney's activities above the level in effect prior to the federal law permitting cooperative arrangements with welfare agencies. District attorneys who have always made extra efforts to deal with the child support problem are penalized by the provision that only additional activity is reimbursed. Those who have made very little effort are rewarded for any increased action.

Currently, this district attorney activity is reimbursed at 50 percent, while welfare agency activity to obtain child support is reimbursed at 75 percent. The SDSW proposal to HEW is for a trade; namely, to forego the 75 percent for welfare action and obtain a flat 50 percent reimbursement for all costs of actions to obtain child support, whether the action is taken by welfare staff or by district attorneys.

2) The alternative approach would be to have HEW delete the references in the regulation to "increase" effort for "additional" staff time. Under this approach the state would continue to receive 75 percent reimbursement for welfare agencies' child support activities.

HEW based their restrictive regulation on their reading of the intent of Congress on this matter in 1967. However, the House Ways and Means Committee in reporting out HR 16311 took a very hard line on the obligation of deserting parents. The whole tenor of their report is such that it can be assumed they would look with favor on the use of federal funds without the current restrictions, to support the efforts of the district attorneys in this endeavor.

FEDERAL LAWS

Item	Program	Gen Fund Savings FY 70-71	Months to Implement Change
Costs of Outlawing Durational Residence Requirements	All Programs	\$3.5 million (14.1 full year)	9
Children in Foster Care -- No Federal Sharing	AFDC-BHI	\$1.6 million (6.5 full year)	9
Unemployed Father Cases -- No Federal Sharing	AFDC - U	\$1.0 million (\$4.2 full year)	9
Earned Income Exemption -- Aid to Families with Dependent Children	AFDC	*	9

* Savings here would depend upon the limit imposed

COST OF OUTLAWING DURATIONAL RESIDENCE REQUIREMENTS

SUBJECT:

As a result of a Supreme Court decision, states are prohibited from imposing any durational residence condition for the receipt of aid. As a result millions of dollars will be spent by the state and counties in the next fiscal year to support an additional 36,800 persons on public assistance who have not established the California residence formerly required.

ISSUE:

Should California press the Congress for immediate action in this session to reimburse states for the added costs directly attributable to the Supreme Court decision on durational residence? Such change in federal law would save the state general fund \$14.1 million for the total fiscal year 1970-71. The counties would save approximately \$4.2 million.

DISCUSSION:

In April 1969, a ruling by the U. S. Supreme Court prohibited states from making residency a requirement for receiving public assistance. This permits families and individuals to enter California's welfare rolls who would not have been eligible to do so under conditions prior to that ruling. No provision was made to relieve states of the financial burden that would be added by this decision.

Last year, Senator Murphy, with Governor Reagan's support, introduced legislation for federal reimbursement to the states, on a time-limited basis, for the added costs directly attributable to this court decision. The proposal was not enacted into law. It is not known whether such a proposal is now before the Congress.

CHILDREN IN FOSTER CARE -- NO FEDERAL SHARING

SUBJECT:

California is providing payments on behalf of almost 26,000 needy children in foster homes and institutions without any federal reimbursement because of the restrictive definition of such children under current federal law.

ISSUE:

Should California press the Congress for immediate action in this session to amend Section 408 of the Social Security Act so as to give federal support for all needy children in foster care? It is estimated that such a change in federal law would result in general fund savings of \$6,455,300 for the full fiscal year 1970-71. The counties would save approximately \$16.2 million.

DISCUSSION:

By federal law, federal reimbursement for the cost of supporting a needy child in a foster home or institution can be paid only if the child has been placed in such care by court order. Therefore, California cannot claim reimbursement for the majority of children being supported in these living arrangements, since relatively few of them receive this care as a result of court action.

A child whose family situation is such as to require foster care, whether or not this is ordered by a court, has in effect been deprived of the care of both parents. It would be a more equitable policy to give federal support for such children in the same proportion as is now given through the AFDC program for children deprived of only one parent who are living in their own home.

UNEMPLOYED FATHER CASES -- NO FEDERAL SHARING

SUBJECT:

California is providing AFDC-U payments to over 7,000 families without any federal reimbursement because state law provides a broader definition of eligibility than permitted by federal law.

ISSUE:

Should California press the Congress for immediate action in this session to amend Section 407 of the Social Security Act so as to restore to the states the right to define the eligibility requirements for this program? It is estimated that such an amendment to the federal law would save the state \$4,183,200 for fiscal year 1970-71.

DISCUSSION:

A 1967 amendment to federal law restricts federal matching for unemployed parent cases to families where the father has already established a close connection with the work force and is not receiving unemployment compensation. If he does not meet the definition in this law, he cannot be referred to WIN, and the state cannot be reimbursed for aiding the family. Many such families are receiving welfare assistance in California because of the broader definition in state law. Being younger, these fathers tend to be those most in need of the training that WIN provides.

EARNED INCOME EXEMPTION -- AID TO FAMILIES WITH DEPENDENT CHILDREN

SUBJECT:

Under current federal law, there is no limit on the amount of gross earnings subject to the mandated \$30 and 1/3 earned income disregard. This makes it possible for some families to remain on aid despite inordinately high total incomes.

ISSUE:

Should California press Congress for immediate action in this session for a change in Section 402 a(8) of the Social Security Act so as to place acceptable limits on the total income a family can have and still receive public assistance.

DISCUSSION:

The 1967 amendments to the Social Security Act required states in calculating the amount of AFDC payments to exempt the first \$30 of family earnings plus 1/3 of the balance. This provision was designed to provide the incentive of monetary gains to encourage recipients to seek and accept employment as an alternative to remaining on aid. The basic defect in the law is its completely open-ended nature. This has the result of allowing a relatively few families to remain on aid despite total gross income from all sources, sometimes as much as \$800 or \$1,000 or more per month.

During the current consideration by the Congress of HR 16311, considerable concern has been expressed regarding this problem, and it can be anticipated that the Congress would be receptive to proposals to deal with it. A more equitable approach which would preserve the incentive features within limits would be a gradual reduction in the proportion of earnings exempted as earning capacity increases, and the family's income situation approaches a level of adequacy in relation to its size, with this level being established as a cut-off point for exempting any earned income.