

## **BACKGROUND**

### **Victim Compensation and Government Claims Board**

#### **What Does the Board Do?**

The Victim Compensation and Government Claims Board was renamed from the former Board of Control in 2001. Today, the board's primary responsibilities include the state's Government Claims Program as well as the Victim Compensation Program. For purposes of this hearing, we will be focusing on the Victim Compensation Program.

#### **Victim Compensation Program**

The VCP can help pay unreimbursed expenses for victims of violent crimes. These costs include medical, dental, mental health, and funeral services, as well as home security, crime-scene cleanup, and emergency relocation costs.

Victims can apply directly to the board for assistance or be referred to the board by local government, or by victim advocates that work in county district attorney's offices. The state currently contracts with 21 counties to help assist victims in this process.

In the majority of cases, victims will receive services from providers who then send bills directly to the board. The board has established reimbursement rates it pays to providers. However, these rates may not cover all of the costs the provider has incurred. This is similar to the way many medical insurance reimbursement rates do not fully cover all provider costs.

#### **Restitution Fund**

A defendant found guilty of a criminal offense is usually ordered by the court to pay various fines and penalties and sometimes includes direct payments of restitution to the victim of the crime. State and local government agencies finance a number of programs from the fine and penalty money that they receive. A portion of the money collected from defendants is deposited in the Restitution Fund, which was established to compensate those injured by crime.

The Board has a continuous appropriation from the Restitution Fund, which means the money it receives is not subject to appropriation by the Legislature in the annual budget act. The Restitution Fund is the primary source of funding for the VCP. These funds are also used to match federal Victims of Crime Act (VOCA) grant program funds that yield 60 cents in federal VOCA grant funding for each dollar spent to provide victims with services. Beyond the VCP, the

Restitution Fund is also a funding source for programs operated by the Office of Emergency Services (OES), the Department of Justice (DOJ), and the State Controller's Office.

### **Administrative Spending Not Tracked Separately**

The Victim Compensation and Government Claims Board does not separately track the administrative costs of the VCP and the Government Claims Program. In particular, in the VCP, some administrative expenditures and direct payments to crime victims are combined in one state operations budget item and the board does not internally track these expenditures.

This is a problem, in our view, in that administrative costs can be a key measure in determining how efficient programs are in delivering services. Maintaining the lowest reasonable administrative costs is particularly important for the VCP, because such administrative expenses are ineligible for federal VOCA grant matching dollars. Also, given the declining balance in the Restitution Fund, minimizing VCP administrative expenditures can help assure that the maximum amount of money is reaching crime victims and that the Restitution Fund will remain solvent.

### **VCP Administrative Costs Appear to Be Relatively High**

While it is not possible to identify total VCP administrative costs with complete accuracy, for the reasons discussed above, we have attempted to estimate those costs using information contained in the budget. Specifically, we estimate that administrative spending in 2006–07 was about \$39 million, or about 31 percent, of the state and federal funding it receives annually for the program.

Our analysis indicates that VCP administration costs appear to have declined somewhat in recent years. We estimate that they were about 42 percent of program expenditures in 2004–05. However, our analysis suggests that they are still somewhat higher than those administrative costs incurred by victim compensation programs in other states, a fact that was acknowledged by the board in a letter to the Legislature in 2004. As shown in Figure 4, information we found on crime victim assistance programs in eight other states indicated that they reported administrative costs ranging from 5 percent to 32 percent, with an average of 17 percent. We would recommend, however, that the Legislature view this information with caution, because what constitutes administrative costs can vary significantly across different states.

**Figure 4**  
**California's Victim Compensation Program's**  
**Administrative Costs Appear Relatively High**

*(Dollars in Millions)*

<b>State</b>	<b>Number Of Claims</b>	<b>Total Paid to Victims</b>	<b>Administrative Costs</b>	<b>Percentage Spent on Administration</b>
Texas (2007)	27,746	\$65.6	\$6.1	8.6%
Florida (2005–06)	27,114	22.3	10.4	31.8
Ohio (2007)	8,206	18.1	5.6	23.6
Tennessee (2007)	2,623	12.9	0.7	5.1
Alabama (2006)	2,814	4.0	1.6	28.7
Virginia (2006)	1,902	3.0	0.8	21.0
West Virginia (2006)	1,806	2.2	0.3	13.4
Alaska (2006)	2,814	1.3	0.2	14.0
Average (not including California)	34,401	23.8	4.6	17.3
<b>California (2006–07)</b>	<b>50,339</b>	<b>\$101.2</b>	<b>\$45.9</b>	<b>31.2%</b>

### **Further Decreases in Administrative Costs Possible**

The board is taking some steps to change its operations that could decrease its administrative costs. The board has nearly completed its transition to an Internet-based system for processing claims for compensation from crime victims, which could potentially reduce the time board staff would have to spend in processing requests for compensation. The board also intends to reorganize the manner in which it assigns employees to process claims. Instead of tracking a single claim through every step of the process, the new approach involves assigning employees to become specialists in a specific step in the claim process. However, the effect of these promising new approaches on program operations and administrative expense will be difficult to assess unless these costs are tracked accurately and separately.

(Extracted from 2008-09 LAO budget Analysis)