Health and Welfare Agency

STATE COUNCIL ON DEVELOPMENTAL DISABILITIES AND AREA BOARDS ON DEVELOPMENTAL DISABILITIES

Item 4100 from the Federal Trust Fund and Item 4110 from reimbursements — Budget p. HW 1-3

Requested 1984–85	$3,268,000
Estimated 1983–84	3,997,000
Actual 1982–83	3,031,000
Requested decrease $729,000 (−18.2 percent)	
Total recommended reduction	None

1984–85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
4100-001-890—State Council on Developmental Disabilities		Federal	$3,268,000
—Support			(787,000)
—Community Program Development			(649,000)
—Allocation to Area Boards			(1,832,000)
4110-001-001—Area Boards on Developmental Disabilities		Reimbursements	—

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Unanticipated Federal Funds. Recommend adoption of Budget Bill language requiring the state council to allocate to community program development any federal funds it receives in excess of the amounts appropriated by the Legislature. 785
2. ***Federal Funds Allocation. Reduce Item 4100-001-890(d) by $174,000 and increase Item 4100-001-890(c) by $174,000.*** Recommend that funds proposed for one-half position ($15,000) and operating expense ($159,000) for area boards be used instead for community program development in accord with current legislative policies. 787

GENERAL PROGRAM STATEMENT

The State Council on Developmental Disabilities operates pursuant to the provisions of the Lanterman Developmental Disabilities Services Act (Ch 1365/76) and related federal law. The council is responsible for planning, coordinating, monitoring, and evaluating the service delivery system for persons with developmental disabilities.

There are 13 Area Boards on Developmental Disabilities that operate pursuant to Ch 1367/76. Area boards are regional agencies responsible for protecting and advocating the rights of developmentally disabled persons, promoting the development of needed services, assisting the state council in planning activities, and conducting public information programs.

The state council and area boards are authorized 56.5 positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of $3,268,000 from federal funds for support of the state council and area boards in 1984–85. This is a reduction of $729,000, or 18 percent, below estimated current-year expenditures. The decrease reflects the fact that certain one-time federal funds available in 1983–84 will not be available in the budget year. These funds consist of (1) state council and area board operating expenses and equipment ($690,000) and (2) program development grants ($181,000). If these one-time expenditures are deducted from current-year expenditures, the level of funding proposed in the budget represents an increase of $58,000, or 1.8 percent. The budget contains $38,000 to fund employee compensation increases in 1984–85.

Table 1 displays how the budget proposes to allocate federal funds to the state council, area boards, and community development.

Table 1
State Council and Area Board Expenditures
Federal Funds
1982–83 through 1984–85
(in thousands)

	Actual 1982–83	*Estimated 1983–84*	*Proposed 1984–85*	*Change Amount*	*Change Percent*
State council	$601	$856	$787	−$69	−8.1%
Area boards	1,477	2,039	1,832	−207	−10.2
Program development	981	1,136	649	−487	−42.9
Subtotals	$3,059	$4,031	$3,268	−$763	−18.9%
Less: reimbursements	−28	−34	—	—	—
Totals	$3,031	$3,997	$3,268	$729	−18.2%

The budget proposes a total of 52.5 positions for these programs in 1984–85, including 13 for the state council and 39.5 for the area boards. This is a reduction of 4 positions from the current year.

ANALYSIS AND RECOMMENDATIONS

Budgeting for Unanticipated Federal Receipts

We recommend that the Legislature adopt Budget Bill language requiring the state council to allocate to community program development any federal funds it receives in excess of the amounts appropriated by the Legislature.

In each of the fiscal years 1981–82, 1982–83, and 1983–84, the state council and area boards received and expended a substantial amount of federal funds that were not appropriated by the Legislature. The expenditure of these funds was authorized by the Department of Finance through the Section 28 process. The funds became available as the result of (1) the unanticipated carry-over of federal funds from one fiscal year to the next and (2) supplemental grant awards to California by the federal government. The additional funds were used to augment state council and area board operating expense budgets, to purchase word processing equipment for area boards, and to fund additional program development grants.

Table 2 shows the federal funds appropriated by the Legislature for the council, the area boards, and program development; the additional federal funds allocated to these three programs; and the percentage increases to the respective program budgets.

STATE COUNCIL ON DEVELOPMENTAL DISABILITIES AND AREA BOARDS ON DEVELOPMENTAL DISABILITIES—Continued

Table 2
Allocation of Unanticipated Federal Receipts
1981–82 through 1983–84
(in thousands)

	State Council	*Area Boards*	*Program Development*	*Total*
1981–82 appropriation	$818	$1,471	$981	$3,270
Augmentation	—	—	618	618
Percent increase	—	—	63%	19%
1982–83 appropriation	$674	$1,484	$981	$3,139
Augmentation	—	115	118	233
Percent increase	—	8%	12%	7%
1983–84 appropriation	$724	$1,537	$955	$3,216
Augmentation	229	461	181	871
Percent increase	32%	30%	19%	27%

The principal problem with allowing unanticipated funds to be allocated for expenditure through the Section 28 process is that the allocation occurs without full review by the Legislature. As Table 2 shows, the state council's budget for 1983–84 was increased by 32 percent over the amount authorized by the Legislature, while the budgets for the area boards and program development were increased by 30 percent and 19 percent, respectively. We believe the use of the Section 28 process to provide augmentations of this magnitude weakens legislative control of the budget and allows the administration, rather than the Legislature, to set program priorities.

In fact, the allocation of unanticipated federal funds in recent years has *not* been consistent with legislative priorities. The Legislature, in recent years, has expressed through the annual Budget Act its policy of directing funding towards community program development and maintenance, rather than to administrative expenses and equipment. In the current year, however, the administration allocated $690,000, or 79 percent, of the additional federal funds to augment state council and area board *operating* expense budgets. Of this amount, $218,000 was used for equipment, $200,000 was used for consultant services, $83,000 was used for travel, and $189,000 went for other operating expense categories.

To reestablish legislative control of the priorities reflected in the budget for the council, we recommend adoption of Budget Bill language that would require the state council to use for community development any federal funds exceeding the amounts appropriated by the Legislature. This would (1) ensure that additional funds will not be allocated for administrative and oversight activities or for equipment purchases by the state council and area boards and (2) direct funding to new community program development, in accordance with current legislative policies. Specifically, we recommend the Legislature adopt the following Budget Bill language:

"In the event federal funds are available to the state council in excess of the amounts appropriated in this item, these funds shall be used only to augment the allocation to the Program Development Fund, unless the funds are specifically designated by federal law for other purposes."

Allocation of Federal Funds for Area Boards and Program Development

We recommend that $174,000 requested for one-half position and operating expenses for support of the area boards be appropriated instead for community program development, in accord with current legislative policies.

The budget proposes to allocate $649,000, or approximately 20 percent of California's estimated federal allotment, for purposes of community program development. In contrast, the Legislature allocated 30 percent of the federal allotment to community program development in the current year. The budget proposal represents a decrease of $306,000, or 32 percent, below the amount authorized by the Legislature for program development in the current year. Table 3 shows the allocations that have been approved by the Legislature in recent Budget Acts and the allocation proposed for 1984–85.

Table 3
Allocation of
Federal Developmental Disabilities Funds
1982–83 through 1984–85
(in thousands)

	Actual 1982–83		*Actual 1983–84*		*Proposed 1984–85*	
	Amount [a]	*Percent*	*Amount* [a]	*Percent*	*Amount* [b]	*Percent*
State council	$674	21.5%	$724	22.5%	$787	24.1%
Area boards	1,484	47.3	1,537	47.8	1,832	56.0
Program development	981	31.2	955	29.7	649	19.9
Totals	$3,139	100.0%	$3,216	100.0%	$3,268	100.0%

[a] Amount approved by the Legislature exclusive of funds authorized through the Section 28 process.
[b] Amount proposed in 1984–85 budget.

The reduction in the amount allocated for program development is due to an increase of $295,000 in the allocation proposed for area boards. The latter represents a 19 percent increase above the current-year appropriation for area boards, and includes $94,000 for salary increases, $15,000 for one-half new position, and $186,000 to augment operating expenses.

Proposed Position. The budget proposes to add one-half position, at a cost of $15,000, for support of Area Board X, which covers Los Angeles County. The budget states that the additional one-half position is needed to meet statutory mandates and contractual agreements with the state council.

Our analysis indicates that the additional one-half position is not justified, for three reasons. First, the level of the area boards' workload is not specified in the Lanterman Act. Instead, the act confers upon the boards broad responsibilities for monitoring, planning, coordinating, advocacy, and public information. The specific workload levels are established annually through contract negotiations with the state council. Consequently, area board workload can be limited through the contractual process to levels that can be managed by the current level of staff resources. Secondly, while the law does provide for area board staff, legislative intent as expressed in Welfare and Institutions Code Section 4586 indicates that area boards shall draw on community resources through its board members to carry out its functions. Adding additional staff resources through the budget is a poor policy choice because it increases the system's dependence on state resources rather than on local community resources.

STATE COUNCIL ON DEVELOPMENTAL DISABILITIES AND AREA BOARDS ON DEVELOPMENTAL DISABILITIES—Continued

Finally, in recent years the Legislature has tended to direct additional federal funding towards program development and maintenance rather than to administrative and oversight activities. For these reasons, we recommend that funds requested for the one-half position be deleted and instead used to fund program development activities.

Proposed Operating Expense Increase. The budget proposes to increase area board operating expenses by $186,000, or 41 percent, above the amount authorized by the Legislature for the current year. The area boards indicate that the increase is necessary to meet contractual agreements with the state council.

Again, our analysis indicates that this increase is not warranted because (1) the area boards' expenses can be held to a lower level through contract negotiations, (2) the Lanterman Act calls for area boards to draw on community resources, and (3) the Legislature in recent years has followed a policy of using increased funding for program development rather than administrative and oversight activities. By approving the request for an increase in operating expenses, the Legislature would *reduce* the amount available for program development.

For these reasons, we recommend that area board operating expenses be held to a 6 percent increase over the 1983 Budget Act appropriation. Six percent is the increase authorized for other departments' operating expenses in the Department of Finance budget instructions. This would leave $27,000 for general price increases and allow $159,000 in savings to be allocated to program development.

Health and Welfare Agency

EMERGENCY MEDICAL SERVICES AUTHORITY

Item 4120 from the General Fund — Budget p. HW 4

Requested 1984–85	$1,104,000
Estimated 1983–84	909,000
Actual 1982–83	880,000
Requested increase (excluding amount for salary increases) $195,000 (+21.5 percent)	
Total recommended reduction	20,000
Recommendation pending	161,000

1984–85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
4120-001-001	—Support	General	$656,000
4120-001-890	—Support	Federal	(153,000)
4120-101-001	—Local assistance	General	448,000
4120-101-890	—Local assistance	Federal	(1,572,000)
Total			$1,104,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. ***Funds for Administration. Reduce Items 4120-001-001 and 4120-101-890 by $20,000 and increase Item 4120-001-890 by $20,000.*** Recommend replacing General Fund monies budgeted for administration with federal funds transferred from local assistance. 790

rec. approval

2. Disaster Medical Services. Withhold recommendation on $161,000 and three proposed new positions, pending receipt of an implementation plan. 791

GENERAL PROGRAM STATEMENT

The Emergency Medical Services (EMS) Authority operates under the provisions of the Emergency Medical Services System and the Pre-hospital Emergency Medical Care Personnel Act (Ch 1260/80). The authority is responsible for reviewing local emergency medical services programs and for establishing statewide standards for training, certification, and supervision of pre-hospital personnel classifications, including paramedics.

The authority is also responsible for (1) planning and managing medical response to disasters, (2) administering General Fund contracts with three established EMS agencies, (3) administering the portion of the federal preventive health services block grant allocated for the development of regional EMS systems, and (4) developing regulations and reviewing local plans to implement trauma care systems.

The authority has 12.8 positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of $1,104,000 from the General Fund for support of the authority's programs in 1984–85. This is an increase of $195,000, or 22 percent, above estimated current-year expenditures. The increase consists of (1) $161,000 for three new positions and related expenses to accelerate planning activities related to disasters, (2) a decrease of $8,000 in operating expenses, (3) $31,000 for price increases affecting operating expenses, and (4) $11,000 to fully fund salary increases granted in the current year. The increase will grow by the amount of any salary or staff benefit increases that may be approved for the budget year.

The proposed appropriation from federal funds is $1,725,000, which is a decrease of $2 million, or 53 percent, below current-year expenditures. The decrease, however, does not reflect a reduction in program level. Instead, it reflects the fact that (1) 1983–84 expenditures include funds to support program expenditures in *two* years—1983–84 and 1984–85 and (2) one-time funds totaling $350,000 that were carried over from 1982–83 to 1983–84 will not be available in the budget year. The proposed budget contains funds to support program expenditures in only *one* year: 1985–86. Actual expenditures in each of these three years are expected to be approximately the same.

The budget proposes a total of 15.8 positions for the authority in 1984–85. This is an increase of 3 positions from the current year.

EMERGENCY MEDICAL SERVICES AUTHORITY—Continued

ANALYSIS AND RECOMMENDATIONS

Impact of 1983 Legislation

The Legislature, during the 1983 Regular Session, passed three measures that affect the EMS Authority.

Chapter 1246, Statutes of 1983 (SB 595). This measure recodifies various statutes in order to complete the transfer of administrative responsibility from the Department of Health Services to the authority for (1) contracting with local EMS agencies; (2) establishing standards for first aid training for school bus drivers, firefighters, lifeguards, and peace officers; and (3) reviewing annual reports from local emergency medical care committees. The measure also changes procedures for disciplining certified emergency medical technicians.

Chapter 1067, Statutes of 1983 (SB 534). This measure requires the authority to adopt regulations for regional trauma care systems. The measure authorizes local EMS agencies to implement regional trauma care systems pursuant to the regulations and permits local agencies to charge fees to applicants seeking designation as a trauma facility. Local agencies implementing a trauma care system after January 1, 1984, are required to submit a plan to the authority.

Chapter 1156, Statutes of 1983 (AB 1853). This measure makes additional changes in procedures for disciplining certified emergency medical technicians.

Funding for EMSA Support

We recommend a reduction of $20,000 proposed from the General Fund for support of the authority because there are federal funds available for this purpose.

The budget proposes an appropriation of $809,000 from all funds for support of the authority in 1984–85. Of this amount, $656,000 is from the General Fund and $153,000 is from the federal preventive health services block grant. The $153,000 represents 8.9 percent of the federal block grant allocation for emergency medical services.

The federal Omnibus Budget Reconciliation Act of 1981 authorizes states to use up to 10 percent of the block grant for administration. Ten percent of the block grant allocation for 1984–85 is $173,000, or $20,000 more than the amount proposed by the budget for administration.

Our analysis indicates that the full amount available from the block grant for administration should be used for this purpose, for three reasons. First, the authority indicates that the cost of workload associated with the federal program is expected to exceed 10 percent of the block grant funds in 1984–85. Therefore, increasing federal support for administration to 10 percent would be justified on a workload basis. Second, although increasing the amount of federal funds allocated for administration would require a commensurate reduction in the amount available for local assistance, it would not disrupt local programs. This is because there would not be any reduction in funding for ongoing projects. Rather the reduction would affect the amount available for special short-term projects in 1985–86, which are to be allocated on a competitive grant basis. Third, by using an additional $20,000 in federal funds for administration, an equal amount of General Fund money will be available to fund other priorities of the Legislature, thereby increasing the Legislature's funding options.

Accordingly, we recommend that $20,000 of General Fund money budgeted for support of the authority be replaced with $20,000 of federal funds budgeted for local assistance.

Proposed Augmentation for Disaster Medical Services Rec. approval

We withhold recommendation on the three staff and $161,000 in General Fund support proposed for disaster medical services, pending receipt of an implementation plan. We recommend that the fiscal subcommittees direct the authority either to advise them of the need for any statutory changes and the steps the authority is taking to secure such changes, or to provide assurances that the proposal can be implemented without a change in law.

Prior to 1981, the Department of Health Services administered the disaster medical services program. Chapter 1260, Statutes of 1980 (SB 125), established the authority as the agency responsible for both emergency medical services and disaster medical preparedness. In the 1981 Budget Act, the Legislature transferred 4.2 positions and $205,000 from the Department of Health Services to the authority to support activities related to disaster medical preparedness. Currently, the authority uses three professional staff and one clerical position for disaster medical services.

Budget Proposal. The budget proposes to add three professional staff to the Disaster Medical Services Section of the authority, at a cost of $161,000 to the General Fund. The budget states that the three positions would accelerate planning activities related to disasters involving mass casualties.

Specifically, the authority indicates that the new staff will be used to:

- Produce a directory of sources of disaster medical personnel, supplies, equipment, and other resources.
- Establish priorities for treatment when there are mass casualties (triage).
- Produce educational materials to train volunteer medical personnel in general principles of disaster medical triage and disaster operations.
- Establish guidelines for disaster medical plans prepared by counties and regional agencies.
- Develop a plan for involving the private sector in responding to a medical disaster.
- Provide training sessions for state-level responders to a medical disaster.
- Develop procedures for the operation of a disaster support area (DSA). A DSA is a site near the disaster area for central receipt, storage, and dispatch of manpower and materials to the disaster area.
- Develop an automated system for tracking casualties through the evacuation process in order to determine resource requirements at each stage and to respond to inquiries concerning individual casualties.
- Establish policies to govern the actions of volunteer medical assistance teams.

Analyst's Concerns. The need for a disaster medical services plan in California has been apparent for several years. In large part, it is due to the fact that seismologists put the probability of an earthquake on the San Andreas fault measuring 8.3 on the Richter scale at 2.5 percent in any one year. An earthquake of this magnitude could result in 10,000–20,000 deaths

EMERGENCY MEDICAL SERVICES AUTHORITY—Continued

and 40,000–80,000 injuries. Consequently, the state must increase its preparedness for large-scale disasters.

Our analysis, however, indicates that the proposal to augment the disaster medical services component in the authority is deficient in two major respects. First, the proposal lacks a specific objective. The budget states that the additional staff will be used to increase planning activities, and the authority has identified various activities that the new staff would be expected to perform. The proposal, however, fails to concretely define what is an *adequate level* of state preparedness. The proposal also fails to describe the components of a disaster medical response system, and to provide a timeline for reaching an adequate level of preparedness. The state budget has contained funding for emergency and disaster medical services for the past 20 years. The 4.2 existing positions for the disaster medical services component of the EMS program have been in the budget since at least 1978–79. Without specific objectives and an implementation plan, we have no basis for concluding that an additional three positions at this time would significantly increase the state's ability to prepare for a disaster.

Secondly, the proposal does not address the authority's lack of adequate statutory authority to ensure cooperation from local governments, private suppliers, and other resource providers. This has proved to be a substantial problem, and has delayed the development of a statewide disaster medical response system over the past 20 years. It is possible that statutory changes empowering the authority to mandate compliance from local entities would be necessary to address this problem. It is also possible that statutory changes clarifying the specific responsibilities of state and local participants in disaster medical planning may alleviate past problems with local cooperation. Failure to address the problem of noncooperation could result in a continued inefficient use of state resources.

Recommendations. We withhold recommendation on the request for three new staff and related expenses, pending receipt of an implementation proposal from the authority. The proposal should include a concrete definition of what is an adequate level of state preparedness and a work plan with the expected timelines for achieving that level of preparedness within the level of resources proposed in the budget. We also recommend that the fiscal subcommittees direct the authority either to advise them of the need for any statutory changes that would allow the disaster medical response system to be implemented more efficiently, or to provide assurances that the authority can implement the proposal under provisions of current law within the time indicated in its work plan.

Health and Welfare Agency

HEALTH AND WELFARE AGENCY DATA CENTER

Item 4130 from the Health and Welfare Data Center Revolving Fund — Budget p. HW 6

Requested 1984–85	$24,604,000
Estimated 1983–84	23,060,000
Actual 1982–83	21,567,000
Requested increase (excluding amount for salary increases) $1,544,000 (+6.7 percent)	
Total recommended reduction	403,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Reimbursements from Employment Development Department. Reduce by $392,000. Recommend that reimbursements scheduled from EDD be reduced by $392,000 to reflect reduction in unjustified equipment. 794
2. Computer Store Pilot Project. Recommend adoption of supplemental report language requiring the HWDC to report on (a) the costs and benefits accruing to departments from the use of personal computers and (b) the extent to which the personal computer store is utilized by departments in purchasing personal computers. 794
3. Reimbursements from California Medical Assistance Commission. Reduce by $11,000. Recommend that reimbursements scheduled from CMAC be reduced by $11,000 to reflect estimated workload. 795

GENERAL PROGRAM STATEMENT

The Health and Welfare Agency Data Center is one of three major state data processing centers authorized by the Legislature. The center provides computer support to the agency's constituent departments and offices. In addition, the center provides occasional support to other state offices, commissions, and departments. The cost of the center's operation is fully reimbursed by its users.

The Health and Welfare Agency Data Center has 205.2 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes $24,604,000 from the Health and Welfare Data Center Revolving Fund for support of the data center in 1984–85. This is an increase of $1,544,000, or 6.7 percent, over estimated current-year expenditures. This increase will grow by the amount of any salary or staff benefit increase approved for the budget year.

Significant Budget Changes

Table 1 displays the primary components of the increase in the data center's budget for 1984–85.

HEALTH AND WELFARE AGENCY DATA CENTER—Continued

Table 1
Health and Welfare Agency Data Center
Significant Changes

Item	*Proposed Amount*
1. New equipment dedicated to data center customers	$1,323,000
a. Employment Development Department	(392,000)
b. Department of Developmental Services	(931,000)
2. Other operating expenses and equipment	−14,000
3. Personal services	235,000
Total	$1,544,000

Dedicated Equipment

We recommend that HWDC reimbursements be reduced by $392,000 because the Employment Development Department (EDD) has not adequately documented the need for the additional hardware.

The data center anticipates spending $1.3 million in the budget year for the purchase of dedicated equipment. Specifically, the HWDC will spend (1) $931,000 for equipment to serve the Department of Developmental Services Uniform Fiscal System and (2) $392,000 for equipment to serve the Employment Development Department CAST system. These equipment purchases consist of $864,000 for software, $449,000 for increased communications costs, and $10,000 for a shared statistical package.

In our analysis of the EDD (Items 5100-001-001, 5100-001-588, and 5100-001-870), we recommend that the Legislature not approve the department's request for additional data processing support because it did not adequately document (1) the need for the additional support and (2) how the requested funds would be used. Therefore, we recommend that if the Legislature reduces the amount budgeted in Items 5100-001-001, 5100-001-588, and 5100-001-870 for reimbursements to the HWDC, then a corresponding reduction should be made in this item to reflect the elimination of unjustified hardware purchases.

Personal Computer Store Pilot Project Takes Off

We recommend the Legislature adopt supplemental report language requiring the HWDC to submit a report to the Legislature on the computer store pilot project. The report should include (1) an evaluation of the costs and benefits to departments of using personal computers obtained through the computer store, (2) the number of departments using the store, and (3) the number and kinds of purchases made through the store.

In December 1983, the HWDC opened a "personal computer store." The store was authorized by the Department of Finance (DOF) and the Department of General Services as a pilot project through June 1984. The HWDC estimates that the project will cost $66,000 during 1983–84. These costs are covered by reimbursements from a 5 percent and 10 percent surcharge on personal computer hardware and software sales, respectively.

The HWDC advises that the personal computer store began because: (1) departmental interest in purchasing small computers is increasing, (2) the HWDC identified a need for a central location where departments could test equipment and receive advice on personal computer purchases, (3) the HWDC wished to limit the diversity of personal computers purchased by departments in order to ensure system compatibility and uniformity, and (4) a centralized operation may be able to negotiate better prices with suppliers than can individual departments.

The personal computer store has contracted with various vendors to provide the hardware and software for personal computer systems. The store provides demonstrations of the systems upon request of member departments. In addition, the HWDC provides technical advice and purchases the personal computers for the requesting departments.

The HWDC informs us that during the pilot project, it is collecting information that can be used to assess the impact of the store on the purchase of personal computers by member departments. The HWDC will provide this information to the DOF at the conclusion of the project.

Currently, there is increased interest by departments in the use of personal computers. At the same time, the variety of systems available to the personal computer user is proliferating. The personal computer store represents one way in which the increasing demand for personal computers can be reconciled with the need for departments and agencies to preserve some level of system compatibility and unformity. At the time this analysis was prepared, it was unclear how effective the computer store would be in meeting these needs.

Therefore, we recommend that the HWDC submit a report to the Legislature on the computer store pilot project. The report should (1) evaluate the costs and benefits to departments of using personal computers obtained through the computer store, (2) indicate the number of departments using the store, and (3) provide information on the number and kind of purchases made through the store.

The following supplemental report language is consistent with this recommendation:

"The Health and Welfare Agency Data Center shall report to the Legislature concerning the personal computer store pilot project. The report shall include, but not be limited to, (1) an evaluation of the costs and benefits to departments of personal computers purchased through the computer store and (2) a description of the extent to which Health and Welfare Agency departments have used the pilot project store, including the number of departments using the store and the number and kind of purchases made through the store. The report shall be submitted to the Legislature no later than August 15, 1984."

California Medical Assistance Commission Reimbursements Overbudgeted

We recommend that HWDC reimbursements be reduced by $11,000 to correct for overbudgeting.

The HWDC is funded through reimbursements from departments within the Health and Welfare Agency for work performed by the center. The level of reimbursements budgeted for the center is based on (1) the level of current-year departmental reimbursements, (2) anticipated workload increases or decreases in the budget year, and (3) any HWDC price changes from the current year.

Our analysis indicates that projected workload for the California Medical Assistance Commission (CMAC) does not justify the level of reimbursements budgeted for 1984–85. The budget proposes $59,000 in reimbursements from CMAC. As discussed in our analysis of Item 4270-001-001, the current workload of the CMAC justifies a reimbursement level of $48,000. Therefore, we recommend that if the Legislature reduces

HEALTH AND WELFARE AGENCY DATA CENTER—Continued

the amount budgeted in Item 4270-001-001 for reimbursements to the HWDC, a corresponding reduction be made in this item to reflect lower anticipated workload.

Health and Welfare Agency

OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

Item 4140 from the General Fund and various other funds — Budget p. HW 9

Requested 1984–85	$9,204,000
Estimated 1983–84	8,961,000
Actual 1982–83	8,542,000
Requested increase (excluding amount for salary increases) $243,000 (+2.7 percent)	
Total recommended reduction	None
Recommendation pending	4,777,000

1984–85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
4140-001-001—Support		General	$900,000
4140-001-121—Support		Hospital Building Account, Architecture Public Building	4,777,000
4140-001-518—Support		Health Facilities Construction Loan Insurance	647,000
4140-001-890—Support		Federal	(1,726,000)
4140-101-001—Local assistance		General	2,880,000
Total			$9,204,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS — *Analysis page*

1. Health Planning. Recommend that the office advise the Legislature during budget hearings regarding the status of sanctions authorized by federal law when a state fails to comply with federal health planning statutes, and the potential impact that these sanctions would have on California. 800
2. Hospital Seismic Safety Inspections. Withhold recommendation on $4,777,000 proposed for hospital seismic safety inspections, pending receipt of the administration's staffing proposal. 802

GENERAL PROGRAM STATEMENT

The Office of Statewide Health Planning and Development is responsible for developing a state health policy which assures that the people of California have access to needed appropriate health services at an affordable cost. The office administers four major programs:

1. The *Health Planning Division* has overall responsibility for carrying out health planning activities and developing statewide health policy. The

division works with the state's 12 Health Systems Agencies to develop a State Health Plan. This plan establishes priorities for financing and delivery of health services.

2. The *Certificate-of-Need Division* administers the state's certificate-of-need law (Ch 854/76), which requires state approval of major capital outlay projects proposed by licensed health facilities.

3. The *Health Professions Development Division* administers the Song-Brown Family Physician Training program, the Health Professions Career Opportunity program, and the National Health Service Corps program.

4. The *Facilities Development Division* conducts plan reviews for and site inspections of health facilities construction projects to assure that they conform with federal, state, and local building requirements, and reviews health facility applications for construction loan insurance.

The office has 174.1 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of $3,780,000 from the General Fund to support the Office of Statewide Health Planning and Development in 1984–85. This is a decrease of $102,000, or 2.6 percent, below estimated current-year General Fund expenditures. This reduction, however, does not take into account the cost of any salary and staff benefit increases that may be approved by the Legislature for the budget year.

Expenditures for support of the office from all funds are proposed at $13,961,000, which is a decrease of $189,000, or 1.3 percent, below estimated current-year expenditures. Total expenditures include expenditures from reimbursements and federal funds of $4,757,000. Table 1 and Chart 1 display the office's program expenditures and funding sources.

Table 1
Office of Statewide Health Planning and Development
Expenditures and Funding Sources
1982–83 through 1984–85
(in thousands)

	Actual 1982–83	*Estimated 1983–84*	*Proposed 1984–85*	*Change Amount*	*Change Percent*
Health Planning	$1,958	$2,293	$2,067	−$226	−9.9%
Certificate-of-Need	1,872	1,998	1,958	−40	−2.0
Health Professions Development	4,083	4,312	4,197	−115	−2.7
Facilities Development	5,379	5,193	5,424	231	4.5
Other	557	354	315	−39	−11.0
Totals	$13,849	$14,150	$13,961	−$189	−1.3%
General Fund	*$4,013*	*$3,882*	*$3,780*	*−$102*	*−2.6%*
Hospital Building Account, Architecture Public Building Fund	*4,272*	*4,340*	*4,777*	*437*	*10.1*
Health Facilities Construction Loan Insurance Fund	*257*	*739*	*647*	*−92*	*−12.5*
Federal funds	*1,705*	*1,703*	*1,726*	*23*	*1.4*
Health facilities assessment fees	*3,602*	*3,486*	*3,031*	*−455*	*−13.1*

The budget proposes a total of 165.6 positions for the office in 1984–85. This amounts to a decrease of 4 limited-term positions and a net reduction of 4.5 additional positions from the current-year level.

The budget proposes the following significant funding and staffing changes for 1984–85:

OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT—Continued

Chart 1

Office of Statewide Health Planning and Development Expenditures and Funding Sources 1984–85 (in thousands)

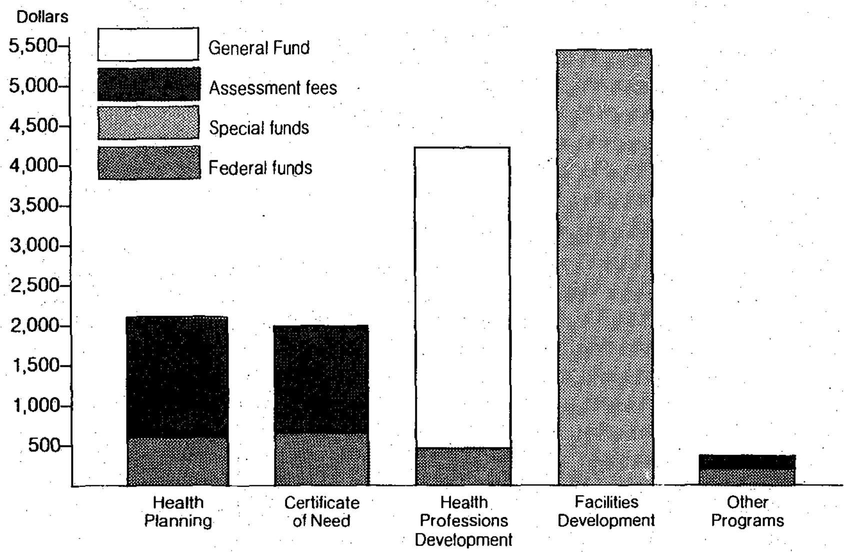


Table 2

Office of Statewide Health Planning and Development Proposed Budget Changes (in thousands)

	General Fund	*All Funds*
1983 Budget Act	$3,735	$13,851
Baseline adjustments, 1983–84		
1. Carry-over appropriation for Song-Brown program	121	121
2. 1983–84 salary increase	26	220
3. Administrative adjustments	—	−42
Adjusted base budget, 1983–84	$3,882	$14,150
Baseline adjustments, 1984–85		
1. Anticipated carry-over	−121	−121
2. Full-year cost of 1983–84 salary increase	18	151
3. Merit salary adjustment	8	73
4. Price increase	12	311
5. Pro-rata SWCAP adjustment	—	−58
6. Administrative adjustment	−3	42
7. Limited-term positions (National Health Service Corps)	—	−193
Program change proposals		
1. Continue National Health Service Corps	—	200
2. Administrative reductions	−16	−491
3. Certificate-of-need reductions	—	−202
4. Administrative services for Health and Welfare Agency	—	84
5. Convert temporary help to permanent position	—	15
Proposed budget, 1984–85	$3,780	$13,961

- A reduction of 6 positions and $202,000 in reimbursements due to reduced certificate-of-need workload.
- A reduction of 7.5 positions and $244,000 in reimbursements due to savings from reorganization.
- Deletion of $247,000 from various funding sources due to operating expense reductions.
- Permanent establishment of 3 positions, at a cost of $200,000 in federal funds, to continue the National Health Service Corps program.
- The addition of 4 positions, at a cost of $84,000 funded from reimbursements, to provide administrative support to the Health and Welfare Agency.

Table 2 displays the adjustments to the current-year budget proposed for 1984–85.

ANALYSIS AND RECOMMENDATIONS

Administrative Services for the Health and Welfare Agency

The budget proposes to add four positions at a cost of $84,000 from reimbursements to provide accounting, budgeting, personnel, and other administrative services for the Health and Welfare Agency and the Governor's Advisory Council on Child Development. These functions currently are performed by the Department of Social Services. The budget also proposes to delete five positions and $134,000 from the department's budget to recognize the transfer of workload. Consequently, the transfer results in a net savings of one position and $50,000 to the state.

Administrative Reductions

Office Reorganization. The budget proposes a reduction of 7.5 positions, for a savings of $244,000 ($6,000 General Fund, $37,000 special funds, and $201,000 in reimbursements) due to the consolidation of various programs so as to reduce administrative overhead. Specifically, the office proposes to (1) consolidate the health planning and certificate-of-need programs, for a savings of two management positions, (2) consolidate the uncompensated care program with the facilities development program, for a savings of two management and one-half clerical positions, (3) transfer labor relations and affirmative action responsibilities from the Civil Rights Division to the Administration Division, for a savings of one management and one paraprofessional position, and (4) eliminate one clerical position in legal affairs, due to reduced clerical workload.

Operating Expense Reduction. The budget proposes to reduce various operating expense items for a savings of $247,000 ($10,000 General Fund, $23,000 special funds, and $214,000 in reimbursements). The total savings includes a reduction of $179,000 from consultant and professional services. The items that will not be funded in the budget year include contracts with West Bay and Los Angeles health systems agencies ($87,000), price increases for other health systems agency contracts ($40,000), special studies ($22,000), and legal services ($30,000). The remaining $68,000 will be reduced from various other operating expense items.

Health Planning and Certificate of Need

Federal Support for Health Planning

We recommend that the office advise the fiscal committees during budget hearings regarding the status of sanctions authorized by federal law when a state fails to comply with federal health planning statutes and the potential impact these sanctions would have on California.

The state's health planning and certificate-of-need programs are supported in large part by a federal grant received pursuant to the federal Health Planning and Resources Development Act of 1974 (PL 93-641, as amended by PL 96-79). California's grant for federal fiscal year 1983 (FFY 83) amounted to $888,000. This grant is supporting 21 percent of the cost of the office's programs in the current state fiscal year, 1983–84.

The latest appropriation measure passed by Congress, PL 98-151, provides the same level of funding for state and local health planning in FFY 84 as that appropriated for FFY 83. These funds will be used to help finance California's programs in 1984–85. Accordingly, the budget estimates that federal support for the office in 1984–85 will continue at approximately the current-year level.

The federal Health Planning and Resources Development Act requires the state to (1) establish a specified health planning organization consisting of a state health coordinating council, a state health planning agency, and local health systems agencies and (2) implement procedures for health planning, certificate-of-need reviews, and appropriateness reviews.

Currently, California's health planning and certificate-of-need law fails to comply with federal requirements in three major areas: (1) it does not require a state health plan that is approved by the Governor, (2) it does not provide for a certificate-of-need program that requires participation by local health systems agencies and requires approval of capital expenditure projects other than projects for certain specialty clinics, and (3) it does not establish a state health coordinating council with a specified membership.

The fiscal consequences to California for failure to comply with PL 93-641 requirements could be major if federal penalties are imposed on the state. In the event of noncompliance, federal law authorizes the Department of Health and Human Services to phase out over a four-year period all grants provided to California under PL 93-641; the Public Health Services Act; the Comprehensive Alcohol Abuse and Alcohol Prevention, Treatment, and Rehabilitation Act; the Community Mental Health Centers Act; and the Drug Abuse Office and Treatment Act. The total value of these grants in the current year is approximately $550 million.

The federal government has not imposed sanctions on the state because Congress has passed measures to suspend temporarily the penalty provisions. The Supplemental Appropriations Act of 1982 suspended the provisions for FFY 82, House Joint Resolution 631 suspended the provisions for FFY 83, and PL 98-151 suspends the provisions for FFY 84. The penalty provisions, however, still remain in Section 1521 of PL 93-641.

According to federal Department of Health and Human Services officials, it is unlikely that Congress will allow the sanctions to become operative. Given the magnitude of the sanctions that could be imposed on the state, however, we recommend that the administration advise the fiscal committees during budget hearings on the status of these sanctions and what state actions should be taken, if any, to avoid the potential loss of federal support.

Reduced Certificate-of-Need Workload Due to Ch 1105/83 (SB 517)

We recommend approval.

Chapter 1105, Statutes of 1983, substantially reduced the scope of the state's Certificate-of-Need (CON) program, which is administered by the office.

Previous law required health facilities to obtain a certificate of need from the office prior to undertaking projects involving (1) construction of new health facilities or establishment of new services, (2) acquisition of diagnostic and therapeutic equipment valued in excess of $426,000, and (3) remodeling, replacement, or expansion valued in excess of $639,000. Chapter 1105 eliminated the requirement for a certificate of need in the following cases:

- Capital expenditure projects in existing health facilities, except for projects for specialty clinics exceeding a value of $1 million.
- Conversion of health facility beds, excluding long-term (skilled nursing and intermediate) care beds, from one bed classification to a different bed classification.
- Conversion of long-term care beds licensed as part of a general acute care hospital prior to March 1, 1983, to a different bed classification.
- Establishment of radiation therapy departments, emergency centers, hemodialysis centers, and renal transplant services.
- Remodeling, replacement, or expansion of specific cardiac catheterization services.

In addition to eliminating certain certificate-of-need requirements, the measure reduced other requirements by (1) deleting the requirement that local health systems agencies formally participate in certificate-of-need review and (2) reducing processing times for certificate-of-need applications. To assure continued availability of data for planning purposes, the measure requires health facilities and clinics to report annually (1) their current inventory of beds and services, (2) utilization data, by bed type and service, (3) acquisitions of diagnostic or therapeutic equipment valued in excess of $500,000, and (4) capital expenditure projects valued in excess of $1 million.

Budget Proposal. The budget proposes to eliminate five professional and one clerical position, for a savings of $202,000 in reimbursements, due to the effect of Ch 1105/83 on the office's workload. This amounts to a 22 percent reduction in the 27 staff assigned to certificate-of-need activities in the current year.

Our analysis of the office's workload indicates that 22 percent of the projects that currently require review will not have to be reviewed in the budget year due to the effects of Ch 1105/83. Consequently, we believe the proposed staff reduction is justified on a workload basis and recommend that it be approved.

Health Professions Development

National Health Service Corps

We recommend approval.

The National Health Service Corps (NHSC) is a federal program established by PL 94-484. This act provides scholarships to individuals training for careers in the health professions. Upon completion of their training,

OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT—Continued

these individuals are obligated to serve for a specified period of time in designated medically underserved areas.

The Omnibus Budget Reconciliation Act of 1981 eliminated federal funding for any new NHSC scholarships. There is, however, a sufficient number of scholarship recipients still in the program to require continued placement and related activities through FFY 88.

California is one of 10 states selected to participate in a new federal-state pilot program intended to more effectively place the remaining NHSC scholarship recipients in designated underserved areas. In the current year, the office established four limited-term positions at a cost of $192,000 to implement the program. The budget proposes to establish permanently three of these positions, at a cost of $200,000, to continue the program through 1984–85.

Because the program's objectives are consistent with the Legislature's policy of improving the mix and distribution of health professionals in California, and because participation in the program would give California some control over the placement of NHSC professionals, we recommend approval of the request.

Health Facilities Development

Hospital Seismic Safety Reviews

We withhold recommendation on the budget request for hospital seismic safety reviews, pending receipt of the administration's staffing proposal.

Chapter 303, Statutes of 1982, designated the office as the state agency responsible for enforcing hospital building standards, and modified many of the administrative provisions of the Seismic Safety Act. The measure preempted enforcement of hospital construction standards by local jurisdictions, and required the state to assume all plan review, inspection, and administrative duties from these entities.

The Legislature approved 14 positions, at a cost of $1,325,000 to the Hospital Building Account of the Architecture Public Building Fund, to cover workload attributable to Chapter 303 in 1983–84. Because the staffing request presented to the Legislature as part of the 1983–84 budget was based on preliminary workload estimates, however, the Legislature adopted language in the *Supplemental Report of the 1983 Budget Act* directing the office to reevaluate its future workload and staff needs based on actual experience and to report its findings to the Legislature by October 1, 1983.

At the time this analysis was prepared, the office had not submitted the required report. The budget states that in the spring of 1984 the Department of Finance will present a revised proposal for hospital seismic safety reviews based on the results of the evaluation called for in the supplemental report. Accordingly, we withhold recommendation on the $4,777,000 budgeted for hospital seismic safety reviews, pending receipt of the administration's staffing proposal.

Legislative Mandates

We recommend approval.

Funding for reimbursement of all state-mandated local programs is included in Item 9680. The budget proposes $253,000 to reimburse local hospital districts for assessment and certificate-of-need fees paid to the office. The amount proposed for 1984–85 is based on claims paid by the State Controller in the current year.

Health and Welfare Agency

CALIFORNIA DEPARTMENT OF AGING

Item 4170 from the General Fund and Federal Trust Fund	Budget p. HW 17
Requested 1984–85	$6,658,000
Estimated 1983–84	8,825,000
Actual 1982–83	5,395,000
Requested decrease (excluding amount for salary increases) $2,167,000 (−24.6 percent)	
Total recommended reduction	None
Recommendation pending	1,713,000

1984–85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
4170-001-001—support		General	$1,713,000
4170-001-890—support		Federal	(1,869,000)
4170-101-001—local assistance		General	4,945,000
4170-101-890—local assistance		Federal	(70,595,000)
Total			$6,658,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Federal Funds. Increase Item 4170-101-890 by $808,000. Recommend increase to reflect additional federal funds that the department expects to receive. 817
2. Departmental Reorganization. Withhold recommendation on $3,582,000 ($1,713,000 in Item 4170-001-001 and $1,869,000 in Item 4170-001-890) proposed for departmental administration, pending receipt of additional information. 818
3. Nutrition Program Productivity. Recommend that, prior to the budget hearings, the department advise the fiscal committees on how it intends to implement the federal productivity initiative for increasing the number of meals served to seniors. 827

GENERAL PROGRAM STATEMENT

The California Department of Aging (CDA) is the single state agency charged to receive and administer funds allocated to California under the federal Older Americans Act (OAA). The department uses federal and state funds to support local social and nutrition services for the elderly, senior employment programs, and related state and local administrative services and staff training.

The OAA promotes the development of comprehensive service systems for older persons. These systems are coordinated by a network that includes the federal Administration on Aging (AOA), state and local agencies on aging, other public and private nonprofit organizations, and

CALIFORNIA DEPARTMENT OF AGING—Continued

service providers. At the center of the local network for delivery of services are planning and coordinating bodies called Area Agencies on Aging (AAA, often referred to as "triple As"). In California, there are 33 AAAs; one in each planning and service area.

The CDA proposes to reorganize its administrative structure in the current year into two major subdivisions: (1) Administration and Finance and (2) Aging.

The 1983 Budget Act authorized 117.3 positions for the department. The department has eliminated 14.7 of these positions, reducing the total number of staff to 102.6 positions. The department further projects that it will have salary savings equal to 19.3 positions. As a result, the department will have a staffing level of 83.3 personnel years in 1983–84.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes $6,658,000 from the General Fund for support of the California Department of Aging's (CDA) activities in 1984–85. This is a decrease of $2,167,000, or 25 percent, below estimated current-year expenditures. Expenditures, however, will grow by the amount of any salary or staff benefit increases approved for the budget year.

Total program expenditures by the CDA and AAAs, including expenditures from reimbursements and federal funds, are proposed at $79,123,000 in 1984–85. This is an increase of $3,136,000, or 4.1 percent, over estimated current-year expenditures. Table 1 presents a summary of the department's funding and expenditures for the prior, current, and budget years.

Table 1
California Department of Aging
Expenditures and Funding Sources
1982–83 through 1984–85
(in thousands)

	1982–83	*1983–84*	*1984–85*	*Change 1983–84 to 1984–85*	
Expenditures	*Actual*	*Estimated*	*Proposed*	*Amount*	*Percent*
State Administration	$4,870	$3,700	$3,583	−$117	−3.2%
Local Assistance					
Congregate nutrition	35,879	36,018	38,424	2,406	6.7
Home-delivered nutrition	6,083	6,879	7,831	952	13.8
Social services	23,420	23,497	23,409	−88	−0.4
Employment	4,211	4,706	4,827	121	2.6
Special projects	909	1,187	1,049	−138	−11.6
Subtotal, Local Assistance	$70,502	$72,287	$75,540	$3,253	4.5%
Total Expenditures	$75,372	$75,987	$79,123	$3,136	4.1%
Unexpended Balance (estimated savings)	$903	$321	—	−$321	−100.0%
Funding Sources					
General Fund	$5,395	$8,835	$6,658	−$2,177	24.6%
Federal funds	70,044	68,186	72,464	4,278	6.3
Reimbursements	314	41	1	−40	−97.6
State Nutrition Reserve Fund	509	−754	—	754	100.0
State Transportation Fund	13	—	—	—	—
Total Funds	$76,275	$76,308	$79,123	$2,815	3.7%

Table 2 details the proposed changes in the department's budget from the current year to the budget year. The budget proposes the following major changes:

- ***Adjustments for One-Time-Only Funding.*** A reduction of $2.9 million from the General Fund, reflecting the one-time expenditure of funds made available by Ch 1X/83 for nutrition and social services programs in the current year.
- ***Increase in Available Funds.*** An increase of $4.5 million in the amount of federal funds above that appropriated in the 1983 Budget Act.
- ***Continuation of Existing Programs.*** Increases of $500,000 from the General Fund for the Brown Bag program and $127,000 from the General Fund for the Senior Companion program in order to continue these programs at their current service levels in 1984–85.

Table 2
California Department of Aging
Proposed 1984–85 Budget Changes
(in thousands)

	General Fund	*Federal Funds*	*Nutrition Reserve Fund*	*Reim-bursements*	*Total*
1983–84 Expenditures (Revised)	$8,825	$67,875	−$754	$41	$75,987
A. Baseline adjustments:					
1. Increase in existing personnel costs	33	47	—	—	80
2. Inflation adjustments	20	27	—	—	47
3. One-time expenditures					
a. Ch 1X/83	−2,857	—	754	—	−2,103
b. JTPA Coordination	—	—	—	−40	−40
2. Adjustments to fund sources	10	4,515	—	—	4,525
3. Brown Bag program	500	—	—	—	500
Total Baseline Adjustments	−$2,294	$4,589	$754	−$40	$3,009
B. Program Change Proposals					
1. Senior Companion program	$127	—	—	—	$127
1984–85 Expenditures (Proposed)	$6,658	$72,464	—	$1	$79,123
Change from 1983–84:					
Amount	−$2,167	$4,589	$754	−$40	$3,136
Percent	−24.6%	6.8%	100%	−97.6%	4.1%

The estimated expenditures for 1983–84 reflect proposed changes in the organization and responsibilities of the CDA. The Department of Finance (DOF) advises that it will notify the Legislature of these changes pursuant to the requirements set forth in Section 28 of the 1983 Budget Act. At the time this *Analysis* was prepared, the Legislature had not received the required notification.

The DOF also advises that the department has reestimated the amount of federal funds that California will receive in the current year for aging programs. (This reestimate is not reflected in the budget and not shown in Tables 1 and 2.) The department estimates that California will receive $6.2 million more in federal funds in 1983–84 than the amount appropriated by the 1983 Budget Act. This increase is due to (1) increases in the nationwide appropriation for federal fiscal years 1983 and 1984, (2) increases in California's share of the federal appropriation, due to the increasing proportion of the nation's elderly population residing in California, and (3) the carryover of unexpended funds from 1982–83 into 1983–84. The DOF advises that it will notify the Legislature of these changes pursuant to the requirements set forth in Section 28 of the 1983

CALIFORNIA DEPARTMENT OF AGING—Continued

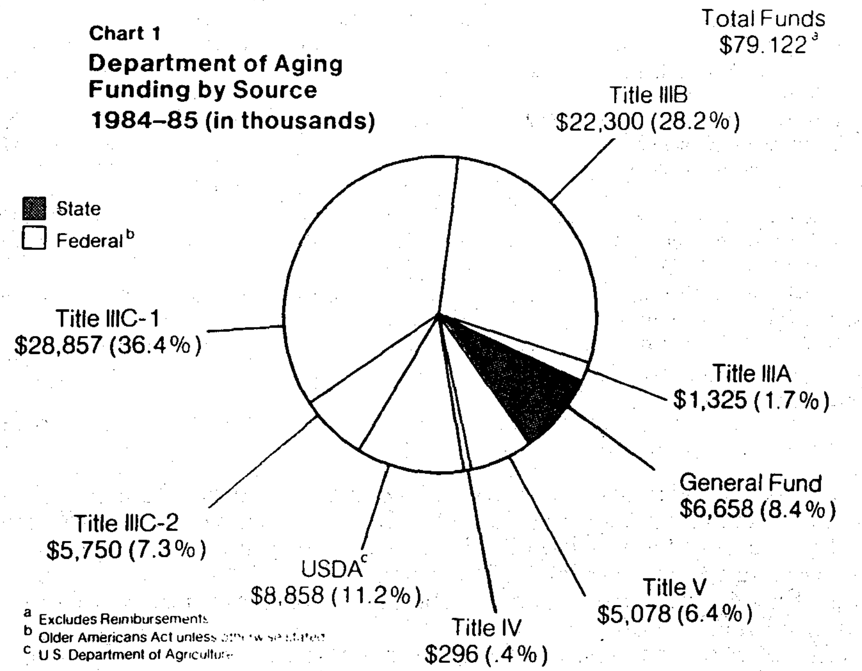
Budget Act. At the time this *Analysis* was prepared, the required notification had not been received by the Legislature.

If current-year expenditures are adjusted to reflect the department's reestimate of federal funds actually available, the total program expenditures proposed for 1984–85 ($79,123,000) would be $3,073,000, or 3.7 percent, *below* current-year expenditures, rather than $3,136,000 and 4.1 percent *above* them.

Program Expenditures by Funding Source

Chart 1 shows total proposed expenditures (other than expenditures from reimbursements) for the department in 1984–85. It indicates that of the $79.1 million proposed for 1984–85, $72.5 million, or 92 percent, would be financed by the federal government, and the remaining $6.7 million, or 8.4 percent, would come from state sources.

Chart 1
Department of Aging Funding by Source 1984–85 (in thousands)



a Excludes Reimbursements
b Older Americans Act unless
c U S Department of Agriculture

ANALYSIS AND RECOMMENDATIONS

LEGISLATIVE FOLLOW-UP

State Legislation

The Brown Bag Network Act (AB 467, Ch 269/83) authorized the Brown Bag program on a permanent basis and modified the way in which the network of organizations that collect, sort, and distribute foods to low-income older persons is administered.

Chapter 920, Statutes of 1983 (AB 1921), provides for employment and training programs for older Californians under the federal Job Training Partnership Act (JTPA) of 1982. The bill establishes criteria for the types of programs eligible to receive funds set aside by the JTPA for older workers. The JTPA funds are administered by the Employment Development Department (EDD) and distributed through private industry councils at the local level. In the current year, the CDA has an interagency agreement with the EDD to study the appropriate allocation of these funds.

Federal Legislation—Reauthorization of Older Americans Act

The authorization of the Older Americans Act terminates on September 30, 1984. Since California has the largest number of elderly residents and receives the largest allocation of OAA funds, reauthorization of the act is particularly important to the state. Changes in the provisions of the act could significantly affect the operations of state and local agencies and the delivery of services to older Californians. Some of the major issues being considered in connection with the reauthorization include:

1. Consolidating Title III funds into single block grants to states.
2. Specifying ways to target services to those in greatest need, such as adopting a means test or raising the age limit.
3. Shifting oversight responsibility for Title V, senior employment programs, from the Department of Labor to the Administration on Aging.
4. Raising the 8.5 percent cap on AAA administrative expenditures and including within the new cap, funds for administration and program development and coordination.

PROFILE OF OLDER CALIFORNIANS

The number of older Californians (60 years of age or older) has continued to increase during the last few years. In 1970, there were 2.6 million Californians age 60 or older. In 1982, the number of older Californians had increased by 43 percent, to 3.7 million. During the same period, the total population in California increased by 24 percent. As a result, the proportion of Californians who are 60 years of age or older has increased from one out of every eight Californians in 1970 to one out of every seven in 1982.

The CDA estimates that 9.4 percent of the elderly in California live in rural areas (unincorporated areas and cities with populations under 2,500). Nearly one-quarter of those over 60 years live alone. An estimated 13 percent of those over 65 years of age are SSI/SSP recipients and 5 percent are institutionalized. Although one-third of the state's population are members of racial or ethnic minorities, only 17 percent of the population over 60 are nonwhite.

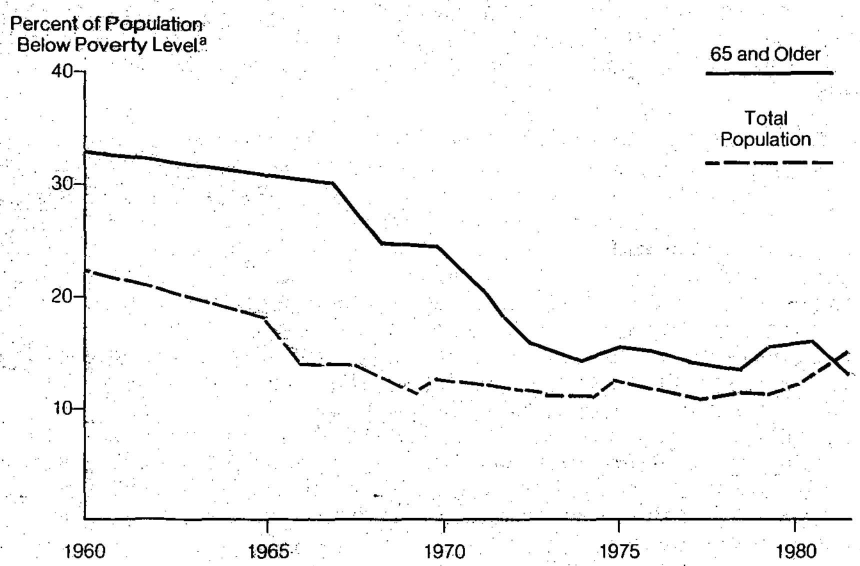
Poverty Among Elderly Declining

Although the number of elderly has increased over the last few years, the number of older persons below the poverty level has declined. Chart 2 shows the percentage of older Americans below the poverty level, as defined by the Bureau of the Census. The chart shows that since 1960 there has been a steady decline in the percentage of older persons below the poverty level. In 1982, the poverty rate among older people was 14.6 percent. This was slightly below the poverty rate among persons of all ages (15.0 percent).

CALIFORNIA DEPARTMENT OF AGING—Continued

Chart 2

Poverty Among Older Americans Declining



[a] Source: Bureau of the Census.

Table 3 compares the poverty rates in California with those for the nation as a whole. The table shows that in 1980, the poverty rate among all persons in California was lower than that for the nation as a whole. In addition, the poverty rate for older persons in California was lower than the poverty rates for the general population in California and the nation.

The poverty level established by the U.S. Census Bureau is based on cash income. If in-kind benefits for the elderly are considered (for example, Medicaid, Medicare, rent subsidies, tax benefits, etc.), then the proportion of the elderly below the poverty line probably is even smaller than that shown in Chart 2 and Table 3.

Table 3

Percent of Population Below Poverty Line

	Nation		California	
	1970	*1980*	*1970*	*1980*
All persons	12.6%	13.0%	11.1%	11.4%
Persons 65 years of age and older	24.5	15.7	18.2	8.3

Source: U.S. Bureau of the Census.

Despite the decline in the poverty rate, there is still a strong pattern of declining income with advancing age. For example, the median income in 1981 of American men age 65 and over ($8,200) was 39 percent of the median income of men 45 to 50 years old ($21,000). Of course, the demands on the income of elderly persons may also be lower than for younger persons, given the lower level of work-related expenses, special tax advantages, and fewer dependents for the elderly.

In addition, although the economic status of the older population as a whole has improved, poverty rates are disproportionately high among the elderly who are women, minorities, or living alone.

The general improvement in the economic status of the elderly is attributable to several factors. First, many individuals currently reaching age 65 have spent a significant portion of their working lives paying into the social security system and private pension funds. Thus, when these individuals retire, they have a minimum income and resources at their disposal. Second, there are a number of non-cash benefits available to older persons to help them maintain a minimum standard-of-living. The following section discusses the various services and benefits available to older persons in California.

SERVICES AND BENEFITS AVAILABLE TO OLDER CALIFORNIANS

Overview

California administers and/or funds a wide variety of programs which provide services and benefits to older individuals. Eighteen state agencies administer or fund 29 separate programs that provide a wide range of benefits and services to older Californians. The California Department of Aging (CDA) administers funds for six major programs, including two nutrition programs and an array of social services supported by federal Older American Act funds. Seventeen other state agencies provide a variety of services and benefits to older Californians. These agencies include:

- Health and Welfare Agency (HWA);
- Office of Economic Opportunity (OEO);
- Department of Justice (DOJ);
- Department of Consumer Affairs (DCA);
- Franchise Tax Board (FTB);
- Department of Veterans Affairs (DVA);
- Department of Housing and Community Development (HCD);
- Department of Transportation (Caltrans);
- Department of Fish and Game (DFG);
- Department of Parks and Recreation (DPR);
- Department of Health Services (DHS);
- Department of Rehabilitation (DOR);
- Department of Social Services (DSS);
- State Department of Education (SDE);
- California State University (CSU);
- California Exposition and State Fair (Cal Expo); and
- Department of Food and Agriculture (DFA).

These agencies (including CDA) propose to spend about *$2.39 billion* on programs for the elderly in 1984–85. The General Fund will finance about 51 percent of these expenditures ($1.21 billion) and the federal

CALIFORNIA DEPARTMENT OF AGING—Continued

government will fund 48 percent ($1.16 billion). The remaining 1 percent ($14.5 million) is supported by county funds. In addition, the General Fund loses an estimated $1 million in revenues as a result of discounts provided to older Californians.

Although the CDA is the state agency specifically charged with responsibility for delivering services to the older population, it accounts for only $76.6 million, or 3.2 percent, of the total funds expended on services and benefits for the elderly.

Summary of Senior Services and Benefits

Table 4 summarizes the services and benefits provided to older Californians. The table divides state programs serving the elderly into the following three major areas:

- ***Income Supports.*** The budget proposes to spend $1.1 billion in 1984–85 on 12 programs providing cash grants, employment and volunteer opportunities, energy assistance, and tax relief to older Californians. The General Fund will provide $583 million, or 55 percent, of these funds. The major source of income support is the SSI/SSP, which accounts for $977 million, or 92 percent, of the total proposed expenditures.
- ***Health and Social Services.*** The budget proposes expenditures of $1.3 billion in 1984–85 for 10 state programs providing health care and supportive social services to the elderly. Of this amount, the General Fund will contribute $602 million, or 47 percent. Medi-Cal accounts for the largest portion of these expenditures ($1.01 billion, or 79 percent) followed by In-Home Supportive Services (IHSS) $181 million, or 14 percent).
- ***Other Services.*** There are seven other programs serving the needs of older Californians. The budget proposes $54.2 million in 1984–85 to support these services. They include programs to prevent and investigate abuse of and crimes against the elderly, provide assistance in transportation and housing, and offer educational opportunities. The General Fund will support $30.9 million, or 57 percent of these proposed expenditures.

Table 4 reveals a number of trends regarding benefits and services to older Californians:

- ***Two programs—SSI/SSP and Medi-Cal—account for the bulk of expenditures for older Californians.*** In 1984–85, these two programs will account for 83 percent of the total expenditures shown in Table 4. Nevertheless, there are 10 programs which individually will provide services costing $10 million or more in the budget year.
- ***The extent to which the benefits are utilized by older Californians varies widely.*** For example, the average number of older persons receiving benefits or services from state programs ranges from 55 clients per month, in the Newly Blind Elderly program to 342,000 clients receiving monthly benefits through the SSI/SSP program.
- ***The eligibility requirements for benefits and services vary significantly.*** For example, the minimum age requirement for services may be 55, 60, 62, or 65 years; or a minimum age may not be specified at all. For many programs, there are additional income requirements for eligibility. For example, several senior citizens tax relief programs are available only to individuals with annual incomes that are less than

$12,000. On the other hand, some benefits are available without regard to a person's income. For example, any individual 60 years of age or older is eligible to participate in the nutrition and social services programs administered by the CDA.

Several points should be kept in mind when reviewing the information provided in Table 4.

- ***There are other services and benefits available to older persons that are not included in the inventory.*** For example, city and county governments and local nonprofit organizations provide additional senior services and benefits, including discounts for public transportation, recreation and education, paratransit services, and various health and social services. In addition, the federal government directly administers a number of programs available to seniors, the most important of which are social security and Medicare.
- ***A number of programs provide services to both the aged and disabled.*** In these cases, we have identified the total number of clients who meet the age criteria, including those who are considered disabled as well, and calculated the costs of serving that population.
- ***County expenditures for programs administered by the state are not shown separately in the table.*** However, estimates of county costs —often based on the program's local match requirement—are included within the total amount.

Senior Discounts

Table 5 shows the state programs that offer reduced prices or fee waivers for older persons. We estimate that in 1984–85, these programs will result in a state revenue loss of approximately $1 million. (This assumes that seniors receiving these discounts would otherwise purchase full-priced services.) In addition, other discounts on the purchase of goods and services are offered to seniors across the state. These discounts may be offered by local governments or by private merchants. They provide significant, but unknown, monetary benefits to the senior population statewide.

Table 4
Inventory of Services and Benefits Available to Older Californians
1983–84 and 1984–85
(dollars in thousands)

Program	*Services Provided*	*Requirement To Qualify*	*1983–84*[a] *Total*	*State*	*Federal*	*1984–85*[a] *Total*	*State*	*Federal*	*Number of Clients*[b]
INCOME SUPPORTS									
1. *Cash Grants*									
• SSI/SSP[c] (DSS)	Cash grant	Age 65 (blind and disabled also qualify) and with (1) limited resources and (2) countable income that does not exceed the maximum grant.	$974,410	$427,362	$547,048	$977,400	$542,900	$434,500	341,839
• Special Circumstances (DSS)	Cash assistance to SSI/SSP recipients in times of catastrophe (flood, fire) or emergency (eviction etc.)	SSI/SSP recipients	$1,359	$1,359	—	—	—	—	204
• Interim Assistance (DSS)	County general assistance while individuals await eligibility determination for SSI/SSP	SSI/SSP eligible	Reimbursed through SSI/SSP program. Costs included above.						
Subtotals, Cash Grants			$975,769	$428,721	$547,048	$977,400	$542,900	$434,500	
2. *Employment*									
• Community Services Employment (CDA)	Subsidized part-time jobs	Age 55 and older and low income	$5,196	$94	$5,102	$5,078	—	$5,078	982 enrollee slots filled
• JTPA/Older Workers[d] (EDD)	Employment and training services	Age 55 and older	$4,540	—	$4,540	$6,053	—	$6,053	Unknown
Subtotals Employment			$9,736	$94	$9,642	$11,131	—	$11,131	
3. *Stipends and Reimbursements for Volunteers*									
• Foster Grandparents (CDA)	Stipends for seniors who provide supportive services to children with special needs	Age 60 and older and low income	$254	$254	—	$254	$254	—	100 volunteers

• Senior Companions (CDA)	Stipends for seniors who provide supportive services to adults with special needs	Age 60 and older and low income	$254	$254	—	$254	$254	—	90 volunteers
Subtotals, Volunteers			$508	$508	—	$508	$508	—	
4. *Energy Assistance*									
• Low-Income Weatherization (OEO)	Low-cost home weatherization	Income less than 130 percent of poverty level	$11,400	—	$11,400	$7,500	—	$7,500	392
• Low-Income Home Energy Assistance (OEO)	Heating assistance grants	Income less than 130 percent of poverty level	$23,800	—	$23,800	$24,800	—	$24,800	12,230
Subtotals, Energy Assistance			$35,200	—	$35,200	$32,300	—	$32,300	
5. *Tax Relief*									
• Senior Citizens Renters' Assistance Program (FTB)	Annual grant based on property tax equivalent	Renter age 62 or older and low-income (less than $12,000) or disabled (all ages)	$25,228	$25,228	—	$23,075	$23,075	—	14,081
• Senior Citizens Property Tax Assistance (FTB)	Direct reimbursements for portion of property taxes	Age 62 or older, or disabled; must own and occupy home; income less than $12,000	$8,460	$8,460	—	$7,614	$7,614	—	6,893
• Senior Citizens Property Tax Deferral (FTB)	Postponement of property tax payments	Age 62 or older, must own and occupy residence, income less than $24,000	$7,150	$7,150	—	$9,300	$9,300	—	15,679
Subtotals, Tax Relief			$40,838	$40,838	—	$39,989	$39,989	—	—
Total, Income Supports			$1,062,051	$470,161	$591,890	$1,061,328	$583,397	$477,931	—
HEALTH AND SOCIAL SERVICES									
1. *Health Services*									
• Medi-Cal (DHS)	Acute medical services, long-term care, ancillary health services	Public assistance recipients *or* meet age, disability, and income requirements (age 65 and older)	$999,304	$499,652	$499,652	$1,009,700	$504,850	$504,850	258,990
• Adult Day Health Care [e] (DHS)	Health and social services provided in non-residential centers	"Frail elderly and other adults"	($2,475) $350 (start-up grants)	($1,237) $350	($1,238)	($3,351)	($1,675)	($1,676)	80 Medi-Cal (400 private pay)

Table 4—Continued
Inventory of Services and Benefits Available to Older Californians
1983–84 and 1984–85
(dollars in thousands)

Program	*Services Provided*	*Requirement To Qualify*	*1983–84[a]*			*1984–85[a]*			*Number of Clients[b]*
			Total	*State*	*Federal*	*Total*	*State*	*Federal*	
• MSSP[f] (HWA)	Case management to link clients to various health and social services	Age 65 and older, Medi-Cal eligible, certifiable for placement in nursing homes	($4,107) $4,508	$4,508	($4,107)	($4,924) $5,513	$5,513	($4,924)	1,330
• Preventive Health Care for Aging (DHS)	RN's provide health appraisals, counseling, referrals, education	Older adults (55 and older) in congregate settings who are well	$2,432	$1,216	—	$1,216	$608	—	3,380
Subtotals, Health Services			$1,006,594	$505,726	$499,652	$1,016,429	$510,971	$504,850	
2. *Nutrition*									
• Nutrition (CDA)	Meals provided at community centers or delivered at home	Age 60 and older (and spouses, regardless of age)	$52,654	$3,820	$43,951	$51,982	$2,789	$44,273	20,900
• Brown Bag (CDA)	Food-stuffs distributed to older persons	Age 60 and older and low income	$563	$563	—	$500	$500	—	24,370
Subtotals, Nutrition			$53,217	$4,383	$43,951	$52,482	$3,289	$44,273	
3. *Supportive Social Services*									
• IHSS[g] (DSS)	Domestic and nonmedical services provided at home	SSI/SSP eligible	$171,609	$69,200	$100,285	$181,426	$86,257	$92,010	58,400
• Supportive Services and Centers (CDA)	Social services	Age 60 and older	$27,476	$1,269	$23,587	$25,877	$1,196	$22,213	161,124
• Newly Blind Elderly (DOR)	Assistance in overcoming barriers to mobility	Age 55 and older, able to read large print	$95	$95	—	$95	$95	—	55
• Counselor/Teacher program (DOR)	Mobility orientation and other habilitation services	Client of DOR (85 percent are elderly)	$207	$207	—	$220	$220	—	65
Subtotals, Supportive Social Services			$199,387	$70,771	$123,872	$207,618	$87,768	$114,223	
Total, Health and Social Services			$1,259,198	$580,880	$667,475	$1,276,529	$602,028	$663,346	

OTHER SERVICES									
• Adult Protective Services (DSS)	Investigation prevention of abuse/neglect of "elders"	N/A	$12,100	$700	$8,700	$12,300	$900	$8,800	Unknown
• Prevention of Crimes Against the Elderly (DOJ)	Information and technical assistance	N/A	$25	$25	—	$26	$26	—	Unknown
• Golden State Senior Discount (DCA)	Cards issued for purchase of discounted goods and services from volunteer merchants	Age 60 or older	$86	$86	—	$101	$101	—	14,000
					(program administration)				
• Urban Mass Transportation Act 16b(2) program[h] (Caltrans)	Capital assistance to private nonprofit agencies to purchase specialized vehicles	"Elderly" and/or handicapped	$1,933	$221	$1,394	$3,269	$277	$2,432	191,000 trips/months
• Senior Citizen Shared Housing (HCD)	Administrative grants to nonprofit entities operating shared housing	Age 60 or older	$50	$25	—	$300	$150	—	1,553 —counseled; 405—matched
• Adult Education Courses for the Elderly (SDE)	Educational courses	Eligibility criteria established by local officials	$12,000	$12,000	—	$12,000	$12,000	—	105,000[i]
• California Veteran's Home (DVA)	Residential nursing and medical services	Veteran; 5-year resident	$25,988	$16,203	$9,785	$26,154	$17,532	$8,622	1,380
Totals, Other Services			$52,182	$29,260	$19,879	$54,150	$30,986	$19,854	
Grand Total			$2,373,431	$1,080,301	$1,279,244	$2,392,007	$1,216,411	$1,161,131	

[a] County expenditures not shown separately. County costs, are included in the total amount, however.
[b] Monthly average clients in 1983–84 unless otherwise specified.
[c] Supplemental Security Income/State Supplementary Payment.
[d] Job Training Partnership Act.
[e] Amounts included in Medi-Cal figures, except for $350,000 start-up grants.
[f] Multipurpose Senior Services Program. Federal fund amounts included in Medi-Cal figures.
[g] In-Home Supportive Services.
[h] Figures include amounts for handicapped, as well as elderly.
[i] Annual enrollment.

Table 5
Discount Programs for Older Californians
(Dollars in thousands)

Program	*Discounts Provided*	*Requirement To Qualify*	*1984–85 Estimated State Revenue Loss* [a]	*Number of Recipients* [b]
• Golden Bear Passes (DPR)	Reduced price on annual state park pass	Age 65 and older and below specified income level	$50	1,430
• Discount Fishing Licenses (DFG)	Reduced price on fishing license	Age 65 and older receiving SSI/SSP or with specified income	$550	50,000
• California Exposition and State Fair (DFA)	Reduced State Fair admission	"Senior"	$27	13,500
• California State University (CSU)	Student fee waivers	Age 60 or older	$415	600
Total			$1,042	

[a] Potential revenue loss, assuming older persons receiving discounts otherwise would purchase full priced services.
[b] Estimated recipients in 1983–84.

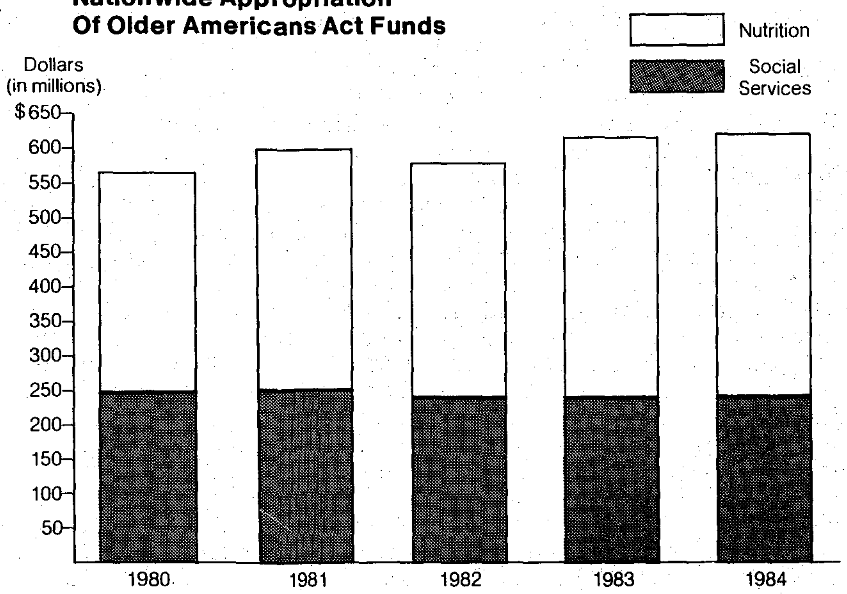
FEDERAL FUNDS FOR AGING PROGRAMS

Federal funds for nutrition and social services programs are provided to California under Title IIIB and C of the Older Americans Act (OAA). Chart 3 shows the nationwide appropriation of these funds since federal fiscal year (FFY) 1980. As the chart shows:

- Funds for social services have remained relatively constant during this period.
- Funds for nutrition programs have fluctuated since 1980. Federal funding for nutrition programs decreased by $9.3 million (2.7 percent) in FFY 1982, but then increased by $38.9 million (11.4 percent) in FFY 1983. In FFY 1984, the federal appropriation increased slightly ($2.9 million) over the amount appropriated in 1983.

California's share of the national appropriation has increased over the last several years, as the state's share of the nation's population has increased. Currently, California receives approximately 9.3 percent of the national OAA appropriation.

Chart 3
Nationwide Appropriation Of Older Americans Act Funds



Federal Funds Underbudgeted

We recommend that Item 4170-101-890 be increased by $808,000 to reflect additional federal funds anticipated by the department.

The budget proposes expenditures of $56,907,000 in federal Title III funds for social and nutrition services in 1984–85. When the department

CALIFORNIA DEPARTMENT OF AGING—Continued

prepared its budget for 1984–85, it anticipated receiving $56,907,000 in FFY 1984 and the same amount in FFY 1985. Subsequently, the department was notified that it will receive $57,715,000 in FFY 1984. It now expects to receive this larger amount of federal funds in FFY 1985.

Because these federal fiscal years overlap the state's 1984–85 fiscal year, federal support will total $57,715,000 in the budget year. This is $808,000 more than the amount proposed in the 1984 Budget Bill. To accurately reflect the amount of federal funds available to California, we recommend that Item 4170-101-890 be increased by $808,000.

STATE ADMINISTRATION

Department of Aging Reorganization

We withhold recommendation on $3,582,000 ($1,713,000 in Item 4170-001-001 and $1,869,000 in Item 4170-001-890) proposed for administration of the Department of Aging, pending the receipt of additional information regarding personnel and program changes within the department and redirection of funds to local assistance.

The budget proposes significant changes in the administration of the Department of Aging in the current and budget years. The budget indicates that during the current year, the department has reduced its staff from 117.3 positions to 102.6 positions, a reduction of 14.7 positions. The budget proposes to delete an additional 15.3 positions in 1984–85. As a result, the department will have 87.3 positions in 1984–85, or 30 fewer positions than authorized in the 1983 Budget Act.

Funding Reductions and Redirections in the Current and Budget Years. The department advises that in the current year, it is reducing funds for state operations by $720,000 ($10,000 from the General Fund, $693,000 in federal funds, and $17,000 in reimbursements). Of this amount, $399,000 is due to a reestimate of available federal funds. The remaining $321,000 ($10,000 from the General Fund and $311,000 in federal funds) is due to the proposed reorganization. The budget shows the $321,000 as savings in the current year. The department advises that it originally intended to redirect the $321,000 to the AAAs for support of direct services. The 1983 Budget Act, however, does not provide for such transfers.

In 1984–85, the budget proposes to reduce expenditures for state operations by $791,000 ($183,000 from the General Fund, $591,000 in federal funds, and $17,000 in reimbursements). Of this amount, $384,000 is due to a reestimate of available federal funds and $407,000 is due to the proposed reorganization. The department proposes to transfer the $407,000 savings, plus an additional $22,000 in Federal Title V funds, to local assistance.

Insufficient Information. The budget proposes to reduce the staffing of the department by 30 positions, which is a 26 percent reduction from the levels authorized by the 1983 Budget Act. Based on our review, we conclude that the department has not provided the Legislature with the information it needs to act on the department's proposal. Specifically:

- In many instances, the proposal does not specify which of the department's current activities will be discontinued, reduced or consolidated as a result of the reduction in state staff.
- The department has not provided organizational charts identifying the structure of the department and the number of positions associated with each division, before and after the proposed reorganization.

- Some of the information provided by the administration is inconsistent. For example, the detail supporting the budget change proposal does not accurately reflect the number of positions authorized in the current year.
- The budget does not discuss the impact of the proposal on the AAAs. For example, the budget proposes to discontinue state audits of AAAs and to transfer this responsibility to the AAAs. Presumably, the AAAs would use county auditors or hire CPAs to audit their operations. The department, however, was not able to identify the fiscal impact on the AAAs of this transfer of responsibilities.

Additional Information is Needed. Because the budget and supporting documents do not contain sufficient information for the Legislature to evaluate and act on the department's proposal, we recommend that, prior to the budget hearings, the department provide the fiscal committees with the following:

1. Organizational charts for the department, specifying the divisions and branches and the associated staff positions for the current and budget year.
2. A description of the proposed changes in department staffing and functions. This should identify the departmental activities which will be reduced, eliminated or consolidated, and the associated positions which will be eliminated or redirected as a result of these changes.
3. A list of the positions proposed for elimination in the current and budget years with the associated salaries, benefits and operating expenses and equipment. In addition, this list should include (a) the most recent estimate of actual expenditures of state and federal funds for the current year, (b) an estimate of funds available for redirection in the current and budget years, and (c) plans for transfer of those funds to local assistance in the current year.

Pending receipt of this information, we withhold recommendation on $3,582,000 ($1,713,000 from Item 4170-001-001 and $1,869,000 in Item 4170-001-890) proposed for support of the CDA.

AREA AGENCY OPERATIONS

Federal and State Requirements Guide AAA Activities

The CDA provides services to older Californians through 33 AAAs. The AAAs are local government agencies and private nonprofit organizations established in each Planning and Service Area (PSA) in the state. The area agencies develop area plans and administer funds received by the PSAs, coordinate services among other agencies and organizations, develop new programs and services, and advocate on behalf of older persons.

Federal Restrictions. In order to carry out these activities, the Older Americans Act permits states to spend up to 8.5 percent of their combined Title IIIB (supportive services and senior centers) and Title IIIC (nutrition services) funds for area agency administration. The AAAs also are allowed to spend Title IIIB funds for advocacy and for the development and coordination of the local service system. Federal regulations do not limit the amount of Title IIIB funds which may be spent for advocacy or program development and coordination if the AAAs have reached the 8.5 percent administrative cap.

State Restrictions. The 1983 Budget Act restricted the AAAs' expenditure of Title III funds for program development, advocacy, and coordination (PDAC). Specifically, the Budget Act prohibits those AAAs

CALIFORNIA DEPARTMENT OF AGING—Continued

that receive $1 million or *more* in federal funds from using more than 1 percent of their Title III allocation for PDAC activities. In general, PDAC consists of those activities that contribute to the establishment or expansion of services for seniors. In addition, the act restricts those agencies that receive *less* than $1 million in federal funds from using over 20 percent of their Title III funds for PDAC *and* administration. In addition, the act prohibits *all* area agencies from using state matching funds to support these in-house activities. The 1984 Budget Bill does not propose to continue the 1 percent cap.

The intent of the 1983 Budget Act restrictions was to maximize the amount of federal funds available to support services for the elderly.

AAA Expenditures for Administration and PDAC

Expenditures Prior to Legislatively Directed 1 Percent Cap. Table 7 shows the statewide expenditures of state and federal funds for administration and PDAC activities reported to the CDA during 1981–82 and 1982–83. The table also shows the amount of funds *budgeted* for 1983–84 by the AAAs for these functions *prior* to the 1983 Budget Act restrictions. The table shows that the AAAs spent less than 8.5 percent of the federal Title III funds for administration in 1981–82 and 1982–83. In addition, the AAAs spent approximately 4 percent of Title III funds for PDAC activities during those two years. This was done despite the federal requirement that states exhaust the 8.5 percent administrative allowance before using Title III services funds for program development and coordination.

Impact of Legislatively Directed 1 Percent Cap. The department estimates that in 1983–84, 21 PSAs will receive $1 million or more in federal funds and therefore are subject to the 1 percent cap established by the 1983 Budget Act. The remaining 12 PSAs will receive less than $1 million in federal funds. Table 6 summarizes the impact of the 1983 Budget Act restrictions on expenditures for PDAC activities. The table shows that:

- Of the 21 AAAs that will receive $1 million or more in federal funds, 18 budgeted a total of $2.1 million more for PDAC activities than could be spent under the Budget Act.
- Of the 12 AAAs that will receive less than $1 million in federal funds, 1 exceeded the 20 percent ceiling for administration and PDAC activities.
- As a result of the cap on expenditures for program development activities, $2.153 million was not available for PDAC activities, but was available to fund nutrition and supportive services.

Table 6
Impact of 1983 Budget Act on Proposed AAA Expenditures 1983–84

Federal Funds Received by AAA	*AAAs Affected By Cap*	*Budget for PDAC Activities*[a] *Before Cap*[b]	*After Cap*[c]	*Available for Redirection*
$1 million or more	18	$2,601	$466	$2,135
Less than $1 million	1	493	475	18
Totals	19	$3,094	$941	$2,153

[a] Program development, advocacy, and coordination.
[b] Before establishment of Budget Act restrictions. Includes $380,000 from the General Fund.
[c] After establishment of restrictions. Entirely Title IIIB funds.

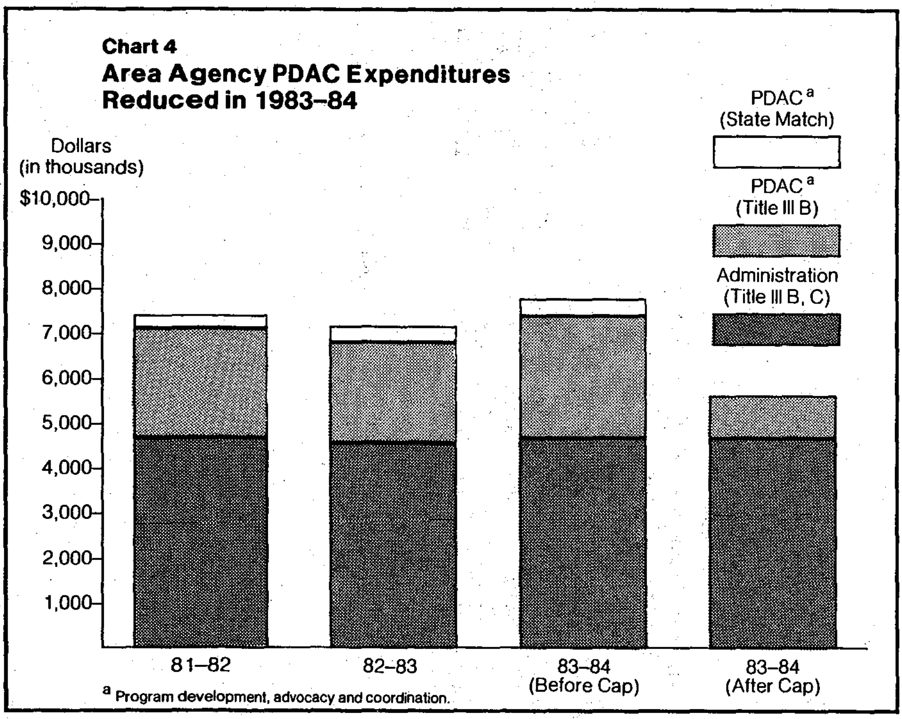
Table 7
Statewide Expenditures for AAA Administration and PDAC 1981–82 through 1983–84

	1981–82				*1982–83*				*1983–84* [a]			
	Title III		*General*		*Title III*		*General*		*Title III*		*General*	
	Percent	*Amount*	*Fund*	*Total*	*Percent*	*Amount*	*Fund*	*Total*	*Percent*	*Amount*	*Fund*	*Total*
Administration	7.6%	$4,683	—	$4,683	8.3%	$4,578	—	$4,578	8.1%	$4,698	—	$4,698
PDAC [b]	3.9 [c]	2,441	$293	2,734	4.1 [d]	2,242	$357	2,599	4.7 [e]	2,713	$380	3,093
Totals	11.5%	$7,124	$293	$7,417	12.4%	$6,820	$357	$7,177	12.8%	$7,411	$380	$7,791

[a] Prior to imposition of 1 percent cap.
[b] Program development, advocacy, and coordination.
[c] 9.5 percent of Title IIIB.
[d] 9.9 percent of Title IIIB.
[e] 11.5 percent of Title IIIB.

CALIFORNIA DEPARTMENT OF AGING—Continued

Chart 4 shows AAA expenditures for administration and PDAC activities in 1981–82 and 1982–83. It also shows the amounts budgeted for these activities in 1983–84, both before and after establishment of the cap. As a result of the cap, AAA budgets for in-house activities were *reduced* by 28 percent in the current year.



If expenditures for PDAC activities are considered separately (that is, if expenditures for administration are excluded), *statewide outlays* for program development, advocacy, and coordination have been reduced by 69 percent in the current year. In *the 18 areas* affected by the 1 percent cap, spending for PDAC activities has been reduced by 82 percent.

Legislative Analyst's Survey of Cap's Impact on AAAs

Our office surveyed the 33 AAAs to assess the impact of these reductions on local agency activities. Of the 22 AAAs that responded, 12 were not affected by the Budget Act restrictions, either because they received less than $1 million in federal funds or were already spending less than 1 percent of Title III funds for PDAC activities. The remaining 10 AAAs had proposed to spend more funds than what the Budget Act allowed, and therefore were required to reduce their budgets.

Of the ten AAAs affected by the cap:

- Four agencies (the City of Los Angeles, and Ventura, Orange, and Los Angeles Counties) reported receiving funds from local governments to cover part of the reduction.
- Eight agencies reported laying off staff, leaving positions vacant, reducing salaries, or shortening work weeks.
- All ten agencies reported that they had reduced or eliminated functions previously performed by AAA staff, including technical assistance to contractors, staff support for local committees and task forces, fund-raising assistance for service providers, and planning and coordination for delivery of long-term care services.

Federal Definitions of Administration and PDAC Activities are Vague

One of the reasons the legislature imposed the cap on funds for program development activities in the current year was its concern that these funds had been used to support administrative activities, in the past. The extent to which AAAs have used PDAC funds in the past to pay for "pure" administrative functions, however, is difficult to determine. This is because the federal definitions of "administration" and "program development and coordination" are vague and subject to interpretation. In addition, there are no explicit definitions for "advocacy." According to the federal AOA:

- ***Administration*** is defined as "the ongoing planning and management activities related to the development and administration of the area plan."
- ***Program development and coordination*** is defined as "activities directly related to either the establishment of a new service(s); or the improvement, expansion, or integration of an existing service(s)." Such activities must be (1) intended to achieve a specific service goal or objective and (2) time-limited.

The distinction between administrative activities and program development/coordination activities is not clear cut. In fact, the AOA acknowledges that "program development and coordination costs contain a large administrative element and . . . are not properly treated as equivalent to direct services."

Our analysis indicates that there is a fundamental contradiction in the federal treatment of funds for administration and program development/coordination activities. On one hand, the AOA provides definitions of program development/coordination activities that distinguish them from administrative functions and allows AAAs to report and document them as social services costs. At the same time, federal regulations require that program development and coordination activities be treated as administrative costs *until* the state has spent 8.5 percent of its funds for administration.

The one distinct difference between administration and program development and coordination is the match requirement. The AAAs are required to provide a 25 percent match on federal funds used for administration, but only a 10 percent match on funds used for program development and coordination when they are reported as direct supportive services.

CALIFORNIA DEPARTMENT OF AGING—Continued

PDAC Achievements are Difficult to Measure

In general, AAAs claim that PDAC activities are important because it is through such activities that they are able to develop additional services for seniors. In response to our survey, the AAAs cited various examples of PDAC activities. These include fund-raising, coordination of local organizations for the establishment of new senior centers and nutrition sites, workshops on volunteer development, testimony advocating commitment of funds to senior programs, staff support of the Senior Legislature and local planning committees, and the planning and development of local long-term care delivery systems.

In 1982, the National Association of Area Agencies on Aging (N4A) attempted to document the extent to which program development and coordination activities resulted in additional services for seniors. Based on information provided by AAAs throughout the nation, the N4A concluded that "the investment of $18.8 million of Title IIIB funds has generated over $384,146,599 in other service funds for the elderly. This represents a ratio of $20.39 generated for every $1 of Title IIIB funds used for program development and coordination."

While N4A cites a 20 to 1 productivity ratio for program development funds, our analysis indicates that it is difficult to measure the results of PDAC activities by the AAAs. This is because (1) the activities may lead to accomplishments that are not easily assigned monetary value, such as enhancements of existing services or improvement of local coordination, (2) the "credit" for the accomplishment of certain achievements may be shared by a number of community agencies and service providers, including the AAA, and (3) the PDAC activities that can be charged as direct services often cannot be completely separated from the ongoing administrative and planning responsibilities of an AAA.

California Commission on Aging Review

The 1983 Budget Act directed the California Commission on Aging to report on ways to reduce unnecessary administrative costs in both CDA and the AAAs. The 1 percent cap on PDAC activities was imposed pending the outcome of the commission's report.

The study conducted by the commission was an ambitious effort that addressed a wide range of issues and contained a large number of recommendations. The two major recommendations regarding expenditures for administration and PDAC activities are summarized below. Specifically, the commission recommends that:

1. The CDA apply the 8.5 percent cap on administration on a *statewide* basis, rather than on an area agency basis. Currently, the department restricts the administrative spending of *each* AAA to 8.5 percent of its Title III allocation. If the commission's proposal is adopted, some AAAs could spend more than 8.5 percent of their funds on administration so long as the state as a whole does not spend more than 8.5 percent of its Title III funds on such activities.

2. The Budget Bill be amended to limit the use of Title IIIB funds by AAAs for PDAC activities. Specifically, the commission recommends that:

- Those AAAs that receive over $1 million in Title III funds be restricted from spending more than 10 percent of their Title IIIB allocation for PDAC activities.

- AAAs with Title III allocations of less than $1 million be allowed to spend up to 20 percent of their Title IIIB funds for PDAC activities.

The report provides no specific rationale for a 10 percent and 20 percent limit on AAA spending for PDAC.

Legislature's Options

There are basically two options available to the Legislature regarding the AAAs' use of funds for program development. The Legislature could (1) continue the 1 percent cap or impose some other arbitrary limit on PDAC expenditures or (2) lift the restrictions on PDAC expenditures. Each option has advantages and disadvantages. In addition, there are uncertainties attached to each option. Table 8 summarizes these options.

Table 8
Legislative Options for Program Development, Advocacy, and Coordination

	Advantages	*Disadvantages*	*Uncertainties*
Option 1			
Continue 1 percent cap or impose some other arbitrary cap.	1. Increases amount of federal and state funds available for direct services for seniors.	1. Limits ability of AAAs to carry out their responsibilities under state and federal law, to the extent that the amount of funds available under the 8.5 percent administrative cap plus the cap on funds for PDAC activities is insufficient to support AAA activities.	1. The amount of state and federal funds available for direct services would depend on the level of the cap on PDAC expenditures.
	2. Could result in AAAs being more efficient as a result of the need to operate with reduced funds.	2. Reduces the ability of the AAAs to generate additional services for seniors, to the extent that AAAs have been successful in the past in using PDAC funds to develop such services.	
Option 2			
Lift state restrictions and allow AAA governing boards to determine how much to spend on PDAC activities.	1. Responsibility for establishing funding levels for PDAC activities would be vested with the level of government most familiar with local needs.	1. Reduces the amount of federal and state funds available for direct services to seniors to the levels provided prior to 1983–84.	1. Unknown how much AAAs would spend on PDAC activities.
	2. Giving AAAs increased flexibility may allow them to generate additional resources to provide services for seniors.		

CALIFORNIA DEPARTMENT OF AGING—Continued

NUTRITION PROGRAMS

Meals Served in Social Setting or Delivered to Homes

The Department of Aging provides federal Older Americans Act funds to AAAs for support of local nutrition programs. The primary objective of the department's nutrition program is to provide low-cost, nutritionally sound meals to older Californians which are either served in congregate centers or delivered to the homebound.

Senior Meals Programs. Congregate nutrition projects are required to serve, in a social setting, a minimum of 100 nutritionally balanced meals five or more days a week. Persons 60 years of age or older and their spouses, regardless of age, are eligible to participate in these nutrition programs. In addition, volunteers who prepare and serve meals, and handicapped individuals who live in residences where sites are located, are also eligible. During 1982–83, 160 providers served 12.3 million congregate meals to 222,000 eligible seniors at 827 sites across the state. This is an average of slightly more than one meal per participating senior per week. The department estimates that approximately 12.6 million meals will be served in congregate sites in 1983–84.

Home-delivered meals are provided to individuals 60 years of age and older who are homebound as a result of illness, disability, or other isolation. Providers of home-delivered meals are required to assess recipients and verify their eligibility for the program. During 1982–83, 154 service providers delivered 3.3 million meals to 28,000 seniors in their homes. The department estimates that approximately 3.9 million home-delivered meals will be provided in 1983–84.

Nutrition Funding. The budget proposes $46,255,000 to support nutrition programs in 1984–85. Of that amount, $43,465,000, or 94 percent, would come from federal funds. Of the federal funds, $34,607,000 is provided to California through Title IIIC of the Older Americans Act (OAA) and $8,858,000 is available from the U.S. Department of Food and Agriculture (USDA).

The budget proposes General Fund expenditures of $2,790,000 in 1984–85 for nutrition programs. This is a 29 percent decrease in General Fund expenditures for nutrition programs from the current year. This reduction is due primarily to the fact that in 1983–84, the Legislature provided $1,286,000 for congregate nutrition on a one-time basis, as part of the reappropriation of funds through Ch 1x/83.

Unmet Need Difficult to Assess

Definitions of Need. The Older Americans Act prohibits the use of a "means test" in order to determine the eligibility of seniors to receive meals. However, the OAA requires that these services be targeted in order to give preference to older persons "with the greatest economic or social needs." In California, the department requires that nutrition sites be located in areas where meals can be provided to those in greatest economic or social need. The department defines an individual meeting the income standards for SSI/SSP eligibility as having the greatest economic need. The department defines greatest social need as an individual characterized by any two or more of the following: (1) 75 years of age or older, (2) handicapped, (3) living alone, or (4) having a language/communication barrier.

The department estimates that in 1982–83, 48 percent of all congregate meal participants and 57 percent of those receiving home-delivered meals were in greatest economic need.

CDA Estimates of Unmet Need. It is impossible to determine how many older Californians who need meals are not receiving them. The department has attempted to estimate unmet need among older Californians by reviewing providers' reports of (1) congregate meals requested by seniors but not served and (2) numbers of seniors placed on waiting lists for home-delivered meals. In 1982–83, according to CDA, a total of 69,364 requests for meals were denied at congregate nutrition sites and 9,083 persons were placed on waiting lists for home-delivered meals. The 69,000 meals requested, but not served, represents 0.6 percent of the total number of congregate meals prepared in 1982–83.

Increased Productivity Could Result in Increased Meals for Seniors

We recommend that, prior to the budget hearings, the department advise the fiscal committees how it intends to implement the federal productivity initiative for increasing the number of meals served to seniors statewide.

Federal Productivity Initiative. The AOA recently has implemented a "productivity initiative" in order to assess the performance of state nutrition programs. The purpose of the initiative is to increase the number of meals served to seniors by identifying the management techniques associated with states which have high productivity rates. The AOA measures each state's productivity by dividing the number of meals served to seniors in the state by the amount of federal Title IIIC funds allotted to the state for nutrition. The resulting ratio shows the extent to which the state has succeeded in using its Title IIIC funds to produce additional meals by obtaining other resources, or implementing management strategies that reduce meal costs. The more successful a state is in producing more meals for its federal allotment, the higher the productivity factor will be.

The AOA reports that in FFY 1982, California ranked 38th in the nation, with a productivity factor of .508. This was an increase over FFY 1981, when the factor was .466. Based on federal allotments and reported meal counts, we estimate that California's productivity declined to .463 in FFY 1983. This means that for each Title IIIC dollar spent on nutrition in California in FFY 1983, service providers were able to produce slightly less than one-half of a meal.

The AOA has identified various factors associated with high productivity levels, including the following:

- Significant use of USDA commodities instead of cash reimbursements;
- Consolidation of the number of nutrition providers and nutrition sites;
- High level of donations from program participants;
- Expanded use of volunteers;
- Substantial state funding of nutrition programs; and
- Establishment of performance criteria for service providers.

Productivity in PSAs. Given California's relatively low productivity, it is important to review the extent to which individual PSAs vary in the productivity of their senior meals programs. Table 9 shows the high, low and average productivity levels among the PSAs. The table shows that the combined productivity for congregate and home delivered meals ranged from a high of .98 in one PSA to a low of .33 in another PSA. The statewide

CALIFORNIA DEPARTMENT OF AGING—Continued

average was .51. Of the 33 PSAs, 23 PSAs (70 percent) had productivity levels which were below the statewide average.

Table 9
Productivity of Senior Nutrition Services Varies Widely in California PSAs
1982–83

Productivity[a]	*Congregate and Home-Delivered Meals*	*Congregate Meals*	*Home-Delivered Meals*
High	.98	.91	1.40
Average	.51	.50	.59
Low	.33	.31	.25

[a] Ratio of federal expenditures for meals to number of meals provided. A higher ratio indicates a higher productivity per federal dollar spent for meals. (Productivity figures are based on actual expenditures per meal, rather than allotment of funds per meal.)

We recognize that there are many factors influencing the productivity of nutrition service providers within a PSA, including geography, regional variation in food costs, and the availability of local resources. Nevertheless, our analysis indicates that improvements in productivity can significantly increase the number of meals available to the state's elderly. For example, we estimate than an additional 1.5 million meals per year could be provided if the 23 PSAs with below-average productivity increased their productivity to the statewide average in 1982–83.

The federal productivity ratio provides the CDA with a way to measure the efficiency of nutrition programs within the state. The state could identify PSAs where nutrition programs demonstrate a high return on the federal dollar and could provide assistance to those area agencies with low productivity levels. In turn, area agencies could use this same analytic technique to measure the productivity of individual service providers, seeking to increase their productivity levels.

The department has indicated that it intends to implement the federal productivity initiative, but has not specified how it plans to do so. Therefore, we recommend that, prior to the budget hearings, the department advise the fiscal committees on how it intends to use the productivity initiative to improve the efficiency of the state's nutrition programs.

COMMISSION ON AGING

Item 4180 from the General Fund and Federal Trust Fund — Budget p. HW 27

Requested 1984–85	$216,000
Estimated 1983–84	201,000
Actual 1982–83	155,000
Requested increase (excluding amount for salary increases) $15,000 (+7.5 percent)	
Total recommended reduction	None

1984–85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
4180-001-001—Support		General	$216,000
4180-001-890—Support		Federal	(168,000)

GENERAL PROGRAM STATEMENT

The California Commission on Aging (CCA) is mandated to act in an advisory capacity to the California Department of Aging (CDA) and to serve as the principal state advocate on behalf of older persons. The CCA is composed of 25 members appointed by the Governor, the Speaker of the Assembly, and the Senate Rules Committee.

The 1983 Budget Act authorized 5.6 positions for the CCA in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of $216,000 from the General Fund to support the CCA in 1984–85. This is an increase of $15,000, or 7.5 percent, over estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increases approved for the budget year.

Total program expenditures, including $168,000 in expenditures from federal funds, are projected at $384,000 in 1984–85. This is an increase of $11,000, or 2.9 percent, over estimated current-year expenditures. This increase is due to (1) a net increase operating expenses and equipment ($7,000) and (2) an increase in existing personnel costs ($4,000). The increases are routine and appear to be reasonable.

Health and Welfare Agency

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

Item 4200 from the General Fund and Federal Trust Fund — Budget p. HW 28

Requested 1984–85	$69,390,000
Estimated 1983–84	68,450,000
Actual 1982–83	67,837,000
Requested increase (excluding amount for salary increases) $940,000 (1.4 percent)	
Total recommended reduction	None

1984–85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
4200-001-001	Support	General	$5,554,000
4200-001-890	Support	Federal	(2,413,000)
4200-101-001	Local Assistance	General	63,836,000
4200-101-890	Local Assistance	Federal	(28,096,000)
Total			$69,390,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Drinking Driver Programs. Recommend that, prior to the budget hearings, the department advise the fiscal committees how it will ensure that counties adequately review and monitor multiple offender drinking driver programs (DDP). Further recommend that the department clarify the state and county responsibilities for DDPs. 838
2. Recovery and Treatment Programs. Recommend that, prior to the budget hearings, the department advise the fiscal committees how it will ensure that third-party payments will be available for recovery and treatment services if counties provide certification according to local program standards. 839
3. Audits. Recommend that the department perform financial and compliance audits covering the expenditure of state, as well as federal, funds. 840
4. Consolidated Appropriation. Recommend that the Budget Bill be amended to schedule separately funds for the alcohol program and drug program. 840
5. County Allocation Formula. Recommend that the department not adopt a formula requiring counties to spend a minimum of 35 percent for alcohol programs and 35 percent for drug programs. 841

GENERAL PROGRAM STATEMENT

The Department of Alcohol and Drug Programs (DADP) is responsible for directing and coordinating the state's efforts to prevent or minimize the effect of alcohol misuse, narcotic addiction, and drug abuse. The department is composed of the Divisions of Alcohol Programs, Drug Programs, and Administration. The department has 200 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of $69,390,000 from the General Fund for support of department activities in 1984–85. This is an increase of $940,000, or 1.4 percent, over estimated current-year expenditures. The increase will grow by the cost of any salary or benefit increases that may be approved for the budget year.

The budget proposes total expenditures of $102,941,000 for alcohol and drug programs in 1984–85. This includes expenditures of $30,509,000 from federal funds and $3,042,000 from reimbursements. Total expenditures proposed for 1984–85 are $365,000, or 0.4 percent, below estimated total current-year expenditures. Table 1 shows total expenditures for the prior, current, and budget years, by funding source.

Table 1
Department of Alcohol and Drug Programs
Expenditures by Funding Source
1982–83 through 1984–85
(in thousands)

	Actual 1982–83	*Estimated 1983–84*	*Proposed[a] 1984–85*	*Change from 1983–84 to 1984–85* *Amount*	*Percent*
Federal Funds					
Local assistance—alcohol	$6,579	$10,364	—	—	—
Local assistance—drugs	17,769	18,953	—	—	—
Totals, local assistance	$24,348	$29,317	$28,096	−$1,221	−4.2%
State operations	$2,415	$2,623	$2,413	−$210	−8.0%
General Fund					
Local assistance—alcohol	$32,219	$32,345	—	—	—
Local assistance—drugs	29,621	29,702	—	—	—
Totals, local assistance	$61,840	$62,047	$63,836	$1,789	2.9%
State operations	$5,997	$6,403	$5,554	−$849	−13.3%
Reimbursements					
Local assistance—alcohol	—	—	—	—	—
Local assistance—drugs	$1,935	$2,500	$2,750	$250	10.0%
Totals, local assistance	$1,935	$2,500	$2,750	$250	10.0%
State operations	$382	$416	$292	−$124	−29.8%
All Funds					
Local assistance—alcohol	$38,798	$42,709	—	—	—
Local assistance—drugs	49,325	51,155	—	—	—
Totals, local assistance	$88,123	$93,864	$94,682	$818	0.9%
State operations	$8,794	$9,442	$8,259	−$1,183	−12.5%
Totals	$96,917	$103,306	$102,941	−$365	−0.4%

[a] The 1984–85 budget proposes to combine the Alcohol Program and the Drug Program into a single Alcohol and Drug Program.

Proposed Budget Changes

Table 2 shows the changes proposed in the department's budget for 1984–85, by funding source. The most important changes are:

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS—Continued

- ***Cost-of-Living Adjustments (COLA).*** The budget proposes an increase of $1,252,000 from the General Fund to provide a 2 percent COLA for local alcohol and drug programs.
- ***Adjustments for One-Time Only Funding.*** The budget anticipates that the department will not continue to receive the following one-time funding provided in the current year: (1) $500,000 for school-community drug abuse prevention programs under Ch 952/83 and (2) $1,868,000 in federal "Jobs Bill" funds.
- ***Adjustments to Fund Sources.*** The budget proposes an increase in spending authority to reflect a reestimate of funds available as a result of (1) an increase in the federal block grant ($860,000) and (2) an increase in Short-Doyle Medi-Cal reimbursements ($250,000).
- ***State/County Realignment.*** The department proposes to realign functions currently performed by the DADP and the counties, reducing state operations and increasing local assistance, for a net reduction of $669,000 ($503,000 from federal funds and $166,000 from reimbursements).
- ***Administrative Reductions.*** The budget proposes to reduce operating expenses and equipment by $89,000 ($56,000 from the General Fund and $33,000 from federal funds and reimbursements).

Table 2

Department of Alcohol and Drug Programs
Proposed Budget Changes
1984–85
(in thousands)

	General	*Federal*	*Reimbursements*	*Total*
1983–84 Revised Expenditures	$68,450	$31,940	$2,916	$103,306
1. Baseline Adjustments				
a. Increase in existing personnel costs				
(1) Salaries	126	45	24	195
(2) Staff benefits	—	4	5	9
b. Cost-of-living adjustments				
(1) Departmental support	118	56	21	195
(2) Local programs	1,252			1,252
c. One-time expenditures				
(1) Drug Abuse Prevention program	−500	—	—	−500
(2) Federal "Jobs Bill"	—	−1,868	—	−1,868
d. Adjustments to fund sources				
(1) Reestimate of federal funds	—	860	—	860
(2) Short-Doyle/Medi-Cal increase	—	—	250	250
Total Baseline Adjustments	$996	−$903	$300	$393
2. Program Change Proposals				
a. State/county realignment	—	−$503	−$166	−$669
b. Operating expenses	−56	−25	−8	−89
Total Program Change Proposals	−$56	−$528	−$174	−$758
1984–85 Proposed Expenditures	$69,390	$30,509	$3,042	$102,941
Change from 1983–84:				
Amount	$940	−$1,431	$126	−$365
Percent	1.4	−4.5	4.3	−0.4

ANALYSIS AND RECOMMENDATIONS

OVERVIEW OF THE STATE/COUNTY REALIGNMENT PROPOSAL

Block Grant Reemerges as State/County Realignment

In the budget for 1983–84, the Governor proposed a state block grant for alcohol and drug programs. Specifically, the Governor proposed to consolidate funding for alcohol and drug programs and redefine state and local responsibilities by identifying functions that should be retained by the state, transferred to local governments, or eliminated altogether.

The Legislature did not approve the department's proposal and restored 91 of the 106 positions in the department proposed for elimination.

In 1984–85, the administration again proposes to modify the current categorical funding system for alcohol and drug programs, reduce state administrative staff, and transfer various responsibilities to the local level, through a "state/county realignment." The department advises that it has developed legislation to implement the provisions of the realignment proposal and that the proposed legislation will be introduced in early 1984.

Summary of Major Program Changes

Chapter 679, Statutes of 1979, and Ch 1089/80 established a statewide system to deliver alcohol and drug program services. In addition, these acts specified the state and county roles in allocating funds and administering the alcohol and drug programs. As a result of this legislation, counties currently have broad discretion in determining the types of drug and alcohol services to be provided at the local level. In addition, the counties have the primary responsibility for administration and coordination of these services. The budget proposes to shift additional responsibilities to the counties in 1984–85. Table 3 shows the major changes proposed by the budget for the drug and alcohol programs.

Table 3
State/County Realignment
Changes Proposed for Alcohol and Drug Programs
1984–85

Changes	*Realignment Proposal*
A. State responsibilities shifted to counties or eliminated	
1. Review of county administration	Eliminate
2. Technical assistance and training	Eliminate
3. Quality assurance	
• Review and license Methadone programs	Transfer to counties
• Review and approve Drinking Driver programs	Transfer to counties
• Review and certify treatment/recovery programs	Transfer to counties
4. SSI referral and monitoring	Eliminate
5. Financial and compliance audits	Eliminate audits of state funds
B. Funding System Modified	
1. Budget Act appropriations	Consolidate
2. County allocations	Separate allocations
3. Distribution of funds between programs	35 percent alcohol/35 percent drug/30 percent discretionary
4. Application/reporting requirements	Reduce
C. Affiliation with Mental Health Short-Doyle System discontinued	Remove drug subventions
D. State Staffing Reduced	Eliminate 80 positions

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS—Continued

Budget Proposes to Reduce and Redirect Funds

Table 4 shows the identifiable fiscal effect of the department's realignment proposal. It shows that:

- State administrative expenditures would be reduced by $993,000. Of this amount, $760,000 ($537,000 from the General Fund and $223,000 from the federal block grant) would be transferred to local assistance. The remaining $233,000 ($67,000 in federal categorical funds and $166,000 in reimbursements) would not be available for transfer to local assistance.
- Federal funds for local assistance would be reduced by $436,000. This reflects the department's proposal to terminate its contract with the Social Security Administration under which it receives federal funds for the referral and monitoring of SSI clients receiving alcohol services. This reduction partially offsets the increase of $760,000 in local assistance funds, and results in a net increase of $324,000.
- Total expenditures for state operations and local assistance will be reduced by $669,000, reflecting six months' savings from the state/county realignment proposal.

Table 4
State/County Realignment Funding Changes 1984–85 (in thousands)

	General Fund	*Federal Block Grant Funds*	*SSI*	*Reimbursements*	*Totals*
State Operations	−$537	−$223	−$67	−$166	−$993
Local Assistance	537	223	−436	—	324
Totals	—	—	−$503	−$166	−$669

Effective January 1, 1985, the budget proposes elimination of 80 positions in the department, a 40 percent staffing reduction. If the Legislature determines that the department should retain some or all of the functions proposed for elimination or transfer to the counties, some of these positions should be restored.

Impact on Counties. It is difficult to assess the full fiscal impact of the realignment proposal on county costs. The proposal may result in some local government administrative savings by reducing planning and reporting requirements. On the other hand, there may be costs associated with the additional responsibilities to be assumed by the counties. For example, if counties are required to perform new functions, such as developing and implementing standards of service quality, they may experience some increases in workload, and therefore increased costs. The department could not provide estimates of the potential costs and savings to counties.

In some cases, counties may have difficulty in providing services that are now provided by state staff because they lack the resources needed to perform certain administrative and programmatic functions effectively.

State Responsibilities Shifted to Counties or Eliminated

County Administrative Review Eliminated. Currently, departmental staff provide advice and assistance to county drug and alcohol administrators and advisory committees. This includes providing information about state policies and procedures in order to improve county administration. In addition, the drug division staff conduct annual on-site reviews of county administrative operations, using statewide standards. The alcohol division is developing county administrative standards and plans to begin performing such reviews in the current year. Under the state/county realignment proposal, the department would no longer perform on-site reviews of county administrative operations.

Technical Assistance Eliminated. Currently, the DADP provides a variety of training and technical assistance (TA) services to counties and local alcohol and drug program providers. Under the realignment proposal, state staff would no longer be available to provide these services. The counties, at their option, could provide technical assistance to local providers.

Quality Assurance Functions Transferred. Currently, the department reviews and approves Drinking Driver Programs (DDP) and licenses methadone treatment programs in order to assure the quality of these services. In addition, the department uses state standards to review, evaluate and certify, on a voluntary basis, the quality of local drug treatment programs. It also certifies local alcohol programs in order to make them eligible to receive (a) county "Statham" fund allocations, (b) State Disability Insurance (SDI) reimbursements from the Employment Development Department (EDD), or (c) third-party payments for alcoholism services. The department proposes the following changes to its quality assurance functions:

- *Approval of Drinking Driver Programs and Methadone Licensing Would be Transferred to Counties.* Under the department's proposal, counties would be required to review and approve multiple offender DDPs and license methadone programs.
- *State Review and Certification of Treatment and Recovery Programs Would be Eliminated.* Under the realignment proposal, the department would not establish statewide minimum standards for alcohol and drug services, but would place all responsibility for monitoring and certifying the quality of services at the local level. It is unclear whether the department would *require* counties to develop and implement county program standards or allow them to do so on a voluntary basis.

Contract for SSI Monitoring and Referral Terminated. Currently, the Social Security Administration (SSA) contracts with the department for the evaluation, referral, and monitoring of alcoholics receiving Supplemental Security Income (SSI) benefits. Under the contract, the DADP receives federal funds from the SSA and provides these funds to agencies at the county level that refer SSI recipients to local recovery programs and monitor their treatment progress. The department proposes to discontinue its SSI contract. As a result, the SSA would have to contract directly with counties or find another monitoring agency to provide these services. The SSA advises that it could contract with counties and other agencies for these services, but that such an arrangement would cause significant disruption of the activities currently being supported.

Audit Efforts Limited. The DADP currently performs financial and

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS—Continued

compliance audits covering the expenditure of state and federal funds. The department annually audits (a) 68 percent of counties and county-operated programs (accounting for over 90 percent of total statewide alcohol and drug funds) and (b) a sample of contract service providers within those counties selected for audit. Under the realignment proposal, the department would continue to conduct these audits of counties and providers, but would only audit expenditures of federal (block grant and Short-Doyle Medi-Cal) funds. These audits are required by federal block grant regulations. The department no longer would audit programs receiving only state funds.

Funding System Modified

Budget Act Appropriation Consolidated. Currently, the Budget Act appropriates funds separately for the alcohol and drug programs. In addition, the budget document provides significant program detail, specifying the use of funds appropriated for alcohol and drug programs. The department proposes to consolidate funding into a single alcohol and drug program appropriation, with budget detail limited to three program elements; program grants, state administration, and special projects. Thus, the budget would no longer separately identify the amount of funds proposed for drug programs and alcohol programs.

Allocation Authority Shifted. Under its existing allocation system, the department distributes state and federal funds to counties, based on what each county has received in the past for drug programs and for alcohol programs. New money for alcohol programs is allocated on the basis of population. New funds for drug programs are allocated according to a population/poverty/minority/crime formula.

The department proposes to continue allocating funds to counties based on historical funding levels. In addition, counties would continue to receive separate drug and alcohol awards. Under the realignment proposal, however, the counties would be allowed to redistribute the funds among local alcohol and drug programs. The DADP would require that not less than 35 percent of the combined county grant be spent for alcohol programs and 35 percent be spent for drug programs. The remaining 30 percent of the funds would be available for distribution between alcohol and drug programs on a discretionary basis. The county board of supervisors in each county would decide how to distribute the discretionary portion of the grant. The proposed "35/35/30" restriction on the use of grant funds is modeled after the federal block grant formula.

Application and Reporting Requirements Reduced. Currently, different applications must be submitted for local assistance funds intended for alcohol and drug programs. In addition, there are different requirements and systems for reporting financial management information. Each county is required to submit an annual application plan for the receipt of alcohol program funds and a three-year plan for drug subventions. The department provides guidelines for the preparation of both of these county plans. Local administrators are required to include detailed information in their plans about the county's drug and alcohol problems, services, and resources, as well as budget materials and evidence that the plan has been approved by the appropriate entity at the local level.

Under the realignment proposal, the department would continue to require most counties to submit separate applications for alcohol and drug funds. Counties with populations less than 200,000, however, would have the option to submit a single county application.

The department states that the annual grant applications for alcohol and drug program funds would require less detailed program and cost information from counties. Based on our review of the department's proposal, however, we conclude that the content requirements of each of the grant applications would continue to be fairly extensive.

Affiliation with Mental Health Short-Doyle System Discontinued

Currently, the state's drug abuse services are included in the Short-Doyle community mental health system administered by the Department of Mental Health. The department proposes to remove drug programs from the Short-Doyle system and assume full authority over these services. This would allow DADP to streamline budgeting and reporting systems for drug treatment services and develop consistent policies for both alcohol and drug programs.

ISSUES WITH THE STATE-COUNTY REALIGNMENT PROPOSAL

Legislature Should Assess Need for State Methadone Regulations

Methadone programs provide methadone to heroin addicts as a legal, but tightly controlled, substitute for heroin. There are two types of methadone programs: (1) Methadone Detoxification, which are 21-day treatment programs designed to reduce or eliminate the physical addiction to heroin and (2) Methadone Maintenance, which are long-term treatment and rehabilitation programs that provide addicts with regular doses of methadone in order to break their cycles of criminal activity and allow them to lead productive lives. Because methadone is a narcotic substance, these programs are highly regulated and monitored by federal, state, and local agencies.

Counties are responsible for approving and overseeing all methadone programs that receive public funds. They monitor these programs for compliance with county contracts, which often incorporate the requirements of both state and federal law. Although counties approve or disapprove applications for *all* new methadone facilities, they do not monitor privately operated fee-for-service programs on an ongoing basis.

At the *state* level, both DADP and the Department of Health Services (DHS) monitor methadone programs. Chapter 1252, Statutes of 1977, requires DADP to license all methadone programs in the state and monitor compliance with state regulations. In 1983, the department adopted regulations for methadone treatment programs under Title 9 of the State Administrative Code. All methadone programs, both private programs and those supported by public funds, are charged an annual license fee by the department and are subject to annual state monitoring. In addition, providers who wish to receive Medi-Cal reimbursements must be certified by the DHS as Medi-Cal eligible. In addition, the DHS conducts annual utilization reviews of these providers.

Two *federal* agencies, the Drug Enforcement Administration and Food and Drug Administration, also monitor methadone programs for compliance with various provisions of federal law.

The department proposes to give counties authority to license methadone programs and monitor compliance with existing regulations. These functions currently are performed by DADP. We believe this is appropriate for several reasons. First, the counties are already involved in the

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS—Continued

licensing functions. Currently, before the state grants a new license or changes an existing license for a methadone program, the county drug administrator must review the provider's application and (1) certify a local need for the services, (2) certify that the program and site meet local health, safety, and zoning requirements, and (3) recommend licensure. The department then issues a license based on the county's recommendations.

Second, our analysis indicates that if proper standards are applied, county licensing of methadone programs would be sufficient to assure the quality of these programs. Consequently, the proposal would reduce duplication of review. Third, delegating licensing authority to the county would increase local oversight of methadone programs that are not county contractors. The authority to license and review private fee-for-service providers would make county monitoring more consistent and assure that private, as well as public, methadone programs are providing quality services to the proper beneficiaries.

The department advises that it intends to repeal the state regulations governing methadone programs and allow the counties to license and monitor the programs in compliance with *federal* regulations. When enacting Ch 1252/77, the Legislature required the department to promulgate regulations establishing minimum requirements for the operation of methadone programs in California. The Legislature may wish to decide whether the counties should license such programs using the existing state and/or federal regulations. At issue is the extent to which state regulations are necessary to assure the quality and safety of methadone program operations.

Drinking Driver Programs—Under Whose Influence?

We recommend that, prior to the budget hearings, the department advise the fiscal committees what assurances the Legislature has that counties will adequately review and monitor multiple offender drinking driver programs. We further recommend that the department clarify the roles and responsibilities of the state and counties for drinking driver programs under the realignment proposal.

Chapter 679, Statutes of 1979, continued authorization for the state's "drinking driver programs" (DDP). These programs serve as an alternative to driver's license suspension when a person is convicted of a second or subsequent offense of driving while under the influence of alcohol. When a court refers a multiple offender to a DDP, the enrollee agrees to participate in the program for at least one year as part of probation. The court may refer convicted individuals only to programs approved by the DADP.

Currently, there are 117 approved multiple offender DDPs serving over 24,000 participants in the state. The DDPs are operated by a variety of public, private, and nonprofit organizations that charge fees ranging from $500 to $900 per client. The fees generate over $16 million annually in revenues for local alcohol programs. These revenues represent 18 percent of local alcohol program budgets.

Currently, the state and counties share responsibility for reviewing and approving DDPs. Although the Health and Safety Code gives the department sole authority to approve programs, the counties first review applications from providers to operate DDPs and make recommendations to

DADP for approval or denial of the application. Based on county reviews and recommendations, the department issues a six-month provisional approval. After six months, department staff conduct an on-site review of the provider to assess compliance with state DDP regulations and, if appropriate, issue a one-year approval. Subsequent reapprovals are for two years, and then three years thereafter.

The department proposes to maintain the existing DDP regulations but delegate authority for program review, approval, and reapproval to the counties. The department advises that counties would be required to review and approve DDPs using the regulations established by the state. This proposal could reduce the duplication of state and county review of DDPs.

Nevertheless, we are concerned about the nature of the department's responsibility for drinking driver programs under the realignment proposal. Specifically, it is unclear to what extent the DADP will continue to perform activities related to DDPs under the proposed realignment, including oversight of statewide practices, costs, and outcomes. Although the budget proposes to eliminate the DDP unit, the department advises that it will "maintain" the state DDP regulations. If the counties are required to use DDP standards established by the department, it appears that the DADP would retain some involvement with the program.

In addition, we note that the department advises that currently there is wide variation among counties in the oversight of DDPs. Some counties monitor DDP providers closely and also monitor the county system that links providers with the criminal justice system, the Department of Motor Vehicles (DMV), and the alcohol program administrator. Other counties leave program review to the DADP during its triennial site visits.

In addition, there is some evidence that local oversight of these programs may not be sufficient to assure compliance with state standards. For example, the department advises that during 1981–82, state staff reviewed 85 providers in 29 counties and identified 324 separate findings of noncompliance by DDPs. The state staff reported deficiencies ranging from insufficient hours of group process to inadequate reporting of enrollee attendance to complete absence of county monitoring.

Our analysis indicates that allowing counties to review, approve, and monitor DDP service providers could reduce duplication and improve local program accountability. At the same time, it could result in wide variation in the quality of local programs. Given the amount of money in these programs and the potential threat to public safety that program clients represent, some state involvement in the oversight of DDPs may be desirable.

We recommend that, prior to the budget hearings, the department advise the fiscal committees what assurances the Legislature will have that counties will adequately review DDPs and monitor compliance with the law. Furthermore, we recommend that the department clarify the roles and responsibilities of the state and counties under the proposed realignment of DDP functions.

Consistent Program Standards May Be Necessary for Quality Assurance

We recommend that, prior to the budget hearings, the department advise the fiscal committees what assurances the Legislature has that third-party payments will be available for recovery and treatment services if counties review and certify programs according to county, rather than state standards.

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS—Continued

Under the realignment proposal, counties would be given responsibility for assuring the quality of alcohol and drug treatment and recovery programs. The department would no longer review and certify providers; instead, it would *allow* counties to develop their own program standards. It is unclear, however, the extent to which counties would be *required* to establish county standards, conduct on-site reviews, and issue certification of compliance.

It is also unclear whether local approval of treatment and recovery programs would be sufficient for providers to qualify for reimbursement from EDD and other third-party payers. Insurance carriers have indicated that they would be reluctant to offer third-party payments for certain alcohol and drug program services unless they have assurances that providers have met minimal requirements for service quality. If different sets of standards are adopted in each county, it is possible that county certification may not be acceptable to third-party payers. Therefore, we recommend that, prior to the budget hearings, the department advise the fiscal committees what assurances the Legislature has that third-party payments would be available for recovery and treatment services if counties review and certify these programs using county rather than statewide standards.

Audits Necessary for State as Well as Federal Funds

We recommend that the Legislature require the department to perform financial and compliance audits covering the expenditure of both state and federal funds by alcohol and drug programs.

The DADP proposes to continue financial and compliance audits of counties and service providers. However, it proposes to audit only the expenditure of *federal* funds, as required by federal and state law. It would discontinue auditing programs receiving only state funds because there are no statutory requirements that such programs be audited.

The bulk of the department's remaining audit activities would be supported from the General Fund. Specifically, the DADP proposes expenditures of $1,199,000 for audits, including appeals, in 1984–85. Of this amount, the General Fund share is $888,000, or 74 percent, of total costs.

We believe that the policy of discontinuing the audit program for state funds is unwise. The state General Fund provides the bulk ($63,836,000, or 69 percent) of the funds spent for local alcohol and drug programs. We believe the DADP should continue to audit the use of state funds in order to ensure accountability to the Legislature for the funds it appropriates. We also note that most local programs receive a mix of federal, state, and local funds. Consequently, there is little marginal effort required to audit expenditures of state funds at the same time that the use of federal funds is being audited.

In order to ensure that local governments can be held accountable for the expenditure of funds appropriated by the Legislature, we recommend that the Legislature require the department to continue auditing expenditures of state, as well as federal, funds.

Combined Appropriation for Alcohol and Drug Programs Limits Legislative Review

We recommend that the Budget Bill be amended to separately schedule funds for the alcohol program and drug program.

The funds appropriated for support of alcohol and drug programs currently are separately identified in the Budget Act. The 1984 Budget Bill, however, proposes to consolidate funding for alcohol and drug programs in a single appropriation. As a result, the Budget Bill does not separately identify the amount of funds requested for alcohol programs and drug programs.

We believe that the Budget Bill should maintain the separate identity of funds appropriated for alcohol and drug programs. In reviewing the 1984 Budget Bill, it is impossible to determine how much money is appropriated for alcohol programs and drug programs. Separate appropriations in the Budget Bill and detailed program information in the budget document are necessary in order to allow the Legislature to review and approve the department's expenditure plans.

In addition, our discussions with county administrators of alcohol and drug programs have established the importance of maintaining the categorical integrity of the two program areas. The department itself has indicated that the current categorical system recognizes and protects the uniqueness of the populations served and the types of services provided.

In order to facilitate legislative review and ensure that appropriated funds are expended as approved, we recommend that the Budget Bill separately identify the amount of funds proposed for alcohol programs and drug programs.

35/35/30 Formula for Counties Unworkable

We recommend that the department not adopt the proposed allocation formula requiring counties to spend a minimum of 35 percent for alcohol programs and 35 percent for drug programs.

Currently, the DADP allocates funds to counties in separate allotments for alcohol and drug programs and does not permit local reallocation of funds between the two program areas. Under the realignment proposal, the DADP would allow counties to transfer funds between alcohol and drug programs, but would require counties to spend at least 35 percent of their combined alcohol and drug funds on alcohol programs and 35 percent on drug programs. The remaining 30 percent of the funds would be distributed on a discretionary basis between alcohol and drug programs, as determined by the county board of supervisors in each county.

We have several concerns with the implementation of the 35/35/30 formula. First, the proposed system may cause the needless disruption of local drug and alcohol services simply to achieve an arbitrary percentage allocation. Some counties would have to decrease support of existing services in order to ensure that at least 35 percent of the county's allocation is spent on each program area. Based on our analysis of county allocation patterns in the current year, we estimate that five counties definitely would have to reallocate funds within their current programs if the 35/35/30 allocation process were adopted. Three counties would have to shift funds from drug programs to alcohol programs and two counties would have to shift funds from alcohol to drug programs. It is not clear why Boards of Supervisors should be *forced* to make such shifts in order to comply with an arbitrary percentage allocation.

Second, the 35/35/30 requirement would tend to *increase* department workload, offsetting a portion of the General Fund savings envisioned from the realignment. It would require increased recordkeeping by the department in order to track changes in county allocations so as to ensure compliance. It also would complicate cost reporting and reconciliation of

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS—Continued

actual versus approved expenditures by the counties and the DADP.

Third, our analysis indicates that implementation of a 35/35/30 requirement could jeopardize the state's compliance with federal law. Currently, California receives federal block grant funds for alcohol and drug programs, and is required to spend at least 35 percent of the block grant in each of the two program areas. Currently, the state as a whole uses 65 percent of the federal grant funds to support drug programs and spends the balance—35 percent—for alcohol programs. There is, however, significant variation among counties in how federal block grant funds are distributed between the two program areas. With the department's existing allocation system, some individual counties do not meet the federal requirements, even though the state as a whole is in compliance. Under the proposed reallocation system, to the extent that counties use their discretion to transfer federal block grant funds from alcohol to drug services, the statewide amount spent on alcohol programs would fall below the minimum 35 percent requirement, putting the state out of compliance with federal block grant requirements.

For these reasons, we recommend that the department not adopt the proposed formula requiring counties to spend at least 35 percent of available funds for alcohol programs and 35 percent for drug programs.

Short-Doyle Withdrawal Should Go Forward

We recommend approval.

Currently, General Fund support for drug programs is subvened to the counties through the Department of Mental Health's (DMH) Short-Doyle system. The Short-Doyle Act (Ch 1667/67) established a funding mechanism for the development of community mental health and drug abuse services, and authorized the DMH to allocate state funds to counties on the basis of a formula and approved Short-Doyle plans. Until 1980, drug abuse programs were administered entirely by the DMH under the Short-Doyle system.

Chapter 1089, Statutes of 1980 (SB 1841), authorized the DADP to exercise more direct administrative authority over the state's drug programs. Specifically, it authorized the DADP to receive a separate Short-Doyle appropriation from the General Fund for the support of drug abuse services. The act required the department, however, to transfer these funds to DMH, which would continue to be responsible for processing claims and making payments to counties until the Health and Welfare Agency determined that it was cost-effective and practicable for DADP to assume these functions. Chapter 1809 also transferred from DMH to DADP the authority to (1) promulgate regulations, (2) establish drug program planning guidelines, and (3) review and approve the drug program portion of the county Short-Doyle plan and budget.

The budget proposes to remove its drug program from the Short-Doyle system in order to allow DADP to develop consistent policies and practices for both alcohol and drug programs. This is a significant change because:

- The Director of DMH would no longer have ultimate authority over drug program services. This authority would rest, instead, with the Director of DADP.
- The current detailed planning, budgeting, reporting, and payment systems would have to be replaced and appropriate statutory changes adopted.

- Drug programs would be free to develop their own client fee system in lieu of the Uniform Method of Determining Ability to Pay (UMDAP) plan currently required under Short-Doyle.
- Short-Doyle Medi-Cal reimbursements would no longer be available for clients of drug abuse services.

The department advises that it will introduce legislation to amend the Short-Doyle Act and make other statutory changes necessary to implement its proposal.

The department proposes to replace the drug abuse portion of the Short-Doyle plan with a county drug abuse grant application, and replace the fiscal reporting system currently required under Short-Doyle with a simplified system similar to that used for reporting alcohol program fiscal data.

In addition, the department proposes to establish a new interagency agreement with DHS so that Medi-Cal reimbursements for drug abuse services may be transferred directly to DADP. The department already has administrative authority for Short-Doyle/Medi-Cal funds for the treatment of drug abusers. The DHS advises that Medi-Cal funding would not be jeopardized by DADP's withdrawal from the Short-Doyle system, and that DADP would be able to contract directly with the department for the receipt of federal funds.

Our analysis indicates that this proposal would increase administrative efficiency in the department and is consistent with the Legislature's intent, as expressed in Chapter 1089, that the DADP gradually assume full authority for state-administered drug programs. Therefore, we recommend approval of the department's proposal to withdraw from the Short-Doyle system.

Department Proposes Efficiencies, Operating Expense Reductions

We recommend approval.

The department proposes to reduce or eliminate certain operating expenses and equipment purchases, for a savings of $89,000. This reduction includes savings derived from reducing or eliminating expenditures for professional memberships (100 percent reduction); general expense, training, and equipment (10 percent reductions); consultant and professional services (25 percent reduction); and out-of-state travel (50 percent reduction). We recommend approval of the proposed reduction. We note, however, the amount of the proposed reduction was calculated *after* reducing funds due to the state/county realignment. Consequently, if the Legislature rejects the realignment proposal and restores the associated funds to the department, then the amount of the operating expense reductions should be recalculated and applied to the higher base.

Health and Welfare Agency

CHILD DEVELOPMENT PROGRAMS ADVISORY COMMITTEE

Item 4220 from the General Fund and Federal Trust Fund — Budget p. HW 35

Requested 1984–85	$137,000
Estimated 1983–84	132,000
Actual 1982–83	120,000
Requested increase (excluding amount for salary increases) $5,000 (3.8 percent)	
Total recommended reduction	None

1984–85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
4220-001-001	Child Development Programs Advisory Committee, support	General	$137,000
4220-001-890	Child Development Programs Advisory Committee, support	Federal Trust	(44,000)

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Child Care in Year-Round Schools. Recommend adoption of supplemental language directing the Child Development Programs Advisory Committee to review and report on the child care needs of students in year-round schools. 845

GENERAL PROGRAM STATEMENT

The Child Development Programs Advisory Committee is responsible for providing policy recommendations to the Governor, the Superintendent of Public Instruction, the Legislature, and other relevant state agencies concerning child care and development. The committee also reviews and evaluates the effectiveness of child development programs, along with the need for children's services.

The 25-member committee consists of representatives from various state agencies, public members (representing private education, health care, child welfare, child care, and community action interests), and parents of children served by child care programs. The committee is staffed with an executive secretary, an analyst, and clerical support, for a total of 3.5 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes appropriations of $181,000 from the General Fund and the Federal Trust Fund for support of the committee during 1984–85. Of this amount, $137,000 is proposed from the General Fund—a $5,000, or 3.8 percent, increase from estimated 1983–84 expenditures. The amount of this increase will grow by the cost of any salary or staff benefit increases that may be provided for the budget year. The other $44,000 requested to support the committee in 1984–85 would come from the Fedeal Trust Fund.

During 1983–84, the committee received a federal grant to conduct a demonstation project to help integrate the activities of Private Industry Councils and child care providers in order to meet the child care needs of low-income job trainees participating in the federal Job Training Partnership Act program. This grant, for $97,680, has been allocated between state fiscal years 1983–84 and 1984–85. During the budget year, $44,000 from this federal grant will be used to finance the final six months of the demonstration project.

Table 1 displays the proposed changes in funding for the committee in 1984–85. Our analysis of the budget request indicates that the amount proposed is needed to support the committee's ongoing responsibilities, and accordingly, we recommend approval.

Table 1

Child Development Programs Advisory Committee
Summary of Budget Changes

	General Fund	*Federal Funds*	*Total*
1983–84 Budget as Approved by the Legislature			
Support	$128,000	—	$128,000
Pilot Demonstration Project [a]	—	$14,000	14,000
Allocation for employee compensation	4,000	—	4,000
Pilot Demonstration Project [b]	—	67,000 [c]	67,000
1983–84 Budget (Revised)	$132,000	$81,000	$213,000
Changes to 1983–84 Base Budget:			
Population and Price Changes	5,000	—	5,000
Pilot Demonstration Project [b]	—	−37,000	−37,000
Total, 1984–85 Support Budget	$137,000	$44,000	$181,000

[a] Federally-funded project to develop and distribute media materials regarding child care selection (to be completed during 1983–84).
[b] Federally-funded demonstration project to develop child care services for low income job trainees.
[c] Includes carryover funds from prior federally-funded project.

Report Needed on Child Care in Year-Round Schools

We recommend that the Legislature adopt supplemental report language directing the Child Development Programs Advisory Committee to review (1) the child care needs of children in year-round schools, and (2) the degree to which these needs are being met by services currently available. We further recommend that the committee report the results of its review, and any recommendations for revising regulations relating to the provision of subsidized or unsubsidized child care, to the Legislative Fiscal Committees by November 1, 1984.

The number of students in year-round schools in California has increased from approximately 76,531 in 1978–79 to 229,451 in 1982–83 (the most recent year for which data are available). Most of these students are enrolled in year-round education programs because the schools they attend are overcrowded. Year-round education has proven to be an effective way to increase the pupil capacity of schools, and both SB 813 (Ch 498/83) and SB 81 (Ch 684/83) provide financial incentives for school districts to adopt year-round education programs as an alternative to construction of new school facilities.

With staggered attendance schedules, usually one-fourth to one-third of the pupils at a year-round school are on vacation at any one time during

CHILD DEVELOPMENT PROGRAMS ADVISORY COMMITTEE—Continued

the calendar year. School administrators report substantial variability in the degree to which the child care needs of students attending year-round schools are being met while these children are on vacation ("off-track") during the school year. (In a typical year-round school, students may have four three-week vacations during the year.) Most principals report that a majority of students have working parents and are without any formal supervision while they are "off-track," and, in many communities, recreational and other programs traditionally offered during the summer months have not been expanded to serve children throughout the year.

At a time when the Legislature is encouraging school districts to adopt year-round education programs as a means of mitigating the need to construct new school facilities, we believe that it should have more information about the child care needs created by such programs and the options available to meet those needs. Accordingly, we recommend that the Legislature adopt the following supplemental report language:

"The Child Development Programs Advisory Committee shall study and make recommendations regarding the child care needs of children in year-round schools and the degree to which these needs are being met by services currently available. The committee shall consider services provided by the Office of Child Development, local community programs, and private providers, and shall identify regulations or procedures which create unnecessary barriers to the provision of child care services to children in year-round schools. The committee shall report its findings to the Joint Legislative Budget Committee and the legislative fiscal committees no later than November 1, 1984."

Health and Welfare Agency

DEPARTMENT OF HEALTH SERVICES

Item 4260 from the General Fund and various other funds — Budget p. HW 37

Requested 1984–85	$3,130,521,000
Estimated 1983–84	3,113,942,000
Actual 1982–83	3,214,338,000
Requested increase (excluding amount for salary increases) $16,579,000 (+0.5 percent)	
Total recommended reduction	59,734,000
Recommendation pending	2,120,496,000

1984–85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
4260-001-001	Department support	General	$91,996,000
4260-001-014	Department support	Hazardous Waste Control	10,146,000
4260-001-044	Department support	State Transportation	298,000
4260-001-203	Department support	Genetic Disease Testing	12,565,000
4260-001-335	Department support	Sanitarian Registration	81,000
4260-001-455	Department support	Hazardous Substances	9,645,000
4260-001-456	Department support	Hazardous Substances Compensation	355,000