

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814

(916) 445-2077



May 17, 1985

ALL-COUNTY INFORMATION NOTICE I-37-85

TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: AFDC FEDERAL QUALITY CONTROL FISCAL SANCTION

REFERENCE:

This letter will explain the current Aid to Families with Dependent Children (AFDC) Federal quality control fiscal sanction situation for the period October 1980 through September 1981. The State Department of Social Services (DSS) was notified by the Federal Department of Health and Human Services (DHHS) during March 1983 that the State's AFDC payment error rate made DSS subject to a \$35.067 million fiscal sanction. As allowed by regulation, DSS submitted a request for waiver of this sanction on May 18, 1983. In late April 1985, DSS was unofficially notified that this waiver request was denied. Formal notification is expected at any time.

The denial notification letter should explain the State's options in the sanction process. Regulations appear to offer two further levels of administrative appeal to the fiscal sanction. Beyond these, there is also the possibility of legal appeal in a court of law.

DSS is planning to exercise all its administrative appeal rights and, in anticipation of the official notification of sanction, is working with the California Welfare Directors Association Sanction Defense Task Force to prepare the State's position. I have also written the California Congressional Delegation to ask their assistance in resolving the sanction issue. A copy of that letter is attached.

If you have questions regarding this letter, please contact me or Charles Marvin of my staff at (916) 445-4458.

A handwritten signature in cursive script that reads "Linda S. McMahon".

LINDA S. McMAHON
Director

Attachment

744 P Street, Sacramento, CA 95814
(916) 445-8775

May 13, 1985

THIS LETTER SENT TO THOSE ON THE ATTACHED LIST

I understand that you will soon join other members of California's congressional delegation in sending Governor Deukmejian a letter urging that his administration appeal a \$35 million sanction recently levied on this state in the Aid to Families with Dependent Children (AFDC) Program. The sanction is based upon the state's payment of AFDC funds for the October 1980 through September 1981 period.

Please be assured we intend to dispute this sanction as inappropriate and unfair through all administrative and legal channels available. However, California has yet to receive official notification and details of the Department of Health and Human Services (DHHS) action; it is for that reason we have been deferring on announcing our specific action plan, but as soon as that notification is received, we will be assessing the specific remedies available and undertaking appropriate action.

It seems inappropriate that California should be singled out for heavy sanction when the performance measure upon which the sanction is based shows California to perform significantly better than the national average. The performance standard for California for that period was 4.0 percent; our federally-determined error rate for that period was 6.8 percent (a number which can be challenged). Because the standard for a state was determined based on the state's past error rate performance (the better the performance, the lower the standard), California's good performance has resulted in sanction. Further, several other large states with performances that significantly fail to match California's have not been subject to sanction in this period.

As you may know, Federal Regulations allow states to appeal their intent to sanction on the basis of the state's good faith efforts to maintain a low error rate. The DHHS action clearly means that California's good faith effort appeal has been denied.

Again, the state does have a number of remedies available to deal with this problem, and we intend to act promptly once the official notification from DHHS to Governor Deukmejian is received.

We appreciate your interest in this important matter and would appreciate your support as we work with the Federal DHHS to resolve the issue. If you have any questions, please do not hesitate to contact me at (916) 445-2077 or Dennis Boyle of my staff at (916) 445-8775.

Sincerely,

LINDA S. McMAHON
Director

Glenn M. Anderson
Robert Badham
Jim Bates
Anthony C. Beilenson
Howard Berman
Douglas H. Bosco
Barbara Boxer
George E. Brown, Jr.
Sala Burton
Eugene Chappie
Tony Coelho
William Dannemeyer
Ronald V. Dellums
Julian Dixon
Robert Dornan
David Dreier
Mervyn Dymally
Don Edwards
Vic Fazio
Bobbi Fiedler
Augustus Hawkins
Duncan Hunter
Robert Lagomarsino
Tom Lantos
Richard Lehman
Mel Levine
Jerry Lewis
Bill Lowery
Dan Lungren
Matthew G. Martinez
Robert Matsui
Al McCandless
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Henry A. Waxman
Ed Zschau

Alan Cranston
Pete Wilson