

LETTER REPORT OF THE
OFFICE OF THE AUDITOR GENERAL

260

ESTIMATES OF COSTS AND REVENUES
OF THE RESPONSIBLE RELATIVES PROGRAM

MARCH 1975

TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

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March 12, 1975

Honorable Bob Wilson
Chairman, and Members of the
Joint Legislative Audit Committee
Room 4126, State Capitol
Sacramento, California 95814

Dear Mr. Chairman and Members:

Transmitted herewith is our letter report responding to a legislative request to evaluate the estimates of costs and revenues of the Responsible Relatives Program, as prepared by the Department of Benefit Payments.

The Responsible Relatives Program requires financial contributions from the adult children living in California whose aged parents are recipients of the Supplemental Security Income Program (SSI). The requirement to contribute is based on the child's income and ability to pay.

The Department of Benefit Payments, in its letter to the Assembly Ways and Means Committee on February 18, 1975, estimated that revenues from the Responsible Relatives Program would be \$4 million for the fiscal year ending June 30, 1975.

We have interviewed department personnel and have evaluated pertinent program and fiscal support information related to the Responsible Relatives Program to obtain information which has been developed subsequent to that letter.

As a result of our evaluation of available departmental data but without benefit of a complete audit, we estimate that the net revenue from the Responsible Relatives Program for fiscal year 1974-75 will be \$3.7 million, rather than the \$4 million previously reported. The department estimates the cost of

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operating this program to be \$701,000. Based on our revenue estimate of \$3.7 million, it would, therefore, cost \$1 to collect \$5.30.

We were unable to determine from the department's records the extent of current revenue that is resulting from previous liabilities generated when the responsible relative contribution scale was considerably higher than at present. The department has taken the position that this is not a significant factor in the current revenue estimates.

We also evaluated the department's estimates of costs and revenues for fiscal year 1975-76. The department's proposed budget costs for the Responsible Relatives Program are \$980,000. Additional costs not currently reflected in the budget, include costs for postage and fair hearings. The department estimates that postage will cost \$40,000 in 1974-75, and we estimate that postage will cost \$60,000 for the 1975-76 fiscal year, thus increasing the estimated costs to \$1,040,000. An estimate for the cost of fair hearings has not been made since there has been no previous comparable experience on which to base such an estimate.

The department estimates that revenues from the Responsible Relatives Program will be \$6.2 million for fiscal year 1975-76.

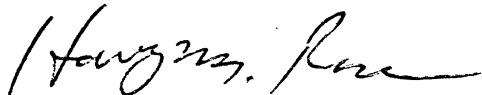
Every two years the department solicits current responsible relative information from SSI recipients to redetermine the liability of the recipient's adult children. For fiscal year 1975-76, the department has estimated that revenue from "liability redeterminations" (see Attachment II) will be \$1.1 million. In estimating such revenues, the department assumes that none of the relatives whose liabilities are to be redetermined are currently making payments. Some of these adult children are already making contributions and the department has included this amount in its revenue calculation component of \$3.8 million labeled "Average current collections projected to 1975-76" (see Attachment II).

Therefore, we conclude that the department's revenue estimate of \$6.2 million for fiscal year 1975-76 is excessive to the extent that some revenues from redeterminations are duplicated. Historical data is not readily available which would enable us to compute a more accurate projection at this time.

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A summary of the estimated administrative costs and revenues for fiscal years 1974-75 and 1975-76 appears in Attachments I and II respectively to this letter. This summary is based on data furnished by the Department of Benefit Payments.

Respectfully submitted,



Harvey M. Rose
Auditor General

Attachments

Staff: Gerald A. Hawes
Robert E. Christophel
B. L. Myers

ESTIMATE OF COSTS AND
REVENUE FOR FISCAL YEAR 1974-75

Costs

Personal services - positions		19
costs		\$280,000
Operating expenses and equipment		56,000
Contracts:		
EDD-Computer services	\$ 32,000	
Attorney General	120,000	
Investigative services	<u>46,000</u>	<u>198,000</u>
Approved Budget		\$534,000
Augmentation Section 28 letter		<u>352,000</u>
Add postage costs not previously considered		\$886,000
		<u>40,000</u>
		\$926,000
Less unexpended appropriation:		
Attorney General	\$ 90,000	
Investigations	46,000	
Salary savings	<u>89,000</u>	<u>225,000</u>
Estimated costs for 1974-75		<u>\$701,000*</u>

Revenues

Actual collections August 1974-February 1975		\$2,138,000
Estimated collections March 1975-July 1975		<u>1,577,000</u>
Estimated revenue 1974-75		<u>\$3,715,000**</u>

*Departmental estimate

**Auditor General estimate

ESTIMATE OF COSTS AND
REVENUE FOR FISCAL YEAR 1975-76

Costs

1974-75 approved budget		\$ 534,000
Personal services - positions	<u>39</u>	
costs	\$524,000	
Computer services	<u>89,000</u>	613,000
		<u>\$1,147,000</u>
Less legislative analysis ¹		
recommended reductions		<u>167,000</u>
		\$ 980,000*
Add anticipated postage costs		<u>60,000**</u>
Estimated 1975-76 costs		<u><u>\$1,040,000</u></u>

Revenues

Average current collections projected to 1975-76		\$3,780,000
Annual collections from elimination of backlog		1,011,000
Annual increase in collections from relatives of new recipients		319,000
Annual increase in collections from liability redeterminations		<u>1,129,000</u>
		\$6,239,000
Less lost collections from relatives of recipients leaving program		<u>37,000</u>
Estimated revenue 1975-76		<u><u>\$6,202,000*</u></u>

*Departmental estimates

**Auditor General estimate