Agency Rpt

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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

TO: Sacramento City Council
and
Sacramento County Board of Supervisors

FROM: John Molloy, Chairman
Sacramento City/County Homeless Task Force

SUBJECT: Recommendation on City/County Official Position on "Proposition 41, Public Aid and Medical Assistance Programs, Initiative Statute"

SUMMARY

The City/County Homeless Task Force recommends that the Sacramento City Council and Board of Supervisors officially stand in opposition to "Proposition 41, the Public Aid and Medical Assistance Programs Initiative Statute". Recognizing that the proposed reduction in benefits in the Initiative, will drastically and indiscriminately reduce assistance to low income poor, elderly, blind and disabled persons in Sacramento County, and potentially worsen the problem of homelessness, which we have been attempting to mitigate. The Homeless Task Force is opposed to the proposition and strongly urges the City Council and Board of Supervisors to publicly state their opposition as well.

BACKGROUND

Mr. Ross Johnson, California State Legislator and Chairman, Californians to Halt Excessive Welfare Spending, has introduced Proposition 41, as a form of welfare reform. Many political analysts (see attachments) indicate that the following may result from Proposition 41:

- Aid to Families with Dependent Children (AFDC) and other welfare benefits will be cut by 50% from state expenditures

- Elderly, blind and disabled low-income people will receive dramatic reductions in their medical benefits

- Counties will be particularly burdened by having to meet the medical needs of the poor who no longer qualify for MediCal

10-30 -84
All Districts

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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

- Counties may also experience greater general assistance (GA) costs

- Homelessness may increase, as families and single people are even less able to afford housing

It is their opinion, as well as ours, that the Initiative proposes extremely broad brush changes to a system which may be in need of very specific, carefully analyzed modifications.

FINANCIAL DATA

If Proposition 41 passes, a dramatic increase in demand for financial assistance will be made by the poor of Sacramento upon locally funded County Welfare programs.

POLICY IMPLICATIONS

If the recommendations in this report are approved, the City/County of Sacramento will stand in opposition to the unfair cuts to legitimately qualified welfare recipients proposed in Proposition 41, and in favor of the State carrying its fair share of welfare support for low-income Californians. At the same time, the City/County may support a more equitable approach to welfare reform and a more positive approach to assisting poor Californians.

RECOMMENDATION

The City Council/Board of Supervisors should stand in opposition to "Proposition 41, The Public Aid and Medical Assistance Program - Initiative Statute."

Respectfully submitted,

John Molloy, Chairman
City/County Homeless Task Force

TRANSMITTAL TO COUNCIL

Walter J. Slipe
WALTER J. SLIPE
City Manager

APPROVAL RECOMMENDED

William R. Sherman
for BRIAN H. RICHTER
County Executive

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RESOLUTION No. 84-936

Adopted by The Sacramento City Council on date of

APPROVED
BY THE CITY COUNCIL

OCT 30 1984

OFFICE OF THE
CITY CLERK

RESOLUTION OPPOSING PROPOSITION 41 WHICH PLACES BEFORE THE VOTERS OF CALIFORNIA ON NOVEMBER 6, 1984 A PROPOSAL TO LIMIT THE AMOUNT OF FUNDS CALIFORNIA CAN SPEND ON CERTAIN PUBLIC ASSISTANCE PROGRAMS

WHEREAS, Proposition 41 on the November 6, 1984, General Election ballot would limit the amount of funds California can spend on certain public assistance programs to 110 percent of the average per capita expenditure of the other 49 states; and,

WHEREAS, expenditures for Aid to Families with Dependent Children, Medi-Cal, Foster Care Payments, Employment Training and Preparation, and Family Planning would be affected; and,

WHEREAS, the anticipated expenditure reductions for these programs range from 36% for Medi-Cal to 60% for Aid to Families with Dependent Children to 95% for Family Planning Services; and,

WHEREAS, medical services such as prescription drugs, dentistry and physical therapy would be cut, and affect 700,000 elderly, blind and disabled people; and,

WHEREAS, payments to foster parents would be cut sharply so that abused and neglected children may not be able to find safe homes and affect 27,000 abused and neglected children; and,

WHEREAS, the expenditure reductions will shift major financial burdens to local government; and,

WHEREAS, the 110 percent of the average national per capita expenditure limitation is arbitrary and does not take into consideration such factors as differences in population, cost of living, medical costs, the percentage of population living below the poverty level, and the number and level of programs, if any, that other states provide; and,

WHEREAS, the Community Services Planning Council (CSPC), Sacramento Housing and Redevelopment Agency (SHRA) and the Human Rights Commission have asked for the City Council's stand against Proposition 41; and,

WHEREAS, the City Council of the City of Sacramento is concerned with financial integrity of programs which promote the health and well-being of its citizens;

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE SACRAMENTO CITY COUNCIL that we hereby go on record in opposition to Proposition 41.

_____
MAYOR

ATTEST:

_____
CITY CLERK

Sacto Bee 9/20/84

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Marching To Meanness

For many years, California has been among the nation's most progressive states in its social services to the aged, the poor, the blind and the disabled. That policy was not simply an act of charity; it rested on the understanding that a community which treats its needy citizens with something approaching dignity protects its general health and welfare and, in many instances, its economy as well. Most important, it sends a signal to all citizens about its concern.

Now there is a measure on the ballot, Proposition 41, that would take California halfway back to Mississippi. Prop. 41 rests on the vicious myth that those who get public assistance, whether through welfare or Medi-Cal or publicly funded family-planning services, are the undeserving poor — shiftless individuals who, were it not for the stupid generosity of the taxpayers, would have to get a job and support themselves. That none of those stereotypes is true, however, isn't keeping Anaheim Assemblyman Ross Johnson, the chief proponent of this measure, from exploiting the myth with misleading statements and insinuations that are offensive to the thousands of Californians struggling to get out of welfare.

What Prop. 41 would do is force the Legislature to reduce state spending on welfare, Medi-Cal and family planning to a level that is no more than 10 percent above the national average, an average calculated in such a way that a small state like Arkansas counts the same as a large (and relatively generous) state like New York. If cuts were made evenly in all programs, that would mean a reduction of 60 percent in AFDC (Aid to Families with Dependent Children), 36 percent in Medi-Cal and roughly 50 percent in family-planning services. Given California's very high per capita income, it would leave this state among the lowest in the Union in the percentage of income devoted to social services.

The measure, asserts Ross Johnson, "specifically provides that no program exclusively for the benefit of the elderly, physically disabled or blind may be cut." The catch in that cynical declaration is the word "exclusively." Last year 57 percent of all Medi-Cal benefits went to the aged, blind and disabled, and it is the aged, blind and disabled who will be the biggest losers if Medi-Cal benefits are cut. Moreover, since eligibility standards for Medi-Cal are pegged to the needs standards for AFDC, thousands of people, old and young, will no longer be eligible for Medi-Cal benefits at all.

Ross Johnson says, "This means that healthy, young welfare recipients will have to go to work." What bunk. Of course, there are healthy, young welfare recipients who ought to go to work, but they are hardly characteristic of those who would be hit so hard by this clumsy measure. In fact, most welfare recipients, old or young, struggle to get off welfare which, however generous it may be in comparison to other states, hardly begins to offer a decent standard of living. A woman with two young children and no other income receives $555 a month. If that's not incentive to look for something better, it's hard to imagine what is.

Ross Johnson would have people believe that the money that would be saved by the state is just a windfall that could then be used, as he suggests, for education or highway construction. Aside from the invidiousness of insinuating that it's welfare which keeps us from adequately supporting our schools — maybe the biggest lie of all — he suggests that all that money would be saved by the taxpayers. But, in fact, Prop. 41 would impose major new burdens on the state's counties which would have to pick up in general assistance and in county hospital services at least part of the welfare and Medi-Cal load that the crusader from Anaheim wants to dump on them. Along the way, the state would also lose an estimated $1.6 billion in federal matching funds.

What may be worst about this measure, however, is what it says about the state's own intentions, not only toward its neediest citizens, but with respect to the general social climate in which we all live. Prop. 41 would literally take us halfway toward the end of the line; it is a premeditated move toward stinginess and indifference in a state that's among the wealthiest in the nation. It's hard to imagine that such a climate, whatever its impact on social services, will do much to attract either the kind of development or the sort of immigration that contributed so much to its growth in the last generation. What, other than myth and meanness, could justify that?

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Sacramento Union 9/27/84

Coalition claims Prop. 41 bodes ill for poor, elderly, disabled

By MICHAEL OTTEN
UNION CAPITOL BUREAU CHIEF

A coalition of Sacramento area community groups and leaders denounced Prop. 41 on Wednesday as disastrous for the state and its poor, elderly and disabled citizens.

"Quite simply, Prop. 41 is one of the most unfair and cruel measures ever put on the ballot," said Judith McCrea at a Capitol news conference.

McCrea, coordinator of Sacramentans Together Opposing Prop. 41 (STOP 41) charged the measure was based on false premises.

One of the provisions of the welfare-Medi-Cal limitation measure, by Assemblyman Ross Johnson, R-La Habra, is reduction of the state's Aid to Families with Dependent Children to an average of payments in the 49 other states, plus 10 percent.

The correct premise, said McCrea, would be to base the average on states of like demographics or on the 10 major industrial states because those on welfare in California have little in common with those in states like Mississippi.

She said if the state really wanted to curb welfare costs and abuses it would be better off working toward full employment for its citizens and creating an effective child-support system so parents wouldn't be able to shirk their financial responsibility.

"Prop. 41 is a racist, sexist, ageist slap in the face from wealthy conservatives," said Sandra Virago, director of the Sacramento Human Rights-Fair Housing Commission.

"This initiative will deprive children, seniors and the disabled of their basic human rights.

"It will destroy California by perpetrating the abuse of children, violence against women, racial intolerance, premature death of the elderly and a restrictive, dependent lifestyle for disabled individuals," contended Virago.

The group said an analysis of the measure showed there would be a 60 percent reduction in AFDC, 36 percent in Medi-Cal benefits and adminstrative cuts of 47 percent, putting many recipients well below the poverty level.

"I maintain that no one wants to live below the poverty level," said McCrea.

Assemblyman Lloyd Connelly, D-Sacramento, said, "It's simply excessive."

He said he understands and shares the public concern about welfare abuses but added, "The public shouldn't take their anger and vent it through this measure."

Francis A. Quinn, bishop of Sacramento, called the measure a "shotgun approach."

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Sacramento Bee 9/27/84

Few know about Props. 40 or 41

By Mervin Field
Director, the California Poll

Proposition 40, the initiative relating to campaign spending, and Proposition 41, which deals with state welfare and medical assistance programs, have not been generating much public attention, according to a statewide survey taken earlier this month.

Proposition 40 would limit contributors and contributions to elective state office candidates. It would also provide for a limited public funding in state office candidate races.

Proposition 41 would limit the state's per capita welfare spending to 10 percent above the national average and would result in an approximate $1.6 billion cut in these programs.

The proportion of registered voters who say they have seen or heard

California Poll

something about Proposition 40 is just 29 percent. Among this group, 58.6 percent support the measure, 17.2 percent are opposed, and 24.1 percent are undecided.

Only 12 percent of the public claims to have heard of Proposition 41, with 33.3 percent of those in favor, 41.7 percent opposed and 25 percent undecided.

Although Proposition 40 contains a wide range of campaign spending provisions, perhaps its most controversial is its authorization to spend up to $1 million from the state treasury for limited public financing. Previous studies have shown that, while the public is concerned about the huge amounts of monies spent in political campaigns, it has been reluctant to have tax dollars used for campaign purposes.

Los Angeles Times 9/28/84

An Inhumane Proposal in a Time of Plenty

By JOHN VASCONCELLOS

Imagine trying to live on $222 a month in California. You probably can't rent a one-room apartment for that, much less afford clothing, food and heat. Now imagine you are a single parent, raising two young children, trying to find a job and get back on your feet again. Could you do it for $222 a month?

Apparently the proponents of Proposition 41 don't care. This measure would limit California's public assistance funding for Aid to Families with Dependent Children and Medi-Cal to 110% of the national average. This would reduce California's maximum AFDC payment from $555 to $222 a month.

Ignoring California's comparably higher cost of living and per capita income plus the rural-urban disparities between states, Assemblyman Ross Johnson's (R-La Habra) Proposition 41 seeks to place California's AFDC and Medi-Cal benefits just above Louisiana's and Georgia's but lower than Oklahoma's and Missouri's.

Now there's something for Californians to aspire to. I wonder if Proposition 41 supporters also would favor similar measures if they affected schools, highways, parks and police protection?

Unfortunately, welfare recipients have long borne the brunt of uninformed criticism and misguided resentment. The popular and racist stereotype of the able-bodied black male who drives a Cadillac while ripping off the government has conveniently overshadowed the far more desperate reality.

The reality is that the "typical" AFDC family is an unemployed, white 29-year-old woman and her two children, ages 7 and 6. They receive an average AFDC grant of $426 per month and stay on the welfare rolls for only 22 months.

Moreover, about 80% of AFDC recipients are children, virtually all of whom live below the national poverty level. Are these children somehow to blame for their predicament?

Proposition 41 would punish these families further by slashing their Medi-Cal benefits. And because Medi-Cal and AFDC funding formulas are linked, Proposition 41 also would affect elderly, blind and disabled citizens on fixed incomes, contrary to the claims of the initiative's proponents.

Overkill describes Proposition 41 too kindly. The measure is spiteful and inhumane. The fact that it is being publicly defended and brought to a vote at a time when some legislators are discussing tax cuts due to a projected $4.3-billion state budget surplus in 1986 is frightening.

Proponents of the initiative assert that "state government must strike a proper balance between its commitment of tax revenues to the care of the poor in California and the extent to which excessive tax-supported public assistance benefits may be counterproductive. . . ." Hard to argue with that. Yet by whose definition are Medi-Cal and AFDC payments "excessive?" How can anyone in good conscience vote to inflict such hardship on hapless children?

Proposition 41 supporters make much of reports showing that California spends more than any other state on its social programs. This spending, they say, shows California's tendency for reckless spending, and Californians should be appalled.

Not so. What these reports show is California's concern for the less fortunate. Californians should be proud. Not only do we have a balanced budget, we have a surplus of more than $1 billion. And a recent report by the National Urban Coalition applauds California's Legislature for coping better than any other state with President Reagan's reduced social program spending that hits hardest "the poorest of the poor."

The report notes that most states have done nothing to close the gap in the wake of Reagan's social spending cuts, which amount to about a 20% loss across the board in each state. In California, however, the decline has been limited to about 1% because the Legislature has provided cost-of-living increases and other funds to take up the slack left by federal cuts.

Proposition 41 and its reactionary right-wing supporters threaten our proud, progressive and caring California. Philosopher Martin Buber wrote that "genuine responsibility exists only when there is real responding." The only response offered the needy by supporters of this initiative is a smug and self-righteous kick in the teeth.

Shouldn't the issue be how *much* we can do, instead of how little?

John Vasconcellos, a Democratic assemblyman from Santa Clara, is chairman of the Ways and Means Committee.

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COUNTY OF SACRAMENTO

Inter-Department Correspondence

Date

To : BOARD OF SUPERVISORS

From : DENNIS B. HART, Director
Department of Social Welfare

Subject: PROPOSITION 41
(New Item - Consent Item)

RECOMMENDATION

It is recommended that your Board oppose Initiative Measure 41, entitled "Welfare-Public Assistance Programs. Initiative Statute.", appearing on the ballot for the 1984 General Election.

DISCUSSION

SUMMARY OF THE INITIATIVE

Proposition 41 limits annual state expenditures for designated social programs to 110% of the average per capita expenditures in the other 49 states. Commencing July 1986, this per capita cap applies to both program and administrative expenditures and covers the following programs:

1) Aid to Families with Dependent Children (AFDC)
2) Medi-Cal
3) Foster Care Payments under AFDC
4) Employment Training & Preparation Programs
5) Family Planning

Provided that the annual state expenditures for these programs collectively does not exceed the 110% cap, the Legislature may exceed the cap in a particular program. Other than this exception, and regardless of need, the initiative provides that the budgetary restrictions may be exceeded only by a 2/3's vote of each house of the Legislature upon a bill which, in final form, has been circulated to the public 20 days before the vote.

In addition, Proposition 41 creates the California Public Assistance Commission comprised mainly of county government officials appointed by the Governor, without Legislative confirmation. The commission is to review and evaluate public assistance programs in California and the other 49 States, and make recommendations to the Governor and Legislature regarding implementation of the proposition's funding cap. Proposition 41 would also express legislative intent that the aged, blind and disabled deserve the highest priority for tax supported public assistance in California.

PROPOSITION 41 FUNDING LIMITATIONS ON AFDC

Excluding California, the national average state per capita expenditure for AFDC in 1983 was $43.15. The proposition's 110% limitation would permit a maximum per capita payment level in California of $47.46. Since California's per capita payment level in 1983 was $118.63, the proposition would require a 60% reduction in California's per capita payment level.

Because the initiative does not provide any specific mandate with regard to how the reductions are to be achieved, there can be no strict certainty with regard to the extent to which the cuts will impact the designated programs. There appear, however, to be three major options available to achieve compliance with the AFDC spending limits. These are:

1. elimination of optional federal and state programs (AFDC-U);
2. reduction of AFDC grant payments by consideration of food stamps and subsidized housing as income to the recipient family;
3. substantial reduction of AFDC grant levels.

Depending on the particular options chosen, reductions in benefit levels would vary between 46% and 60%. Total reductions for the three program components of AFDC are outlined below:

STATEWIDE IMPACT

	EST.EXPEND FY 83-84	PROP.41 (60%)
AFDC-FG	2,592,600,000	1,037,040,000
AFDC-U	604,000,000	241,600,000
AFDC-FC	232,400,000	92,960,000
TOTAL	3,429,000,000	1,371,600,000
SAVINGS	2.06 billion	

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SACRAMENTO COUNTY

	TOTAL BUDGET		COUNTY SHARE	
	PRO.BUDGET FY 84-85	PROP. 41 (60%)	PRO.BUDGET FY 85-86	PROP.41 (60%)
AFDC-FG	133,545,000	53,418,000	6,925,700	2,770,280
AFDC-U	50,280,200	20,112,080	2,501,800	1,000,720
AFDC-FC	12,866,300	5,146,520	724,600	289,840
TOTAL	196,691,500	78,676,600	10,152,100	4,060,840
SAVINGS	118 million		6.1 million	

In terms of grant levels, the initiative would set new minimum basic standards of adequate care as follows:

NUMBER OF NEEDY PERSONS IN THE SAME FAMILY	CURRENT MAP	INITIATIVE 46% - 60%	GA GRANT LEVEL
1	272	109 - 147	211
2	448	179 - 242	308
3	555	222 - 300	414
4	660	264 - 356	518
5	753	301 - 407	610
6	847	339 - 457	696
7	929	372 - 502	765

Under current regulations, General Assistance is not granted when an applicant is eligible for other State or Federal programs. Because programs such as AFDC have higher grant levels than GA, no hardship is imposed by this regulation. With the passage of Proposition 41, GA will have a higher grant standard than AFDC. Whether this County can continue to deny General Assistance, based on an applicants AFDC eligibility is a matter which will most likely be settled in court.

With the passage of Proposition 41, the General Assistance program could be impacted in several ways.

(1) The County will be prevented from denying aid to recipients applying to the greater aid program - total County impact would be an increase in County aid of $150,788,736 per year.

(2) Federal and State regulation changes would be adopted to allow the County to supplement the AFDC grant by the difference between the AFDC and GA standards without reducing the basic AFDC grant - total annual impact on the County would be from $42,160,000 to $70,368,000.

(3) The County will continue to disallow GA to clients who are eligible for AFDC - no major fiscal impact unless State chooses to discontinue the optional AFDC-U program. In that instance, the unemployed parent would probably apply for General Assistance raising caseloads by over 6,500 for an annual cost increase of approximately $10.2 million.

PROPOSITION 41 FUNDING LIMITATIONS ON MEDI-CAL

Proposition 41's expenditure limitation on California's Medi-Cal Program, based on the national average per capita limit, would be approximately 1 billion for a reduction of 36%. To achieve the necessary savings, the following changes would in all likelihood have to be made.

(1) Eliminate eligibility for AFDC-U parents and children over 5.

(2) Eliminate eligibility for most medically needy pregnant women and children linked to AFDC-U.

(3) Increase the share of cost for the medically needy by $250-$300 per month.

(4) Treat SSP recipients as medically needy, with a share of cost.

(5) Eliminate optional services such as: optometry, dental care, prescription drugs, medical transportation, mental health services, rehabilitation & physical therapy, speech and hearing services, prosthetic devices, and podiatry.

(6) Reduce provider reimbursements for medical services to eligibility recipients.

Medically needy Medi-Cal recipients are individuals who would qualify for AFDC or SSI except that their incomes are too high. In most instances they are individuals who live on fixed incomes which are insufficient to meet their medical expenses but too high to make them eligible for Medi-Cal without a share of cost. A recipient's share of cost is based upon the "maintenance need level" - a set amount, by family size, which the state allows for non-medical needs. A recipient's income in excess of their maintenance need level is the amount of the recipient's share of cost.

The maintenance need level is set by federal law at 133 1/3 percent of the AFDC grant for a family of the same size. If AFDC grant levels were reduced, the maintenance need level would also be reduced and the recipient would be required to pay a higher share of cost before Medi-Cal would cover incurred medical expenses. Thus, if AFDC grants drop 46% the maintenance need level for a three person family would drop from $740 to $340; at 60% the drop would be from $740 to $296. This type of drop will make Medi-Cal prohibitive to an unknown number of the approximately 340,000 state medically needy (14,000 in Sacramento County). It is likely that the medically needy will either not seek services until it is critical (trading less expensive outpatient care for more expensive inpatient care), become a bad debt to a treating hospital or clinic, or be referred to the county health services program for care as an indigent. In the latter case, counties would assume the so-called bad debts associated with the individual's unmet share of cost.

Federal law does not require a state to have a medically needy program. If California wished, it could provide Medi-Cal only to AFDC and SSI recipients. By eliminating the AFDC-U program and all medically needy programs, a total of nearly 546,000 persons per month would be transferred to the counties for care under Welfare and Institutions Code 17000 (27,000 in Sacramento County).

If any of the medically needy program is to be saved, virtually all optional services would have to be eliminated. Nearly 50% of the needed Medi-Cal savings could be obtained by eliminating those optional services not required by federal law.

Federal law generally does not restrict a state's ability to lower reimbursement rates to outpatient providers. Also, federal provisions governing reimbursement of inpatient costs have been waived to permit the operation of California's Medi-Cal hospital contracting program. Accordingly, provider reimbursement may be reduced to achieve a part of the required savings. To the extent that county hospitals lose their Medi-Cal contracts, there will be an additional impact upon the counties.

In summary, whatever the options chosen, county governments will experience a sharply increased demand for health services. The counties will be required to provide services to those who become ineligible for Medi-Cal either because coverage is eliminated, or because they are unable to meet the share of cost. Counties will also be required to provide services to those who cannot obtain care through private providers because of refusal to accept Medi-Cal. The cost of caring for those who turn to the county will be higher than might otherwise be the case, because of their inability to obtain the necessary preventive care under the Medi-Cal program due to elimination of optional services.

PROPOSITION 41 FUNDING LIMITATIONS ON FOSTER CARE

Under current state law a child who is abused or neglected may be removed from the care, custody and control of his or her parents when the child is at risk of continued abuse or neglect. Through a legal process the child can be placed in a family home, group home, or institution. To meet the costs of caring for these children, foster care payments are made to the foster parents and institutional providers.

Counties contribute 5.4% of the placement costs for federally eligible children with the federal government contributing 50% and the state contributing 44.6%. For children not federally eligible the state contributes 95% and the county 5%.

Options for reducing foster care are:

1) Elimination of the state-only program for foster children not on AFDC. This would have the effect of reducing the foster care caseload by 45%, (could impact approximately 550 children per month in Sacramento County)

2) Changing the sharing formula between the state and the counties.

3) Reducing payments to foster families and institutional facilities.

Based on Sacramento County's expenditure data for the first half of FY 83-
a 60% reduction to foster care payments would have the following impacts:

	FAMILY HOME	INSTITUTION
Average Aid Payment	$315.22	$1,689.18
Proposition 41 Payment	$126.09	$ 675.67

If Proposition 41's funding reductions were implemented by reducing month
payment levels, a major proportion of current providers would be unable
provide services unless the counties made up the lost revenues. For Sacr
mento County, the cost of replacing these lost revenues would be approximate
$7.5 million per year.

PROPOSITION 41 FUNDING LIMITATIONS ON EMPLOYMENT PROGRAMS

Employment programs under the Work Incentive Program (WIN) will be cut by ove
50% and some may have to be eliminated entirely. These include the Employmen
Preparation Program, Workfare, Child Care Pilot, Supported Work and Employmen
Training Program. Anticipated loss to Sacramento County would be at leas
$500,000.

PROPOSITION 41 FUNDING LIMITATIONS ON FAMILY PLANNING

Family planning will be reduced by at least 95% from current expenditures of
$29 million to less than 1 million, essentially eliminating state support of
the program. Sacramento County's 84-85 budget for family planning is approxi-
mately $147,000. A 95% cut by the State would cost the County about $140,000.

PROPOSITION 41 FUNDING LIMITATIONS ON ADMINISTRATIVE COSTS

Federal, state, and county funding which supports the costs of administering
the AFDC and Medi-Cal programs would also be capped under Proposition 41 to
the 110% limitation.

This limitation would impose a reduction of $176 million, or 47% in AFDC ad-
ministrative funds, and a reduction of $84 million, or 35% in Medi-Cal admini-
strative funds. With such a reduction in administrative costs, welfare de-
partments will be unable to verify the accuracy of information, leading to in-
creased error rates and probable federal sanctions. Just a 5% increase in the
error rate in either AFDC or Medi-Cal above the 3% tolerance level would
generate a Federal fiscal sanction to the state and counties in the range of
$50-$100 million.

The reduction will require a substantial decrease or elimination of programs designed to curb fraud and abuse. It will also lead to a failure to process information in a timely manner, putting counties at risk of lawsuits based on federal requirements.

Sacramento County's Proposed 84-85 administrative budget for AFDC and Medi-Cal equals $22,803,299 of which $4,721,970 is the County's share. Proposition 41 would reduce these figures to $12,519,685 of which $2,502,644 would be the County's share. To achieve the necessary cost savings, over 250 eligibility workers, supervisors, and clerical staff would have to be laid off. An additional $3 million would still have to be trimmed from the remaining administrative overhead to achieve the mandated cost savings.

SUMMARY

The inevitable result of Proposition 41 is that the state will turn away available federal matching funds for needy populations through the elimination or severe reduction of existing federal and state programs. That needy population, however, will not disappear. It will continue to exist and very likely seek assistance from county governments--Welfare and Institutions Code 17000 nearly assures it. Thus the cost of aid and medical care to the poor and needy will be shifted from the federal and state governments to county governments--from the federal and state income tax payer to the local property tax payer--and the ability of county governments to assume these new responsibilities will depend almost entirely upon their local fiscal strength and revenue raising ability.

Dennis B. Hart
DENNIS B. HART

APPROVAL RECOMMENDED:

BRIAN H. RICHTER
County Executive

DBH:DB:JBS:d

cc: County Executive
Welfare Director

(6940W)