GOVERNOR'S 1998-99 BUDGET PROPOSAL FOR: SOCIAL SERVICES

MAJOR PROPOSALS

The Governor's 1998-99 budget:

- Make permanent the 4.9 percent welfare grant reduction for savings of $151 million ($74 million General Fund);
- Eliminate the welfare COLA for savings of $71 million ($34.6 million General Fund);
- Spend approximately $1 billion for job training services and $891 million for child care services for welfare recipients;
- Eliminate the state COLA for SSI/SSP recipients for General Fund savings of $52 million; and
- Expand senior programs administered by the Department of Aging by $12.2 million and the Adult Protective Services program by $10 million.

DEPARTMENT OF SOCIAL SERVICES

CALWORKS

The federal welfare reform law eliminated the Aid to Families with Dependent Children (AFDC) entitlement program and replaced it with the Temporary Assistance for Needy Families (TANF) block grant. In response to the new federal law, California established the California Work Opportunity and Responsibility to Kids (CalWORKs) program through AB 1542 (Ducheny), Chapter 270, Statutes of 1997. The CalWORKs program was implemented on January 1, 1998.

California's federal welfare block grant amount is $3.7 billion each year for the next four years and is based on federal fiscal year 1995 expenditures, when welfare caseload and expenditures were higher than is currently projected. Although California's annual federal TANF allocation is $3.7 billion, the budget proposes to carry-over almost $500 million in TANF funds from 1997-98, for total federal TANF expenditures of $4.2 billion in 1998-99.

The federal maintenance-of-effort (MOE) provision requires that states spend at least 80 percent of their 1994 state and county expenditure levels. The budget proposes state and county expenditures of $2.9 billion to meet the federal MOE requirement, which is the minimum level required. The budget proposes to use $152 million of the federal TANF block grant to offset General Fund costs above the minimum MOE level. Of the $2.9 billion in MOE expenditures, approximately $424 million, or 15 percent, is budgeted through departments other than Social Services.

The budget proposes total expenditures of $6.4 billion for CalWORKs through the Department of Social Services in 1998-99. This includes $3.7 billion for grant payments, $1.4 billion for services, $568 million for county administration, and $713 million for child care.

Table 1 summaries the major budget proposals for the Department of Social Services associated with CalWORKs.

Table 1

GOVERNOR'S CALWORKS BUDGET PROPOSAL
FEDERAL TANF AND GENERAL FUND SAVINGS/COSTS 1998-99
(Dollars in millions)

Department of Social Services	Federal TANF	General Fund
Welfare Grants	$2,234.4	$2,123.5 ($6.6 million non-MOE expenditure)
Savings due to the new Grant Computation methodology	-46.7	-44.4
Savings from making the 4.9 percent grant reduction permanent (due to be restored on November 1, 1998)*	-77.3	-73.5
Savings from eliminating the welfare COLA (due to be restored on November 1, 1998) *	-36.4	-34.6
Costs to provide employment services	840.4	57.6
Funds for services which will draw down federal welfare-to-work funds		95.0 (non-MOE expenditure)
Costs to provide substance abuse and mental health services	16.5 (non-TANF)	66.1 ($1.5 million non - MOE expenditure)
Costs to fund Child Care (Stage 1)	671.7	40.9
Funds for county fiscal incentives	136.9	130.0
County administration	333.2	199.6
Spend TANF funds for county probation programs	200.1	
Savings due to the Maximum Family Grant. Under current law, a mother's grant will not increase if she has more children while on welfare	-36.2	-34.3
Savings due to the new conciliation process	-17.6	-17.6
Savings from exits due to employment	-42.2	-40.0
Savings from grant reductions due to increased earnings resulting from the work requirements	-94.7	-89.9
Savings due to sanctioning recipients for failure to meet work activity requirements	-35.4	-33.7
State administration	28.8	1.2
Other Dept. Social Services MOE expenditures	4.2	220.9
MOE expenditures in other departments		424.0
Use federal TANF funds to offset General Fund expenditures above MOE level	160.0	-152.0
TOTAL**	**$4,223 ($3.7 billion annual grant + $.5 billion carryover)**	**$2,736**

*These proposals would require a change in state law.
** Approximately $187 million would be provided by counties to meet the state's MOE requirement.

CASELOADS

Welfare caseloads are projected to decrease for the fourth straight year in 1998-99. The caseload is estimated to be 2,220,000 persons, or approximately 755,000 families, in 1997-98, and projected to decrease to 2,017,000 persons, or approximately 699,000 families in 1998-99. This represents a decrease of approximately 9.2 percent. About 1.4 million of the persons served are children. The decreasing caseloads are a significant change from the much higher growth rates experienced during the recession in the early 1990s. Part of the recent decrease may be due to the improvement in the state's economy. The budget includes federal TANF and General Fund savings of $179 million from the current year due to the caseload decrease.

GRANT CUTS

In 1995-96, the Governor proposed a 7.7 percent reduction in welfare grants and an additional 15 percent reduction for recipients after they had been on aid for six months. This proposal was rejected by the Legislature, although the 1995-96 budget trailer bill included a one-year temporary 4.9 percent statewide and an additional permanent 4.9 percent regional grant reduction. The 4.9 percent grant cuts were not implemented due to federal maintenance-of-effort (MOE) restrictions. The 1991-92 budget trailer bill had suspended the statutory grant COLA through the end of 1995-96.

In 1996-97, the Governor again proposed new grant cuts including:

- making a temporary 5.8 percent grant reduction enacted in 1992-93 permanent;
- making permanent the 4.9 percent statewide grant reduction;
- suspending the COLA; and
- reducing grants by an additional 4.5 percent.

The Budget Act of 1996-97 included once again a *temporary* 4.9 percent statewide grant reduction and the additional 4.9 percent *permanent* regional grant reduction in low-cost counties which had previously been authorized. Due to the federal MOE requirement, the state could not implement these reductions without a federal waiver or law change which did not occur. The welfare COLA was suspended again and the 5.8 percent grant reduction was made permanent. The 4.5 percent grant reduction was rejected by the Legislature.

In 1997-98, the Governor proposed to implement the 4.9 percent regional grant reduction, implement and make the 4.9 percent statewide grant reduction permanent, reduce grants by 15 percent after six months of aid as part of the Governor's welfare proposal, and suspend the welfare COLA. The Budget Act of 1997-98 included the 4.9 percent regional grant reduction, continued the 4.9 percent statewide grant reduction only through October 1998, and suspended the welfare COLA through October 1998. The passage of federal welfare reform law eliminated the previous MOE requirement and allowed the state to implement these reductions. The Legislature rejected the 15 percent grant reduction proposal.

The 1998-99 budget proposal includes the 4.9 percent regional grant reduction. The Governor again proposes to make permanent the 4.9 percent statewide grant reduction, for General Fund savings of $73.5 million in 1998-99. The budget also proposes to eliminate the welfare COLA for General Fund savings of $34.6 million.

Table 2 shows the California Necessities Index (CNI) which measures the effect of inflation on purchasing power, the grant for a family of three, the grant amount if an inflation adjustment had been adopted, and the cumulative loss of purchasing power since 1989. As the table shows, welfare recipients have not received a cost-of-living adjustment since 1989-90, resulting in a loss of purchasing power of one-third over this period.

Table 2

CALIFORNIA WELFARE GRANTS 1989-98

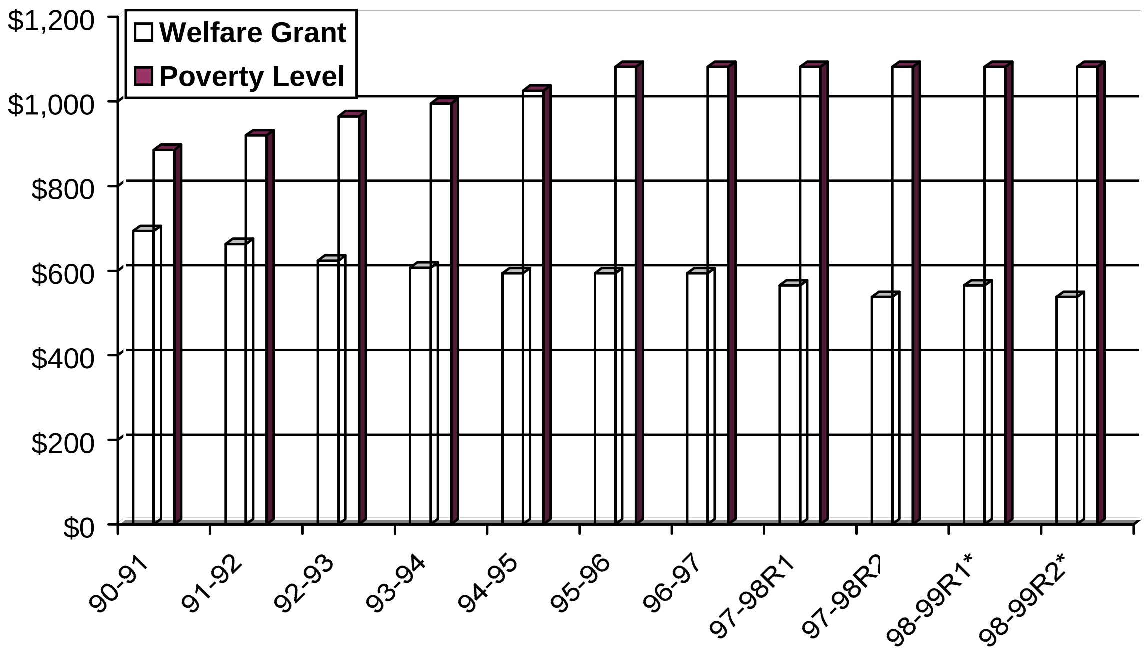
YEAR	INFLATION PERCENT	ACTUAL GRANT FAMILY OF THREE	GRANT WITH FULL COLA	CUMULATIVE LOSS OF PURCHASING POWER SINCE 1989
1989-90	4.6	$694	$694	0.0%
1990-91	4.6	694	726	4.4%
1991-92	5.5	663	766	13.4%
1992-93	1.8	624	780	20.0%
1993-94	2.4	607	798	24.0%
1994-95	1.7	594	812	26.8%
1995-96	1.5	594	824	27.9%
1996-97	0.5	594	828	28.3%
1997-98R1	2.6	565	850	33.5%
1997-98R2	2.6	538	850	36.7%
1998-99R1*	3.2	565	877	35.6%
1998-99R2*	3.2	538	877	38.7%

*R1 Grant level in the 17 high-cost counties.
*R2 Grant level in the 41 low and moderate cost counties.

Chart 1 shows welfare grants for a family of three compared to the poverty line since 1990-91. The Governor's proposal would drop grants to approximately one-half of the poverty line.

Chart 1

Welfare Grant Falls Below Poverty Level
(For Family of Three)



*R1 Grant level in the 17 high-cost counties.
*R2 Grant level in the 41 low and moderate cost counties.

The main features of the new CalWORKs program include:

Time limits: CalWORKs limits current recipients to 24 months of aid and new applicants to 18 months of aid. Counties may extend the 18-month limit by a maximum of six months. Adult recipients are required to begin community service employment at the end of these time limits if the counties certify that unsubsidized employment is unavailable. Adults may not receive aid after five cumulative years on aid. The child's portion of the grant is continued, and may be in the form of cash or vouchers.

Work Requirements: Under CalWORKs, single adult parents are required to participate in work activities for 20 hours per week beginning January 1, 1998, for 26 hours beginning July 1, 1998, and for 32 hours beginning July 1, 1999. Counties may extend the minimum work requirements to 32 hours per week. Two-parent families must participate in work activities for 35 hours per week. Those exempted from the work requirements include persons who are teen parents attending school, disabled, elderly caretakers, caretakers of disabled persons, or a parent with a child six months of age or under (counties may change to 3-12 months of age).

Job Training/Employment Services: Recipients are required to enter into a welfare-to-work plan after an assessment. The plan must include the activities and services that will move the recipient into employment. The budget proposes total expenditures of approximately $1 billion for job training and employment services to serve 376,000 welfare recipients. This represents an increase of $500 million over the current year. The budget assumes that this level of funding will meet the need for services in 1998-99.

The amount for employment services includes $95 million from the General Fund which would be used to match federal welfare-to-work funds administered by the Employment Development Department (*see Employment Development Department section*). California expects to receive approximately $363 million in federal welfare-to-work funds over two years. States must spend $1 in matching funds for every $2 in federal funds. California is providing a state match of $95 million from the General Fund in 1998-99 and must provide another $86.5 million before September 30, 2001. While most of the federal welfare-to-work funds must be administered through local Private Industry Councils, the state match may be administered at the state's discretion while meeting the basic requirements for eligibility and allowable services. The Governor proposes to allocate the $95 million to county welfare departments to supplement their CalWORKs employment services.

Child Care: AB 1542 established a new three-stage child care delivery system for families in the CalWORKs program. Stage one begins upon entry into job search services and can last for up to six months. Stage two begins when the recipient's schedule for training or work stabilizes or when a recipient is transitioning off of aid and child care is available through a local stage two program. Stage three begins when an individual is receiving diversion services, is in long-term training, or is regularly employed at a wage that does not exceed 75 percent of the state median income.

The Governor's budget proposes total expenditures of $891 million, an increase of $600 million over the current year, for child care services for 216,000 children in the CalWORKs program. The budget assumes this amount will meet anticipated need in 1998-99. Of the $891 million, $702 million is budgeted in the Department of Social Services. The Department of Education's budget includes $174 million and the Community Colleges' budget includes $15 million. Former welfare recipients who have transitioned to work are eligible for child care services through the general child care budget for low-income working families, although $60 million has been earmarked for welfare recipients.

The Budget Act of 1997 included $8 million from the General Fund for child care capacity building for the Department of Social Services and another $8 million for the Department of Education. The departments should provide information to the Legislature during budget hearings regarding the use of those funds and the activities that were completed.

New Grant Structure: CalWORKs replaces the current income disregard with a new disregard whereby the first $225 of earnings plus 50 percent of each additional dollar of earnings are disregarded in calculating the grant level. The budget includes $44.4 million in General Fund savings from the implementation of the new grant structure. Table 3 shows the difference in grant level and disposable income under current law and CalWORKs for a family of three living in a high-cost county with half-time earnings (based on minimum wage).

Table 3

Comparison of Grant and Disposable Income Levels Family of Three in a High Cost County with Earnings of $498 mo.			
	Current Law	**CalWORKs**	**Difference**

Gross Earnings (mo.)	$498	$498	--
Grant Amount (mo.)	$502	$429	-$73
Disposable Income (gross earnings + grant amount + food stamps + EITC)	$1,359	$1,308	-$51

Substance Abuse/Mental Health Treatment Services: Counties are required to specify any necessary substance abuse and mental health treatment services in the county plans. The budget proposes $63.6 million, of which $57 million is from the General Fund, for substance abuse services. The budget also includes $18 million, of which $9 million is from the General Fund, for mental health services.

Domestic Violence: Counties may waive, on a case-by-case basis, any program requirements if participation would be detrimental to the participant or to his or her family. The budget does not include any proposals for support or training services.

Fraud: CalWORKs recipients are ineligible for benefits for any fraudulent misrepresentation or failure to disclose information for six months for the first offense, twelve months for the second offense, and permanently for the third offense. Also, recipients are permanently ineligible for benefits if the recipient is found by a court or pursuant to an administrative fair hearing to have misrepresented their place of residence, submitted documents for nonexistent children or fraudulently received benefits in excess of $10,000.

Under the new CalWORKs law, counties receive 25 percent of the state share of savings, including federal TANF funds, resulting from the detection of fraud. The budget includes $13.1 million ($6.6 million General Fund) for fraud incentive payments to counties, which is the same amount as the revised estimate of current year expenditures.

Job Creation: The budget does not include any new proposals for job creation targeted to meet the needs of welfare recipients as they transition to work. The budget also eliminates $5 million for the Job Creation Investment Fund created by AB 1542 and funded through the Budget Act of 1997 to help welfare recipients. This fund was established to provide flexible funding for counties to develop job creation models based on local needs. Under the CalWORKs program, there will be a need to move approximately 600,000 to 700,000 recipients into employment. However, there are only about 300,000 estimated new jobs created each year. In addition, not all of the new jobs created will be jobs that welfare recipients are qualified for since they may not have the educational or work experience necessary to get higher paying jobs.

County Allocations: The CalWORKs program consolidates employment services and county administration funding into a single block grant allocation to counties and establishes a county maintenance of effort level. The budget includes a block grant to counties of approximately $2 billion for employment services, child care, support services, and administration.

County Fiscal Incentives: Half of any federal penalties that the state receives for failure to meet federally required outcomes will be shared by those counties that failed to meet the requirements. Each county may keep 75 percent of any state savings resulting from reduced grants due to: (1) recipients who become employed for at least six months, (2) increased earnings due to employment, or (3) successfully diverting applicants from the program. The remaining 25 percent of state savings may be allocated to counties that did not generate the savings, but meet certain performance standards. The budget includes $266.9 million ($130 million General Fund) for fiscal incentive payments to counties in 1998-99.

FOOD STAMPS

The Food Stamp program provides monthly coupon benefits to assist low income households in purchasing food to maintain adequate nutritional levels. The federal government funds the total costs of the benefits, while the state and county share the costs for administration. There are currently about 2.4 million people in the state receiving food stamp benefits and the average benefit per person in California is $70 per month.

Federal welfare reform law made all non-citizens ineligible for the Federal Food Stamp program. This law denied eligibility to approximately 120,000 adults, children, and seniors for food stamps in California. The Federal Balanced Budget Act of 1997 did nothing to restore eligibility to this population.

Last year, Assembly Speaker Cruz Bustamante successfully negotiated the adoption of a state-only program to provide food stamps for non-citizen minors under the age of 18 and seniors 65 and older. The budget assumes that current-year costs for the program will be $37 million from the General Fund and will serve an average of 25,965 persons per month in 1997-98. The budget includes $23 million for the state-only program and would serve an average of 13,711 per month in 1998-99. This decrease is primarily due to the assumption that more individuals will naturalize in 1998-99.

The budget does not include funding for Food Stamps for approximately 81,000 non-citizens, ages 18 through 64, who have lost their benefits and are not covered under the state-only program established last year.

Federal welfare reform law also linked food stamp eligibility to work requirements for some recipients. Specifically, able-bodied recipients age 18 to 50 without dependents are not eligible for food stamp benefits for more than three months in any three-year period, unless they are working at least 20 hours per week. The budget includes total administrative savings of $10.2 million, of which $3.6 million is from the General Fund, resulting from these individuals who lose their benefits. The budget does not include any proposals to provide increased job services to food stamp recipients in order to help them meet the work requirements.

In addition, federal welfare reform law allows states to seek a waiver of the work requirement for all or part of the state that: (1) has an unemployment rate of over 10 percent; or (2) does not have a sufficient number of jobs to provide employment for the individuals. The Department of Social Services plans to submit a waiver for eight counties whose unemployment rate is over 10 percent, for April 1, 1998 through September 30, 1998.

CHILD SUPPORT

The Governor's budget estimates increased child support collections of approximately $62 million, for a total of $634 million in 1998-99. These collections will offset welfare grant and foster care payments, for total General Fund savings of $263 million.

Federal welfare reform law required that collections on arrearages in specified cases be paid to the custodial parent rather than used to offset governmental expenditures for cash grants. This provision will be implemented in California on October 1, 1998. The budget includes $40.5 million from the General Fund to reflect this change.

Federal welfare reform law also required that all states implement a new employee registry reporting system. Beginning July 1, 1998, employers must report within 20 days, the hiring, rehiring, or return of any employee 18 years of age or older to whom the employer pays wages of $300 or more each month. The budget includes General Fund savings of $6.7 million from increased collections due to this provision.

In order to increase collections, the federal and state governments pay an incentive to the counties for child support collections. For 1997-98, incentive payments are given to counties at a flat rate of 13.6 percent based on counties' distributed collections and county compliance status. Effective July 1,1998, counties participating in the state child support incentive program must provide specific child support information, including performance-based data. The Budget includes an increase of $38.6 million from the General Fund for child support incentive payments in 1998-99.

The budget includes savings of $41 million due to the cancellation of the Statewide Automated Child Support System (SACSS). Federal law mandates that the state must develop a single automated statewide system for tracking child support. The contract with the SACSS vendor was terminated once it became clear that the system would be an ineffective tool for collecting child support payments. The budget also includes $20 million in anticipation of a replacement system *(see Information Technology section).*

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PROGRAM (SSI/SSP)

The Supplemental Security Income/State Supplementary Program (SSI/SSP) provides cash assistance to eligible aged, blind, and disabled persons. The SSI portion is funded by the federal government as a cash benefit for eligible persons. The state contributes the SSP portion of the grant as a supplement to the SSI grant.

The SSI/SSP caseload is projected to be approximately 1,075,000, which is a 3.1 percent increase over the current year projected caseload. Disabled persons make up two-thirds of the caseload, individuals over 65 years of age make up 31 percent, and blind persons are two percent of the caseload. The budget proposes $2.2 billion in General Fund support for the program in 1998-99, which represents a 4.6 percent increase over current-year General

Fund expenditures. According to the Legislative Analyst's Office (LAO), recent caseload declines in SSI/SSP indicate that state costs in this program will fall below the amounts envisioned in the new budget estimate. While the budget assumes that caseloads will increase by 3.1 percent in 1998-99, the LAO estimates that caseloads will increase by less than one percent.

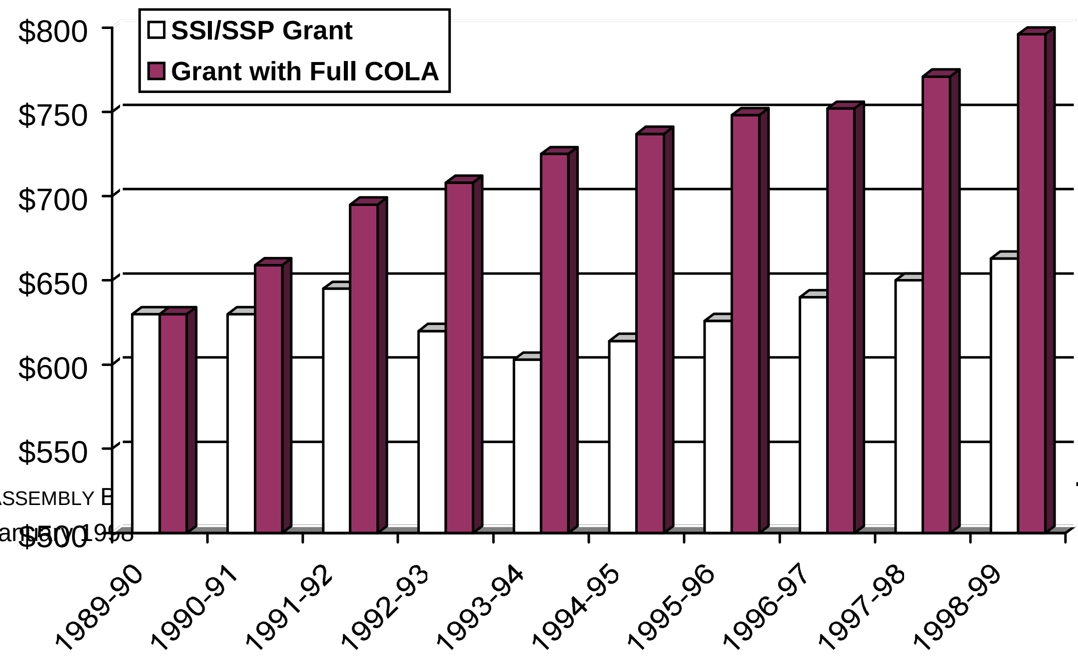
This year, the Governor finally acknowledges that there will be no federal law change to allow the state to implement grant reductions in the SSI/SSP program. Thus, there are no budget proposals to implement a 4.9 percent statewide or 4.9 percent regional grant reduction for SSI/SSP recipients, as has been the case in the past two years.

The Governor proposes to eliminate the state SSI/SSP COLA, but does include a 2.6 percent federal COLA. Restoring the state COLA would result in General Fund costs of approximately $51.7 million in 1997-98 because of the interaction between the state and federal COLAs. The state COLA is based on the California Necessities Index (CNI, 3.2 percent) and is applied to the entire SSI/SSP grant. The federal COLA is based on the Consumer Price Index (CPI, 2.6 percent) and is applied to the SSI portion of the grant only. If the CNI is equal to or greater than the CPI, recipients will receive both a state and federal COLA above their grant. If the CNI reaches a certain level below the CPI, it is possible that recipients receiving both a state and federal COLA could experience a *decrease* in their SSP payment.

Currently, a single aged or disabled adult receives $650 a month. The grant would be increased to $663 on January 1, 1999, due to the federal COLA. Chart 2 shows SSI/SSP grants since 1990 (the last year recipients received a full federal and state COLA). As the graph shows, on January 1, 1998, the Budget assumes that grants will fall to approximately 83 percent of what their value would have been, had both COLAs been consistently provided.

Chart 2

SSI/SSP Grant vs. Grant Adjusted for Inflation
Aged and Disabled Individuals, 1990-99



Federal welfare reform law denied federal SSI to non-citizen legal residents, with the exception to those serving in the armed forces, veterans, refugees, and asylees within their first five years, and those who have worked in the United States for over 10 years. The restriction had the potential of affecting more than 240,000 California residents. Following strong lobbying efforts by California and other impacted states, the Federal Balanced Budget Act of 1997 restored benefits for most, but not all of this population. The largest segment of the population whose eligibility was not restored was seniors. It is estimated that nearly 29,000 seniors in California will be denied federal SSI. The Governor's budget does not include funding for the population who have lost eligibility.

The Governor’s budget proposes no increased funding for citizenship and naturalization services for legal permanent residents who are eligible for naturalization. The Budget Act of 1997 appropriated $12.5 million in Federal Literacy Funds to the Department of Education for naturalization assistance to community-based organizations, community colleges, and adult education programs. These funds are included in the 1998-99 budget proposal. Last year, the Legislature appropriated $5 million to the Department of Community Services and Development to assist individuals with the naturalization process, however, this funding was vetoed by the Governor. The Legislature made another attempt to secure funding for naturalization services by placing a $3 million appropriation in the Budget Restoration Bill, AB 1571, (Ducheny), but the $3 million was vetoed by the Governor.

Federal welfare reform law also restricted eligibility for certain disabled children. The budget assumes that an average of 4,112 children will be denied benefits in 1998-99 due to the federal law, for total savings of $26.4 million ($3.5 million General Fund). The budget assumes that 75 percent of these children will qualify for TANF and includes $3.8 million for these costs. However, the budget does not include any other proposals to support children who will lose their SSI/SSP eligibility.

IN-HOME SUPPORTIVE SERVICES

The In-Home Supportive Services (IHSS) program provides services to eligible aged, blind, and disabled persons in order to enable them to remain independent and in their own homes, rather than in a more costly institutional setting. Services include meal preparation, laundry, and other personal care assistance.

The budget proposes total funding of approximately $1.4 billion, of which $485 million is from the General Fund, $577 million from federal funds, and $303 million from county funds for the IHSS program in 1998-99. This represents a 26 percent General Fund increase over current year expenditures. The caseload for the program is estimated to be 211,300 in 1998-99, which is an increase of 3.2 percent over the estimated current year caseload.

The budget includes General Fund expenditures of $30 million in 1998-99 to fund the costs associated with the increase in the minimum wage. Most IHSS providers are paid the minimum wage. The budget also includes a $46.9 million increase in General Fund support for the program due to a reduction in federal Title XX funds.

While the budget includes new funding proposals for in-home services programs in the Department of Aging (*see Department of Aging section*), there are no budget proposals in IHSS for program improvements.

ADULT PROTECTIVE SERVICES

The Governor proposes to augment the Adult Protective Services (APS) program by $10 million from the General Fund and $4.3 million from county funds in 1998-99, for a funding increase of 37.5 percent. The APS program provides services to protect elders and dependent adults from abuse, neglect, and exploitation, regardless of income. Currently, the APS program receives about $38 million, of which $16.4 million is from the General Fund. Last year, the Legislature twice attempted to secure additional funds for the APS program. However, the Governor vetoed most of the proposed augmentation, leaving only $1 million in additional funds for the program to grow in the current year.

In the APS program, the current mandate for counties is limited to receiving reports of abuse and providing information and referral services to clients. Due to lack of sufficient funding in the program, the counties' ability to respond to reports has decreased substantially. Even with the $10 million augmentation, the program would remain underfunded and the APS program would still be unable to provide many needed services. For example, counties would still be unable to provide 24-hour, 7 days-a-week response to reports and to meet the need for case management services.

COMMUNITY CARE LICENSING

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

The budget proposes expenditures of $85.2 million ($28.8 million General Fund) for the CCLD in 1998-99. This represents a 56 percent increase in General Fund expenditures from the current year. Most of the increase in General Fund expenditures is due to a budget proposal for $7.9 million and 136 positions to address increased workload for licensing activities. Other General Fund increases include $1.2 million for workload associated with the transfer of the Trustline Registry Program from the Department of Justice to the Department of Social Services, $945,000 for increased licensing workload of community care facilities for the developmentally disabled, and $756,000 for workload associated with the Live Scan Fingerprint project.

The Governor also proposes $3.7 million from the General Fund to provide early childhood development training for licensed and licensed-exempt family day care providers, on a voluntary basis. This would be administered by the CCLD.

Under the proposal, training would be provided to licensed family day care providers through a child care contractor, such as the University of California at Davis Extension or the California State University system. However, early childhood development training is already offered through the Community Colleges and it is unclear why a separate, new system would have to be established to provide this training.

Licensed-exempt arrangements include cases where a family may place its children in child care in the home of a neighbor, relative, or friend. It is unclear how the Governor's proposal will ensure that the training will be provided to licensed-exempt providers throughout the state. The Governor assumes there are established networks in the counties to provide this information to licensed-exempt providers. The Legislature needs more information to determine to what extent these networks have actually been established.

CHILDREN'S PROGRAMS

FOSTER CARE

The Foster Care program provides grants for eligible children if they are living with a foster care provider under a court order or a voluntary agreement between the child's parent and a county welfare or probation department. The caseload for 1998-99 is estimated to be 85,901, representing an increase of 3.3 percent over the current year caseload. The budget proposes $1.5 billion in total funds ($400 million General Fund, $584 million federal funds, $518 million county funds) for the program in 1998-99. This represents a 6.5 percent increase in General Fund expenditures from the current year. This includes a General Fund increase of $25 million to fund caseload growth in 1998-99.

Table 4 shows the different types of foster care placements and the Governor's proposals regarding COLAs for each type of placement.

Table 4

TYPES OF FOSTER CARE PLACEMENTS
GOVERNOR'S PROPOSAL FOR FOSTER CARE COLAs
1998-99

Placement Type	Description	Monthly grant per child (1997-98)	Statutory COLA	Governor's Proposal
Foster Family Homes	• Residential facility that serves no more than six foster children • Provides 24-hour care and	$345-$484	Yes	Provides a 3.2 percent COLA

	supervision in a licensee's home • Foster care grant may be supplemented for care of children with special needs			
Foster Family Agency Homes	• Homes operating under nonprofit foster family agencies which provide professional support • These placements are required by law to serve as an alternative to group home placement	$1,283-$1,515	No	None
Group Homes	• A facility of any capacity that provides 24-hour non-medical care, supervision, and services to children • Generally, serve children with higher emotional or behavioral problems who require a more restrictive environment	$1,183-$5,013	Yes	Eliminates the COLA

The budget proposes to eliminate the COLA for foster care group homes for General Fund savings of $7.9 million and proposes to eliminate group home classification changes for General Fund savings of $19.2 million. SB 370 (Presley), Chapter 1294, Statutes of 1989 established a new rates system for foster care group homes based on 14 level of care classifications. The rates system was implemented in 1990-91 and included annual COLAs, and the authority for group homes to reclassify their programs. Since 1991-92, the Budget Act has suspended the COLAs (except for 2.5 months in 1992-93 due to the delay in enacting the Budget Act). Since 1992-93, the authority for classification changes has also been suspended.

AB 1391 (Goldsmith), Chapter 944, Statutes of 1997 provides a 6 percent rate increase for foster family homes beginning July 1, 1998. Children who are placed in foster family homes generally receive the basic foster family home grant, ranging from $345 to $484 per month. Children with special medical and/or behavioral needs are also eligible for a specialized care increment over and above the basic foster family home grant. The budget includes $3 million from the General Fund for the rate increase. The budget also includes $1.7 million from the General Fund to provide a statutory COLA for foster family homes.

CHILD WELFARE SERVICES

The Child Welfare Services (CWS) program provides various services to abused and neglected children, children in foster care, and their families. The budget proposes a total of $876 million ($404 million General Fund, $325 million federal funds, $147 million county funds) to fund the basic costs of the program. This represents an increase of approximately 3.8 percent in General Fund expenditures from the current year. The total projected caseload in the various components of the program is about 180,574 in 1998-99, or an increase of 4.5 percent over the estimated current year caseload.

The budget also includes $13.5 million in federal funds for the Independent Living Program (ILP). The ILP provides services, such as job seeking skills, that will help a child transition from foster care to independent living. Currently, less than half of eligible children receive services through the state's ILP due to insufficient funding for the program. Although there are approximately 18,000 children eligible for services, only about 7,000 children are receiving services currently.

In 1982, the Legislature established the Child Abuse Prevention, Intervention, and Treatment (CAPIT) Program to provide prevention and intervention services to children at risk of abuse/neglect. Each year, about $9 million from the General Fund is allocated to counties to fund community-based public and private agencies that provide prevention and intervention services. No evaluation exists that can help determine whether these programs and services are effective. For 1998-99, the budget proposes an augmentation of $5 million from the General Fund to provide services for child victims of abuse and neglect who are not eligible for assistance from the Victims of Crime Restitution Fund. The Legislature needs more information regarding the use and allocation of the funds in order to fully evaluate the proposal.

MENTOR PROGRAM

Since 1996-97, the Governor has proposed to fund the California Mentor Initiative. The Initiative is designed to help youth-at-risk by matching them with mentors, who are persons other than the child's parent, to develop a formal, ongoing, one-to-one relationship with the child. The goal of the Initiative is to reduce juvenile crime, teen pregnancy, gang association, and the school dropout rate.

The 1997-98 Budget Act included total funding of $8.5 million for the Initiative, including $1 million in federal funds for the Department of Community Services and Development (DCSD), $5 million in Proposition 98 funding for the Office of Child Development and Education (OCDE), $1.2 million in federal funds for the Department of Alcohol and Drug Programs, and $1.3 million for the California Youth Authority.

This year, the Governor proposes to expand the mentoring programs by $6 million. This includes additional funds of $1 million from the General Fund for the DCSD and $5 million in Proposition 98 funding for the OCDE. Based on current year activities, more details should be available regarding the populations served, program services, and outcomes. This information needs to be reviewed by the Legislature before any expansion in these programs is approved. Various mentoring programs are also administered through different state departments. These efforts should be coordinated at the state level in order to reduce administrative costs and to maximize the benefits of such programs.

EMPLOYMENT DEVELOPMENT DEPARTMENT

The Employment Development Department (EDD) provides employment and job training services and administers federal funds provided under the Job Training Partnership Act (JTPA) and the Wagner-Peyser Act. The EDD also administers the Unemployment

Insurance (UI) and Disability Insurance (DI) programs. The budget proposes expenditures of $5.9 billion for the EDD in 1998-99. This represents a decrease of approximately 3.9 percent from current-year expenditures. Proposed General Fund support for the EDD remains at $23.6 million for both 1997-98 and 1998-99.

New federal legislation provides additional funds to states to augment their welfare-to-work efforts to move the "hardest to employ" welfare recipients into jobs. The funds must be spent on welfare recipients who have been on aid 30 or more months and who meet certain conditions such as lack of education, substance abuse problems, and poor work history. The funds may be used for: community service or work experience programs; job creation through public or private sector employment wage subsidies; contracts with public or private providers of readiness, placement, and post-employment services; job vouchers for placement, readiness, and post-employment services; and job retention or support services. The EDD proposes to submit a state plan to the federal government in early March 1998.

California expects to receive approximately $363 million in federal welfare-to-work funds over two years. States must spend $1 in matching funds for every $2 in federal funds. As proposed in the Governor's budget, California would provide a state match of $95 million from the General Fund in 1998-99 and must provide another $86.5 million before September 30, 2001. The budget proposes to allocate the $95 million through the Department of Social Services to counties for their CalWORKs programs. (*See CalWORKs section*)

The federal law requires that 85 percent of the federal welfare-to-work funds be allocated to the Private Industry Councils (PICs) in the 52 local Service Delivery Areas (SDAs) in the state to train and place welfare recipients in jobs. The state must develop a formula for allocating the "85 percent" funds to the PICs within certain federal guidelines. The remaining 15 percent may be used at the state's discretion.

The budget proposes $162 million in federal welfare-to-work funds in 1997-98 to be allocated to the PICs by formula. For 1998-99, the budget proposes the following for the welfare-to-work funds:

- $147 million for allocation to the PICs by formula;

- $50.5 million, which represents the state's share of discretionary funds, to be allocated on a competitive basis to local entities to facilitate local collaboration of government entities and private businesses; and

- $4 million for state administration for special welfare-to-work projects.

The welfare-to-work funds provide a good opportunity for the state to enhance its efforts to help recipients obtain employment. Further information is needed for the Legislature regarding the proposed use of the state's discretionary funds. In addition, it will be important that the EDD work closely with the Department of Social Services and that local PICs collaborate with county welfare departments and other local entities in order to ensure that the funds are used in the most-effective manner.

The budget also proposes $3,177,000 million from the state Disability Fund and 57 positions to implement new procedures in the DI Program to verity citizenship status for individuals filing claims in order to determine their eligibility for benefits. According to the EDD, this proposal is necessary in order to comply with federal welfare reform law which denies eligibility for state public benefits for undocumented persons. However, there may be some question as to whether DI benefits constitute a public benefit since the DI program works like an insurance program whereby the program is financed entirely by the worker through a payroll tax on his or her earnings.

DEPARTMENT OF AGING

The California Department of Aging (CDA) administers the federal Older Americans Act and the State Older Californians Act. The CDA works with local Area Agencies on Aging (AAAs) to provide various services to the elderly and functionally impaired adults at the community level. The budget proposes total expenditures of $156.3 million, of which $41. 5 million is from the General Fund, for support of the CDA in 1998-99. This represents an overall increase of 8.4 percent and a General Fund increase of 2.8 percent over current-year estimated expenditures. The Governor proposes to increase funding for various programs by $12.2 million in 1998-99. For 1999-2000, the budget would include an additional $8 million to reflect full-year costs of expanding the programs. Table 5 summarizes the Governor's budget proposal.

Table 5

GOVERNOR'S BUDGET PROPOSAL
EXPANSION OF DEPARTMENT OF AGING PROGRAMS
(Dollars in thousands)

Program	Description	1997-98	1998-99	Increase
Alzheimer Day Care Resource Centers	Provides day care for persons with Alzheimer's disease	$2,478	2,872	394
Adult Day Health Care	Provides health and social services to seniors and physically and mentally impaired adults at risk of institutionalization	1,331	2,375	1,044
Multi-Purpose Senior Services	Provides case management to elderly persons to enable them to remain in their homes	22,144	27,937	5,793
Linkages	Provides case management to seniors and adults with disabilities	2,060	5,188	3,128
Foster Grandparents	Pairs seniors with special needs children	366	811	445
Senior Companion	Seniors provide support to other elderly persons in their community	319	1,012	693
Respite Care	Provides support for caregivers	92	234	142

Brown Bag	Provides surplus food to low-income seniors	723	777	54
Administration	Local Area Agency on Aging Administration	563	1,027	464
			Total Increase	**$12,157**

Currently, these programs are not operational statewide. According to the CDA, the funding would be allocated so that each of the AAAs would be able to establish any of the programs it did not currently have. This means, however, that the sites would not necessarily be established based on those areas with the greatest need for these services. While the budget proposal represents a good first step to increasing services for seniors and adults with disabilities, the proposed funding level still does not meet all of the service needs of the population. In addition, there are no budget proposals for other important senior programs such as:

- ***The In-Home Supportive Services (IHSS) program:*** This program is administered by the Department of Social Services and is the largest "in-home" social services program for seniors and adults with disabilities who might otherwise be placed in institutional settings. There are no budget proposals for improvements in this program. For example, quality of care has been a major issue for the IHSS program;

- ***Long-term Care Ombudsman:*** There is no mention of expanding or improving the Long-Term Care Ombudsman program, which monitors and responds to abuse which occurs in nursing facilities. The Governor's initiative only addresses abuse that occurs in "home" settings and ignores the need for increased elder abuse protection for those in other settings;

- ***Long-term Care Service Integration:*** There is no proposal to provide increased support for the long-term care pilot projects authorized by AB 1040 (Bates-Mello), Chapter 875, Statues of 1995 which is designed to integrate service delivery at the local level. and

- ***Caregiver Resource Centers:*** There is no proposal to augment the Caregiver Resource Centers administered by the Department of Mental Health. Through these centers, additional resources could help increase family caregiver support and reduce the statewide respite services waiting list.

DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

The Department of Community Services and Development (DCSD) administers the Low-Income Energy Assistance Program (LIHEAP) and the Community Services Block Grant (CSBG). In addition, the DCSD plans, coordinates, and evaluates programs that provide services to the poor and advises the Governor on the needs of the poor.

The LIHEAP provides cash grants and weatherization services, which assist low-income persons in meeting their energy needs. The CSBG provides funds to community action agencies for programs intended to assist low-income households.

The budget proposes total expenditures of $126.9 million for the DCSD in 1998-99. This represents an increase of two percent over estimated current year expenditures. Of the proposed expenditures, $121 million are federal funds, $1 million is from the General Fund, and $5 million are from reimbursements. The proposed General Fund expenditures are for expansion of the Mentor Program (*see Children's Programs section).*

The Governor proposes to eliminate the Migrant Seasonal Farm Workers Food program. Last year, in an effort to address the nutritional needs of farmworkers, the Legislature adopted a state assistance program under the DCSD. The $2 million program issues food vouchers to non-citizen legal immigrant farmworkers (ages 18-64) who were eligible for federal food stamps prior to federal welfare reform law. It is estimated that this program will help more than 10,000 farmworkers.