

LOCAL ASSISTANCE

Education

CHILD CARE CENTERS

ITEM 423 of the Budget Bill

Budget page 1363
Budget line No. 41

FOR SUPPORT OF CHILD CARE CENTERS FROM THE GENERAL FUND

| | |
|---|-------------|
| Amount requested ----- | \$4,604,048 |
| Estimated to be expended in 1956-57 Fiscal Year ----- | 4,604,048 |

| | |
|----------------|------|
| Increase ----- | None |
|----------------|------|

RECOMMENDATIONS

| | |
|--|-------------|
| Amount budgeted ----- | \$4,604,048 |
| Legislative Auditor's recommendation ----- | 4,604,048 |

| | |
|-----------------|------|
| Reduction ----- | None |
|-----------------|------|

GENERAL SUMMARY

Child care centers began operating in California in 1943 as a federal program for the purpose of providing, under wartime emergency conditions, suitable facilities to care for children in order that mothers could be freed to work in the essential war industries.

After the war, the Federal Government discontinued its program, and the facilities were sold at nominal sums to the local school districts. In 1946, the State Legislature took over the program and has continued its financial support on a one- or two-year terminal basis up to the current fiscal year.

The State apportions child care center funds to the local school districts for support, and the district provides the quarters and administers the program. Generally the State's share of the total cost is about two-thirds, and fees collected from parents of children attending the centers cover the remaining one-third.

The Department of Education provides general supervision and consultative services to those school districts maintaining child care centers. Conditions under which the child care centers must operate are established under the law (Education Code Sections 19601-618).

The original emphasis of eligibility for children to be admitted to the care centers was placed on the concept of financial need of families where parents were working or incapacitated by illness or other disability. Family income from all sources is the basic criteria, and the eligibility level varies with the number of children in the family. A fee schedule also has been established to determine the amount each family will pay per hour of each child's attendance at the care center. This also is scaled according to the income and number of members in the family.

The eligibility requirements for admission have been modified somewhat since they were first established, and gradually, provisions were made to exempt certain groups such as one-parent families, veterans in school, teachers, registered nurses, workers in essential industry, persons under the vocational rehabilitation program, and workers in agricultural enterprises during an emergency period when crop har-

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Child Care Centers—Continued

vesting or food processing is necessary. The children in these exempt classes are allowed to attend the centers regardless of the income level of the parents; however, the parents pay the full cost of the child's attendance, which averages about 39 cents per hour per child.

The table of increases below shows the decline over the 10-year period in the number of children participating in the child care center program, the number of centers, and the state expenditures. This is primarily due to the local school districts discontinuing the program in order to utilize the center facilities for the soaring school enrollment created by the state population boom, which has caused critical classroom shortages. These same heavy demands for instructional facilities has tended to deter the districts in expanding the center program. Only three new districts have joined the program since 1947-48.

Table of Increases 1947-48 to 1956-57

| Work index: | 1947-48 | 1956-57 | Percent increase |
|--------------------------------|-------------|-------------|------------------|
| Average enrollment ----- | 12,038 | 10,200 | -15.1 |
| Number of care centers ----- | 293 | 244 | -16.7 |
| Total state expenditures ----- | \$5,241,161 | \$4,604,048 | -12.2 |

ANALYSIS

The Budget request of \$4,604,048 for the State's share of supporting the child care centers is the same as the estimated expenditures for the current year.

The law, as it now exists, provides for the termination of the child care center program on June 30, 1957. However, this Budget request is made for 1957-58 contingent upon the Legislature approving continuance of the centers.

An examination of the program as it now exists shows that about 92 percent of the families with children in the care centers qualified primarily because their income was below the prescribed levels set in the law, and that in the families of one parent, that the one parent is working, and in the families of two parents, both parents are working or one is incapacitated by illness or other disability.

The other 8 percent of the children in the care centers come from one- and two-parent families in the exempt categories of essential industry, teaching, nursing, etc. In this group, the parent's occupation and not income is the criteria for admission of the children. Generally, their income is above the "means test" level for financial need eligibility, and these exempt parents pay full cost of their children attending the centers. This cost averages about 39 cents per hour.

The child care program as it now exists, appears to be assisting for the most part, the low-income, needy families in their attempt toward self-support, and this, in turn may tend to relieve the burden on public assistance. In many cases, the youngsters benefit greatly from the health and nutritional supervision in the centers which many would not receive at home.

Even though a small percentage, the availability of the centers for families in certain essential occupations offers an incentive for parents to go to work in jobs where serious shortages are reported, especially

Local Assistance

Child Care Centers—Continued

in teaching and nursing. At the same time the statistics would show that this program gives much help in furnishing additional teachers.

It is our understanding that the level of this program which has not changed appreciably in the past several years, will not vary to any extent in the future. As mentioned above, school districts are bulging with enrollment, and building shortages exist. It is unlikely many districts will launch an accelerated child care center program and provide facilities to house the centers at the sacrifice of space for instructional purposes.

In the event the program should change drastically in the future, and the emphasis vary from the existing level, another examination of the centers could be made to determine the advisability of further augmentation.

It should be pointed out that the program was started by the Legislature on the basis of aiding wartime industry and, later, much emphasis was placed on the teacher recruitment. The Legislature also insisted upon regarding the program as temporary, by placing termination dates in the act. In view of these legislative policies and the declining enrollments we recommend that this appropriation be made and the program extended for two years only. We recommend approval of the item in the amount of \$4,604,048.

TEACHERS' RETIREMENT SYSTEM

ITEM 424 of the Budget Bill

Budget page 1367
Budget line No. 10

FOR TRANSFER TO THE TEACHERS' PERMANENT FUND FOR OPERATION OF THE STATE TEACHERS' RETIREMENT SYSTEM FROM THE GENERAL FUND

| | |
|---|-------------|
| Amount requested | \$8,555,000 |
| Estimated to be expended in 1956-57 Fiscal Year | 7,218,000 |
| Increase (18.5 percent) | \$1,337,000 |

RECOMMENDATIONS

| | |
|--|-------------|
| Amount budgeted | \$8,555,000 |
| Legislative Auditor's recommendation | 8,555,000 |
| Reduction | None |

ANALYSIS

This amount supplies the State's share of a basic \$50-a-month retirement allowance for all public school teachers, as provided in Section 14562 and other portions of the Education Code.

We recommend approval of the amount requested.

Local Assistance

Teachers' Retirement System—Continued

ITEM 425 of the Budget Bill

Budget page 1367

Budget line No. 11

FOR TRANSFER TO THE RETIREMENT ANNUITY FUND FOR OPERATION OF THE STATE TEACHERS' RETIREMENT SYSTEM FROM THE GENERAL FUND

| | |
|---|--------------|
| Amount requested | \$18,673,000 |
| Estimated to be expended in 1956-57 Fiscal Year | 19,546,000 |

| | |
|------------------------------|-----------|
| Decrease (4.5 percent) | \$873,000 |
|------------------------------|-----------|

RECOMMENDATIONS

| | |
|--|--------------|
| Amount budgeted | \$18,673,000 |
| Legislative Auditor's recommendation | 18,673,000 |

| | |
|-----------------|------|
| Reduction | None |
|-----------------|------|

ANALYSIS

The Retirement Annuity Fund is the principal source of teachers' retirement payments, bearing currently three times the load of the Permanent Fund. While the contribution of the State represents roughly 40 percent of the annual income of the Permanent Fund, it represents but 20 percent of the income of the Retirement Annuity Fund.

Among the changes introduced in the Teachers' Retirement System by Chapter 1395, Statutes of 1955, was a contribution by employers of 3 percent of the certificated pay rolls. Preliminary estimates indicated this would produce a revenue of \$12,000,000 in 1956-57; revised midyear estimates raised this amount to \$15,000,000. Preliminary estimates for 1957-58 indicate that this will produce a revenue of \$15,750,000.

The amount requested is based on calculations of the actuary of the Teachers' Retirement System.

Approval of this budget is recommended.

FREE TEXTBOOKS

ITEM 426 of the Budget Bill

Budget page 1369

Budget line No. 9

FOR SUPPORT OF FREE TEXTBOOKS FROM THE GENERAL FUND

| | |
|---|-------------|
| Amount requested | \$5,721,049 |
| Estimated to be expended in 1956-57 Fiscal Year | 6,018,166 |

| | |
|------------------------------|-----------|
| Decrease (4.9 percent) | \$297,117 |
|------------------------------|-----------|

RECOMMENDATIONS

| | |
|--|-------------|
| Amount budgeted | \$5,721,049 |
| Legislative Auditor's recommendation | 5,721,049 |

| | |
|-----------------|------|
| Reduction | None |
|-----------------|------|

Local Assistance

Free Textbooks—Continued

GENERAL SUMMARY

Table of Increases 1947-48 to 1956-57

| Work index: | 1947-48 | 1956-57 | Percent increase |
|---|-------------|-------------|------------------|
| Total textbooks distributed to local school districts | 2,888,853 | 6,500,000* | 125.0 |
| Total textbook titles | 118 | 220 | 86.4 |
| Number of employees | 11.9 | 12 | .01 |
| Total expenditures | \$1,626,137 | \$6,018,166 | 270.1 |

* Estimate.

The small increase in number of employees over the period covered in the table of above is due to simplifications in the textbook distribution office process. However, this total of employees does not include the warehouse personnel which is budgeted under the Printing Plant, nor temporary help, which increased from \$2,500 in 1947-48 to \$17,852 for 1956-57.

ANALYSIS

The 1957-58 subvention budget of \$5,721,049 for free textbooks to local elementary school districts represents a decrease of \$297,117 or 4.9 percent from the estimated expenditures for the current year.

During the current fiscal year, textbooks for social studies have been printed and distributed. These types of books result in higher royalty and printing costs than most other textbooks. In the 1957-58 budget year, the emphasis will be on a music series, the costs of which are less. This accounts for most of the decrease in the budget request from the prior year.

One stock clerk position, allowed during 1956-57 for work load increase, is shown as a new position.

The agency has sent out questionnaires to local school districts during the past year to determine if they favor an extended shipping period from a few months in the summer to a longer period throughout the year. The replies almost unanimously favor the longer period, and the agency is studying the most efficient and economical means of implementing this change.

We recommend approval of the budget as submitted.

Public Health

AID TO LOCAL HEALTH DEPARTMENTS

ITEM 427 of the Budget Bill

Budget page 1370
Budget line No. 51

FOR ASSISTANCE TO LOCAL HEALTH DEPARTMENTS FROM THE GENERAL FUND

| | |
|---|-------------|
| Amount requested | \$3,501,886 |
| Estimated to be expended in 1956-57 Fiscal Year | 6,364,032 |
| Decrease (44.9 percent) | \$2,862,146 |

RECOMMENDATIONS

| | |
|--------------------------------------|-------------|
| Amount budgeted | \$3,501,886 |
| Legislative Auditor's recommendation | 3,501,886 |
| Reduction | None |

Local Assistance

Aid to Local Health Departments—Continued

GENERAL SUMMARY

The funds appropriated by this item are subvended to qualifying local health departments which meet minimum standards established by the State Board of Public Health. These funds are distributed in accordance with the formula set forth in Section 1141 of the Health and Safety Code. The law provides for a basic allotment of \$16,000 or 60 cents per capita per county, whichever is the lesser, to administrative bodies serving one or more counties. If a county is divided into two or more local health department jurisdictions, the basic allotment is divided in proportion to population served, except that no funds are available to independent health departments serving cities of less than 50,000 population. The law further provides that after deducting amounts allowed for basic allotments the balance of the appropriation shall be allotted on a per capita basis to the administrative body of each local health department in the proportion that the population of the local health department jurisdiction bears to the population served by all qualified local health departments of the State.

ANALYSIS

An amount of \$3,501,886 is requested to provide the same per capita distribution as the current year (20.735401 cents) and is based on an estimated population of 14,115,000 as of July 1, 1957. This amount is \$2,862,146, or 44.9 percent, less than the \$6,364,032 that is estimated to be expended during the current year. The original Budget Act appropriation for the current year was \$3,364,032, but in the 1957 General Session a deficiency appropriation for \$3,000,000 was made by the Legislature for the free polio vaccine program.

In addition to the amount appropriated by this item, an estimated \$793,286 in federal funds will be distributed to local health departments in the same ratio as state funds.

We recommend approval of the amount requested.

AID TO COUNTIES WITHOUT LOCAL HEALTH DEPARTMENTS

ITEM 428 of the Budget Bill

Budget page 1371
Budget line No. 9

FOR ASSISTANCE TO COUNTIES WITHOUT LOCAL HEALTH DEPARTMENTS FROM THE GENERAL FUND

| | |
|---|-----------|
| Amount requested | \$169,530 |
| Estimated to be expended in 1956-57 Fiscal Year | 110,099 |
| Increase (54.0 percent) | \$59,431 |

RECOMMENDATIONS

| | |
|--|-----------|
| Amount budgeted | \$169,530 |
| Legislative Auditor's recommendation | 169,530 |
| Reduction | None |

GENERAL SUMMARY

Chapter 740, Statutes of 1953, authorized the Department of Public Health to furnish local public health services to those counties without recognized local health departments who contributed a minimum of

Local Assistance

Aid to Counties Without Local Health Departments—Continued

55 cents per capita. Alpine and Mono Counties initiated this program during the 1954-55 Fiscal Year. Sierra and Trinity Counties contracted for these services in July, 1955, with Mariposa participating since January, 1956. Nevada and Modoc Counties came under the program in July, 1956.

ANALYSIS

The department is requesting \$169,530 for the operation of this function for the coming fiscal year. This amount is an increase of \$59,431, or 53.9 percent, over the \$110,099 that is estimated to be expended during the current fiscal year. The increase includes salaries for nine proposed new positions and their related operating expenses. Colusa and Lassen Counties will activate health services under this item in July, 1957. Two nurses are proposed for each of these counties. One sanitarian for Colusa County and two sanitarians for Lassen County are also proposed. The existing program in Trinity County, consisting of one sanitarian and nurse, will require a second nurse and sanitarian during the budget year.

We have reviewed the work load figures supplied by the department and recommend approval of the requested positions.

AID TO COUNTIES FOR TUBERCULOSIS SANATORIA

ITEM 429 of the Budget Bill

Budget page 1371
Budget line No. 68

FOR ASSISTANCE TO COUNTIES AND CITIES FOR TUBERCULOSIS SANATORIA FROM THE GENERAL FUND

| | |
|---|-------------|
| Amount requested | \$4,167,000 |
| Estimated to be expended in 1956-57 Fiscal Year | 4,317,000 |
| Decrease (3.5 percent) | \$150,000 |

RECOMMENDATIONS

| | |
|--------------------------------------|-------------|
| Amount budgeted | \$4,167,000 |
| Legislative Auditor's recommendation | 4,167,000 |
| Reduction | None |

GENERAL SUMMARY

This item provides state grants-in-aid to counties, cities, and cities and counties for the treatment and care of persons suffering from tuberculosis. The funds are allocated in accordance with Division 4 of the Health and Safety Code which provides for a graduated subsidy rate.

The Budget Act provides a basic subsidy of \$2.60 per patient day for the first 36,500 patient days of care, \$2.30 per patient day for the second 36,500 patient days, and \$1.75 for all additional days, plus an additional 35 cents per patient day to each category.

ANALYSIS

On the basis of the Budget Act formula mentioned above, the department is requesting \$4,167,000 which is \$150,000, or 3.5 percent less than the \$4,317,000 that is estimated to be spent during the current year.

We recommend approval as requested.

Local Assistance

CRIPPLED CHILDREN SERVICES

ITEM 430 of the Budget Bill

Budget page 1372
Budget line No. 9

FOR ASSISTANCE TO COUNTIES AND CITIES FOR CARE OF CRIPPLED CHILDREN FROM THE GENERAL FUND

| | |
|---|-------------|
| Amount requested | \$3,193,289 |
| Estimated to be expended in 1956-57 Fiscal Year | 2,984,754 |
| Increase (7.0 percent) | \$208,535 |

RECOMMENDATIONS

| | |
|--|-------------|
| Amount budgeted | \$3,193,289 |
| Legislative Auditor's recommendation | 3,193,289 |
| Reduction | None |

GENERAL SUMMARY

This item provides funds for a state program for handicapped children, as authorized by Sections 249 to 271 of the Health and Safety Code. The code provides that whenever the parent or guardian of the child is unable to finance necessary care, a designated agency of the county shall request the State to furnish such services. Further, it makes mandatory that each county appropriate not less than one-tenth mill on each dollar of assessed property valuation for the purpose of financing the program.

ANALYSIS

An amount of \$3,193,289 is requested from the General Fund for this item. This represents an increase of \$208,535, or 7.0 percent over the \$2,984,754 estimated to be expended during the current year.

The Budget Act recommends a formula for the distribution of these funds to the various counties. The formula is as follows:

a. Treatment Subvention

After the county has spent, for treatment of physically handicapped children, the equivalent of one-tenth mill on each dollar of assessed valuation in the county, the State will provide funds sufficient to bring the program up to \$20,000 or the equivalent of three-tenths of a mill, whichever is the greater. Treatment costs beyond that point will be shared in the ratio of \$2 of state funds to \$1 of county funds.

b. Administrative Allowance

The State will contribute two-thirds of the expenditures for the local administration of each independent county's program, made in accordance with an approved budget; provided, however, that the state contribution shall not exceed 6 $\frac{2}{3}$ percent of the total expenditures for treatment in the preceding fiscal year.

A breakdown of the \$3,193,289 requested is as follows:

| | |
|--------------------------------|-------------|
| Care | \$2,231,438 |
| Administrative allowance | 207,275 |
| Diagnosis | 704,576 |
| Noncounty resident care | 50,000 |
| Net assistance | \$3,193,289 |

Local Assistance

Crippled Children Services—Continued

Estimated expenditure for all crippled children services under the Department of Public Health during the budget year as outlined on page 1372 of the Budget is \$7,059,876. Of this amount, \$4,552,841, or 64.5 percent, is scheduled for expenditure from state funds and \$2,507,035, or 35.5 percent, will be supported by county contributions. The proposed state expenditure consists of this subvention item for treatment, care and diagnosis, a proposed expenditure of \$809,723 to provide for the employment of therapists for classes of children with cerebral palsy and \$549,829 for state administration of crippled children services.

The proposed new formula that is mentioned above has been developed by the department in an attempt to simplify the administration and distribution of the subvention appropriations. This formula does not materially change the percentage paid by the State for the total program.

We recommend approval as budgeted.

THERAPEUTIC SERVICES FOR CEREBRAL PALSID CHILDREN

ITEM 431 of the Budget Bill

Budget page 1372
Budget line No. 57

FOR ASSISTANCE TO SCHOOL DISTRICTS FOR THE TREATMENT OF CEREBRAL PALSID CHILDREN FROM THE GENERAL FUND

| | |
|---|-----------|
| Amount requested | \$809,723 |
| Estimated to be expended in 1956-57 Fiscal Year | 691,572 |
| Increase (17.1 percent) | \$118,151 |

RECOMMENDATIONS

| | |
|--|-----------|
| Amount budgeted | \$809,723 |
| Legislative Auditor's recommendation | 809,723 |
| Reduction | None |

GENERAL SUMMARY

This item provides funds which will permit the Department of Public Health to employ therapists or to enter into contracts with local health departments to provide for the employment of therapists for classes for cerebral palsied children. It is intended that all such personnel will be transferred to local pay rolls as soon as feasible.

ANALYSIS

The 1957-58 Budget provides funds for 154 therapists for existing classes and 12 therapists to staff new classes which are anticipated to be established. The expansion proposed reflects growth in numbers of children participating.

We recommend approval as budgeted.

Local Assistance

MOSQUITO AND GNAT CONTROL

ITEM 432 of the Budget Bill

Budget page 1373

Budget line No. 9

FOR SUBSIDIES TO LOCAL DISTRICTS AND OTHER PUBLIC AGENCIES FOR THE CONTROL OF MOSQUITOS AND GNATS, FROM THE GENERAL FUND

| | |
|---|-----------|
| Amount requested | \$400,000 |
| Estimated to be expended in 1956-57 Fiscal Year | 400,000 |
| Increase | None |

RECOMMENDATIONS

| | |
|--|-----------|
| Amount budgeted | \$400,000 |
| Legislative Auditor's recommendation | 400,000 |
| Reduction | None |

GENERAL SUMMARY

Authority for this program is found in Chapter 55 of Division 3 of the Health and Safety Code. This chapter on mosquito control was added by Chapter 704, Statutes of 1947, and amended by Chapter 695, Statutes of 1949, to include the control of gnats. Section 2425 of the Health and Safety Code provides that the department must make studies and demonstrations as may be necessary to determine the areas of the State which have a high proportion of mosquito-borne diseases, including malaria and encephalitis. Section 2426 provides that the department may enter into cooperative agreements with any local district or public agency engaged in the control of mosquitoes or gnats or both, under conditions to be prescribed by the State Board of Public Health. Such agreements may provide for financial assistance by the State but the state total contribution shall not exceed 50 percent of the entire cost of the proposed activity.

ANALYSIS

The Budget Act this year contains the following new language pertaining to the eligibility of districts for subvention money, "Be it further provided that not more than \$7,500 may be allocated to a single mosquito abatement district unless said district shall first appropriate a sum of money not less than that represented by a rate of fifteen cents (\$0.15) on each one hundred dollars (\$100) of assessed valuation of the taxable property in the mosquito abatement district, such funds to be wholly exclusive of any state funds received or receivable."

The administrative formula provides a basic allotment to most mosquito districts of either \$2,000, \$4,000, or \$6,000, depending upon the size of the budget of the particular district. This basic allotment is provided to cover the cost of certain state-participating projects, such as gathering information on disease-borne mosquitoes and sending that information to the Department of Public Health for statistical purposes. Any amount over the basic allotment was originally designed to supplement those districts that were unable to meet the cost of operation after they exerted the local means available, i.e., after they levied the 15 cents legal limit.

Local Assistance

Mosquito and Gnat Control—Continued

On the basis of figures used for the 1956-57 allocations, with the \$7,500 figure that is in the Budget Act, the State could still pay approximately \$17,000 to counties for nonstate participating activities even though they have not reached the maximum local tax rate.

We recommend approval of the requested amount; however, we feel that the Budget Act wording should be changed so that the districts receive no state money in excess of that money which is allocated for state participating projects until they reach the maximum local tax rate, which is \$0.15 on each \$100 of assessed valuation.

HOSPITAL CONSTRUCTION

ITEM 433 of the Budget Bill

Budget page 1373
Budget line No. 32

FOR ASSISTANCE TO PUBLIC AND NONPROFIT AGENCIES FOR HOSPITAL CONSTRUCTION FROM THE GENERAL FUND

| | |
|--|------------------|
| Amount requested | \$5,934,055 |
| Estimated to be expended in 1956-57 Fiscal Year..... | 6,466,714 |
| Decrease (8.2 percent) | <u>\$532,659</u> |

RECOMMENDATIONS

| | |
|--|-------------|
| Amount budgeted | \$5,934,055 |
| Legislative Auditor's recommendation | 5,934,055 |
| Reduction | None |

GENERAL SUMMARY

The funds appropriated by this item would provide for continued participation in the hospital construction program (Hill-Burton Act as amended by the Wolverton Bill) on a matching basis. Authority for this program is found in Sections 430-435.7 of the Health and Safety Code. These sections were amended by Chapter 1575, Statutes of 1955, to permit state participation in the expanded federal program authorized by the Wolverton Bill. The code provides that the amount of state assistance which shall be provided to any public agency for hospital construction shall be a sum equal to the assistance received by the public agency for that hospital under the federal act, but in no event shall the amount of the state assistance exceed one-third of the cost of construction of the hospital.

ANALYSIS

An amount of \$5,934,055 is requested from the General Fund for this item. This is a decrease of \$532,659, or 8.2 percent, from the amount estimated to be expended during the current year. It is estimated that federal funds in the same amount will be expended during the budget year, and since state policy to allocate equally to both governmental and nonprofit hospital projects was established by Chapter 1575, Statutes of 1955, an amount equal to expenditures of federal funds will be necessary from state funds. State funds to match an additional \$2,781,561 in federal funds available during the current year are not requested for the budget year, as contracts involving these funds will not be formalized until the 1958-59 Fiscal Year.

We recommend approval as requested.

Local Assistance

Water Resources FLOOD CONTROL

ITEM 434 of the Budget Bill

Budget page 1375
Budget line No. 62

FOR ALLOCATION TO THE DEPARTMENT OF WATER RESOURCES FOR REALLOCATION TO LOCAL FLOOD CONTROL AGENCIES FROM THE FLOOD CONTROL FUND OF 1946

| | |
|--|-------------|
| Amount requested | \$7,044,000 |
| Estimated to be allocated in 1956-57 Fiscal Year | 4,424,500 |
| Increase (59.2 percent) | \$2,619,500 |

RECOMMENDATIONS

| | |
|--|-------------|
| Amount budgeted | \$7,044,000 |
| Legislative Auditor's recommendation | 4,868,000 |
| Reduction | \$2,176,000 |

The Flood Control Fund of 1946 is authorized by Sections 12800 and 12830 of the Water Code. As originally established it was a repository for surplus moneys of the State accumulated during World War II to await expenditure in implementation of the State's policy to cooperate with the Federal Government on flood control projects. Through the fund, the State pays the local costs of lands, easements and rights of way and the costs of relocating utilities for channel and levee work of the Corps of Engineers. These costs are required to be paid by local beneficiaries under terms of federal law.

A report entitled "Food Control Fund of 1946," dated August 1, 1956, was prepared by the Legislative Auditor and released by the Joint Legislative Budget Committee. This report analyzed the operations of the Flood Control Fund, pointed out certain deficiencies, and made recommendations for improvement. The report noted that since the original surplus money placed in the fund had been expended several years ago, the fund was actually operating on General Fund money which was transferred each year by the Budget Act. In particular the report pointed out that the complexities of fund operations, the diffusion of responsibility for management of the fund, and the unusual difficulties in forecasting fund requirements based on expectation of federal appropriations, had resulted in large balances being carried in the fund. These balances tied up millions of dollars of General Fund money even though some of it could not be spent for the purposes allocated.

Subsequent to the release of the above report, a number of events occurred which have substantially improved fund conditions.

1. The Department of Water Resources was formed and the director of that department acted to correct certain weaknesses in fund administration which became his responsibility as a result of the reorganization. The department has work under way to simplify procedures in paying claims against the fund, which should reduce the large backlog of unpaid claims. It is also publishing rules and procedures governing the policy for payment of claims against the fund.

Flood Control—Continued

2. The Department of Finance has reverted approximately \$2,250,000 of excess allocations made from the fund in past years. Some of these reversions have been made in advance of the statutory reversion date so that the money would not remain tied up by allocation even though not needed for the project for which it was originally allocated. This will reduce the transfer of new money from the General Fund.
3. The Los Angeles Flood Control District has re-estimated its requirements for allocation from the fund for the next fiscal year and reduced its request from \$2,552,000 to \$376,000.

These events, whether or not a direct result of the publication of the above report, tend to confirm the conclusions of the report that substantial improvement in the management of fund affairs is possible. Those who have taken steps to achieve this improvement are to be commended.

One of the recommendations of the above report was that the fund itself should be abolished in favor of annual appropriations to the Director of Water Resources with suitable safeguards and transitional mechanisms. It is the opinion of our office, however, that a recommendation to retain or abolish the fund should be made by the director, because the fund is his responsibility. The director has indicated that he does not desire to request any statutory changes in the authority and responsibilities of his department at this session. Because the director has shown his intentions to improve the management of the fund by taking concrete actions to that end and because the abolition of the fund poses many very difficult administrative problems for the department, we concur with the director's decision and will not urge statutory changes in the fund at this session.

It should be observed that the amounts requested for allocation from the fund are submitted by local flood control agencies and that it is currently almost impossible to determine whether the amount is a realistic minimum estimate of the local needs. In many cases it is not known precisely what the money will be used for by the local flood control agencies, who may, themselves, have to assume certain federal appropriations. Under such circumstances it is not possible for the Department of Water Resources to determine from information available to it whether the amount requested is the minimum sufficient to cover the needs for a project in the next fiscal year.

The Legislature has already authorized each of the projects receiving money from the Flood Control Fund of 1946 for state assistance and has already provided assurances to the Federal Government, through the local flood control agency, that the costs of local cooperation on the project will be paid. As a result the department has little alternative but to recommend the funds requested by the local flood control agencies unless the request is clearly out of line. In fact, on occasions it appears that local flood control agencies purchase rights of way before the Legislature allocates money in the Flood Control Fund to reimburse them for the rights of way.

Local Assistance

Flood Control—Continued

When the estimates of the Corps of Engineers for cost of acquiring rights of way are too low, or the costs of rights of way have increased unusually, the State is already committed to pay the cost and does pay. This has happened in the case of the San Lorenzo River Project. According to informal information the costs of rights of way and relocations estimated by the Corps of Engineers for the project was \$760,000 at the time the definite project plan was prepared and congressional and state authorization were secured. Current estimates of these costs by the City of Santa Cruz now total \$3,387,000. Neither the city nor the Corps of Engineers has reason to be concerned about these rising costs as long as the State is willing to pay them. However, the State has not established that the original project plan should be pursued at this time in view of the increasing state costs. In fact, it is conceivable, although unknown to the State, that an alternative plan might provide more local protection at less total cost to both the State and the Federal Government.

For this reason, it is recommended that the Legislature clarify the role of the Director of Water Resources in reviewing local requests for allocations from the fund by specifically indicating that it is the intent of the Legislature that the director should review each annual request for allocation and investigate each request for allocation for a new project before any project costs are incurred and to reasonably determine that the assurances given by the State to pay for rights of way and relocations are in line with current costs and project benefits. With the expansion in the federal flood control program and the new emphasis on the small watershed program, the State's costs for rights of way and relocations may increase considerably.

Requests for allocations from the Flood Control Fund of 1946 are being made for the following projects:

1. Santa Ana River Basin Project. The Santa Ana River Basin Project of the Corps of Engineers is divided between the Riverside County Flood Control and Water Conservation District and the San Bernardino County Flood Control District. This portion of the project covers levee construction and revetment on the Santa Ana River in the vicinity of the City of Riverside. Budget Item 439, last session, allocated \$2,412,000 for the costs of local cooperation on this project. The additional request this year is for \$180,000 to cover the increased costs of acquiring right of way resulting from rising property values. This allocation will finish the project. Approval is recommended.
2. Santa Ana River Basin Project. This request covers that portion of the above project within San Bernardino County. In this case also, an allocation was made to initiate construction by the last session of the Legislature. The work consists of levee construction, revetment and channel improvements on Devil, East Twin and Warm Creeks in the vicinity of the City of San Bernardino. State costs of the project are estimated at \$1,235,000 of which \$427,000 was allocated last year, leaving \$808,000 to be allocated this year. This is expected to complete the project. Approval is recommended.

Flood Control—Continued

3. Lytle and Cajon Creeks Project. This request is for a minor project authorized by Public Law 534, Seventy-Eighth Congress, Second Session, and is in addition to the \$100,000 allocated by Chapter 918, Statutes of 1947 for the Lytle-Cajon project. The request is for \$10,000. Approval is recommended.
4. Los Angeles River Watershed Project. This project is not a flood control undertaking but a watershed project of the United States Department of Agriculture. Work on this project has been under way for several years. Its purpose is to provide protective and control works on the small streams and headwaters of the Los Angeles River. The estimated total cost of state cooperation through Fiscal Year 1957-58 is \$3,221,000. Allocations through Fiscal Year 1956-57 total \$2,765,355, leaving an additional allocation required of \$307,000. Approval is recommended.
5. Los Angeles and San Gabriel Rivers and Ballona Creek Project. This is the principal flood control project of the Los Angeles area. The estimate of the Los Angeles County Flood Control District for total costs of state cooperation through Fiscal Year 1957-58 was \$21,456,200. This would have required an allocation of \$2,552,000 during the next fiscal year. The Los Angeles County Flood Control District has reviewed its budget year request and reduced it to \$376,000. *It is recommended that \$376,000 be allowed and that the budget item be reduced by \$2,176,000.*
6. San Lorenzo River Project. This allocation provides the funds required to complete the levee and channel work on the San Lorenzo River at the City of Santa Cruz. Chapter 27, Statutes of 1956, was intended primarily to provide \$1,000,000 for costs of local cooperation for this and other projects on a contingency basis. It appears that the Department of Finance has interpreted this statute to allocate \$1,000,000 for the San Lorenzo River Project and has further interpreted this act to authorize allocation of reverted surpluses in the fund to this project. That the statute authorizes allocation of the full \$1,000,000 to the San Lorenzo River Project is doubtful. Further, such action has depleted the contingency allocation provided for use between sessions which would have otherwise been available until June 30, 1958. It is recommended that if this result is the desire of the Legislature, that such action be specifically approved at this session to assure an adequate legal basis. It has already been noted in the introductory statement to this analysis that the costs of state cooperation on this project have increased greatly. It is recommended that this request for allocation be approved but that the Department of Water Resources be directed to investigate this project and determine whether these increased costs are in order and justified by the benefits. A general investigation should be adequate for this purpose.
7. San Lorenzo Creek Project. This project is a new one authorized by Section 12701 of the Water Code, and appearing in the budget for the first time. This project is on San Lorenzo Creek

Local Assistance

Flood Control—Continued

in Alameda County and is not the same as the San Lorenzo River Project in Santa Cruz County. The project plan is for levee construction, channel clearing and revetment, for which \$600,000 is requested to cover all costs of the work. Approval is recommended.

In summary, it is recommended that the total request for allocations of \$7,044,000 be reduced by \$2,176,000 as a result of the reduced request from the Los Angeles Flood Control District and that a total of \$4,868,000 be allowed subject to the specific recommendations made above.

It is further recommended that the Department of Water Resources investigate whether the sum of \$557,000 allocated last session to the Walnut Creek Project (Budget Act Item 441) can be reverted as no longer required and if not required, the transfer of Budget Item No. 435 of the Budget Bill of 1957 can be decreased by \$557,000.

FLOOD CONTROL FUND OF 1946

ITEM 435 of the Budget Bill

Budget page 1378
Budget line No. 60

FOR TRANSFER BY THE STATE CONTROLLER TO THE FLOOD CONTROL FUND OF 1946 FROM THE GENERAL FUND

| | |
|--|--------------|
| Amount requested | \$11,993,590 |
| Transferred in 1956-57 Fiscal Year | 5,184,110 |
| Increase (131.4 percent) | \$6,809,480 |

RECOMMENDATIONS

| | |
|--|--------------|
| Amount budgeted | \$11,993,590 |
| Legislative Auditor's recommendation | 9,797,590 |
| Reduction | \$2,196,000 |

ANALYSIS

This item transfers the funds required for items Nos. 419 and 434 from the General Fund to the Flood Control Fund of 1946. The amount being transferred is the difference between the estimated expenditures for the current fiscal year from the Flood Control Fund and the balance estimated to be in the fund. This difference represents the new money required by the fund to finance the allocations being made in this budget. The recommendation for reduction of \$2,196,000 represents the savings from the revised request for allocation from the Los Angeles County Flood Control District and correction of an error of \$20,000. A transfer of \$9,797,590 is recommended. A further reduction of \$557,000 may be possible as noted under Budget Item 434.

Local Assistance

Social Welfare

COUNTY INSPECTION OF HOMES FOR AGED AND CHILDREN

ITEM 436 of the Budget Bill

Budget page 1385

Budget line No. 9

FOR SUPPORT OF LOCAL INSPECTION OF HOMES AND AGENCIES CARING FOR AGED AND CHILDREN FROM THE GENERAL FUND

| | |
|---|-----------|
| Amount requested | \$916,104 |
| Estimated to be expended in 1956-57 Fiscal Year | 902,100 |
| Increase (1.6 percent) | \$14,004 |

RECOMMENDATIONS

| | |
|--|-----------|
| Amount budgeted | \$916,104 |
| Legislative Auditor's recommendation | 916,104 |
| Reduction | None |

ANALYSIS

This item is for reimbursement to the counties for inspection of child care and placement institutions and aged homes as specified in Sections 1622 and 2302 of the Welfare and Institutions Code. Reimbursement must be justified by the counties as an actual expenditure but not more than \$5 per month per license is authorized to be paid. An analysis of licensing of aged facilities is contained in our section on the Department of Social Welfare. A section of the department's 1955-56 Annual Report is devoted to licensing.

The Budget Act appropriation for 1956-57 was \$989,400, but one county did not accept delegation of licensing this year and there was a state-wide decrease of 1,822 licensed homes during 1955-56.

We recommend approval of the item, but with the observation that efficient administration by the county is not a criteria of the grant.

COUNTY ADOPTION PROGRAMS

ITEM 437 of the Budget Bill

Budget page 1385

Budget line No. 42

FOR REIMBURSEMENT TO COUNTIES FOR ADMINISTRATION AND COST OF CARE OF ADOPTIONS FROM THE GENERAL FUND

| | |
|---|-------------|
| Amount requested | \$1,820,485 |
| Estimated to be expended in 1956-57 Fiscal Year | 1,489,434 |
| Increase (22.2 percent) | \$331,051 |

RECOMMENDATIONS

| | |
|--|-------------|
| Amount budgeted | \$1,820,485 |
| Legislative Auditor's recommendation | 1,820,485 |
| Reduction | None |

ANALYSIS

In 1947 the Legislature made far reaching changes in the Adoptions Law and gave the department power to license county adoption agencies for relinquishment and independent adoptions. Section 1641 of the Welfare and Institutions Code specifies that the State shall reimburse counties for the costs of administration and care.

Local Assistance

County Adoption Programs—Continued

A staffing yardstick of relinquishment adoptions was developed by the department and used for budgeting the current year, 1956-57. The department assures us that a study of the effect of the new levels of service attained by using the new yardstick for budgeting positions in the licensed counties will be made and available for review during the next budget analysis. Staffing for the independent adoptions program and for services to other agencies is reviewed in our analysis of the area operations of the Department of Social Welfare. Three additional counties are provided reimbursement for the budget year for relinquishment adoptions programs and two additional counties for independent programs. The three additional counties provided for in last year's subvention did not qualify for adoptions service.

The following counties are licensed for adoptions programs:

| County | Type of program | |
|-----------------|---------------------------|------------------------|
| | Date of relinquishment | Date of independent |
| Alameda | 1949 | 1952 |
| Contra Costa | 1950 | 1954 |
| Fresno | 1949 | 1950 |
| Los Angeles | 1949 | 1951 |
| Sacramento | 1952 | |
| San Bernardino | 1951 | Proposed |
| San Diego | 1948 | 1948 |
| San Francisco | 1950 | |
| San Joaquin | 1954 | |
| San Luis Obispo | 1952 | 1953 |
| San Mateo | 1950 | 1955 |
| Santa Barbara | 1955 | Proposed |
| Shasta * | 1950 | 1950 |
| Solano | 1954 | |
| Stanislaus | 1949 | 1951 |
| Tulare | 1949 | 1950 |
| Tuolumne | 1948 | 1948 |

* Serves two other counties.

Counties are first licensed for relinquishment, then independent adoptions service. The three proposed licensed counties for 1957-58 are Del Norte, Santa Clara and Ventura.

We recommend approval of the item.

TRANSPORTATION OF NEEDY CHILDREN

ITEM 438 of the Budget Bill

Budget page 1386

Budget line No. 58

FOR SUPPORT OF TRANSPORTATION OF NEEDY CHILDREN FROM THE GENERAL FUND

| | |
|---|---------|
| Amount requested | \$2,500 |
| Estimated to be expended in 1956-57 Fiscal Year | 2,500 |
| Increase | None |

RECOMMENDATIONS

| | |
|--------------------------------------|---------|
| Amount budgeted | \$2,500 |
| Legislative Auditor's recommendation | 2,500 |
| Reduction | None |

Local Assistance

Transportation of Needy Children—Continued

ANALYSIS

Section 1580 of the Welfare and Institutions Code provides for the payment of transportation costs of needy children back to the states where they are residents. This item is for this purpose.

We recommend approval.

Subventions for Other Purposes SALARIES OF SUPERIOR COURT JUDGES

ITEM 439 of the Budget Bill

Budget page 1387
Budget line No. 52

FOR STATE'S SHARE OF SALARIES OF JUDGES OF SUPERIOR COURTS FROM THE GENERAL FUND

| | |
|---|-------------|
| Amount requested | \$2,117,000 |
| Estimated to be expended in 1956-57 Fiscal Year | 2,117,000 |
| Increase | None |

RECOMMENDATIONS

| | |
|--|-------------|
| Amount budgeted | \$2,117,000 |
| Legislative Auditor's recommendation | 2,117,000 |
| Reduction | None |

ANALYSIS

The State contributes towards the salary of each judge of the superior courts in accordance with the population of the county as determined by Sections 68206 and 68207 of the Government Code. The amount budgeted is to provide the amount required for each of the 243 judges authorized by existing law.

The State's contribution and the county's contribution toward the salary of each judge as determined by the population of the county is as follows:

| <i>Population of county</i> | <i>State's share</i> | <i>County's share</i> | <i>Total salary</i> |
|--|--------------------------|---------------------------|-------------------------|
| 250,000 or more | \$8,500 | \$9,500 | \$18,000 |
| More than 40,000 but less than 250,000 | 9,000 | 7,500 | 16,500 |
| 40,000 or less | 9,500 | 5,500 | 15,000 |

We recommend approval of this item as budgeted.

COUNTY VETERANS SERVICE OFFICERS

ITEM 440 of the Budget Bill

Budget page 1388
Budget line No. 17

FOR CONTRIBUTIONS TO COUNTIES TOWARD THE COMPENSATION AND EXPENSES OF COUNTY VETERANS SERVICE OFFICERS FROM THE GENERAL FUND

| | |
|---|-----------|
| Amount requested | \$350,000 |
| Estimated to be expended in 1956-57 Fiscal Year | 350,000 |
| Increase | None |

RECOMMENDATIONS

| | |
|--|-----------|
| Amount budgeted | \$350,000 |
| Legislative Auditor's recommendation | 350,000 |
| Reduction | None |

Local Assistance

County Veterans Service Officers—Continued

ANALYSIS

Chapter 429, of the Statutes of 1939, which added Section 970 to the Military and Veterans' Code, authorized the county boards of supervisors to establish, fix the compensation for, and set the qualifications of a "county service officer." Subsequently Chapter 1493, of the Statutes of 1945, added Section 972 to the code to permit the veterans' welfare board to contribute state funds for the compensation and expenses of county service officers. The type of services performed by the county service officers are most generally concerned with assisting the veteran in making his claim for the following:

Federal benefits

Allotments
Pensions
Compensation
Federal insurance
Medical care
Federal death benefits
Burial allowances
Federal loans
Federal educational assistance
Decorations
Discharge
Miscellaneous

State benefits

Farm and home purchases
State educational assistance
State veterans' home
Employment
Record establishment
Legal and court assistance
Tax exemption
Local financial aid
Aid to securing housing
Miscellaneous

The above points out the multitude of tasks performed by the county service officers in aiding a local veteran in receiving whatever benefit he might be entitled to as a result of military service.

The State Veterans Board is permitted by law to pay a maximum of \$75 per month of the county service officer's salary and 80 percent of the first assistant's plus 50 percent of the salaries of other assistants in addition to a maximum of \$600 toward the operating expenses of each county's program.

For the past several years this item has been budgeted at \$350,000 and we have questioned its necessity. However, the Legislature has consistently indicated its desire to support this program as a supplement to state benefits. On this basis we recommend approval of the item as budgeted.

COUNTY AGRICULTURAL COMMISSIONERS

ITEM 441 of the Budget Bill

Budget page 1388

Budget line No. 34

FOR SALARIES OF COUNTY AGRICULTURAL COMMISSIONERS ON COMPENSATION FOR SERVICES PERFORMED FOR COUNTY AGRICULTURAL DEPARTMENTS, DEPARTMENT OF AGRICULTURE, FROM THE GENERAL FUND

| | |
|---|-----------|
| Amount requested | \$147,620 |
| Estimated to be expended in 1956-57 Fiscal Year | 144,921 |
| Increase (1.9 percent) | \$2,699 |

RECOMMENDATIONS

| | |
|--|-----------|
| Amount budgeted | \$147,620 |
| Legislative Auditor's recommendation | 147,620 |
| Reduction | None |

Local Assistance

County Agricultural Commissioners—Continued

ANALYSIS

This item provides for payment to the counties by the State of not more than two-thirds of the agricultural commissioner's salary, or \$3,000 whichever is the lesser, in accordance with Section 63.5 of the Agricultural Code.

The purpose of the State's participation in this program is to secure more uniform enforcement of the Agricultural Code, some provisions of which require many hours of enforcement work by the agricultural commissioners.

We recommend approval of the item as budgeted.

WORKMEN'S COMPENSATION FOR CIVIL DEFENSE WORKERS

ITEM 442 of the Budget Bill

Budget page 1388

Budget line No. 51

FOR SUPPORT OF WORKMEN'S COMPENSATION FOR CIVIL DEFENSE WORKERS FROM THE GENERAL FUND

| | |
|---|----------|
| Amount requested | \$50,000 |
| Estimated to be expended in 1956-57 Fiscal Year | 35,000 |
| Increase (42.9 percent) | \$15,000 |

RECOMMENDATIONS

| | |
|--------------------------------------|----------|
| Amount budgeted | \$50,000 |
| Legislative Auditor's recommendation | 35,000 |
| Reduction | \$15,000 |

ANALYSIS

Workmen's compensation for voluntary civil defense workers was first provided by Chapter 920 of the Statutes of 1943 which added Chapter 10 to Part 1, Division 4 of the Labor Code. Subsequently in 1946 Chapter 10.5 was added to cover disaster service workers. In 1951 the original Chapter 10 and Chapter 10.5 were repealed and replaced by a renumbered Chapter 10 by enactment of Chapter 1440 of the Statutes of 1951. This covered both civil defense and disaster service workers. By these acts volunteer workers were assured of hospitalization, medical care and other compensation in the event of injuries sustained during training programs or during active disaster work.

The cost of providing these services has averaged about \$25,000 annually. For the current fiscal year the Legislature appropriated \$25,000 but some unusual experiences resulted in a deficit of approximately \$10,000 which is being provided from the emergency fund. It is now proposed that for the 1957-58 Fiscal Year that \$50,000 should be provided for this service. In view of the previous average experience we believe that it is illogical to provide funds on a routine basis for unusual experiences. However, in view of the fact that compensation awards have been rising in value we would recommend that for the 1957-58 Fiscal Year \$35,000 be provided. This would result in a reduction of \$15,000 in the amount requested for this item.

Local Assistance

Department of Youth Authority

AID FOR COUNTY JUVENILE HOMES AND CAMPS

ITEM 443 of the Budget Bill

Budget page 1389

Budget line No. 17

FOR SUPPORT OF REIMBURSEMENTS TO COUNTIES FOR MAINTENANCE OF JUVENILE HOMES AND CAMPS FROM THE GENERAL FUND

| | |
|---|-------------|
| Amount requested | \$1,636,000 |
| Estimated to be expended in 1956-57 Fiscal Year | 1,126,000 |
| Increase (45.3 percent) | \$510,000 |

RECOMMENDATIONS

| | |
|--|-------------|
| Amount budgeted | \$1,636,000 |
| Legislative Auditor's recommendation | 1,636,000 |
| Reduction | None |

ANALYSIS

Section 950 through 960 of the Welfare and Institutions Code provides reimbursement to counties for one-half of the cost, not exceeding \$95 per month per ward, of operating juvenile homes and camps established by the counties for the care of juvenile offenders.

There are currently 16 camps in operation and eligible for the subvention. The agency expects a total of three camps to become eligible during the 1956-57 Budget Year and nine more in the Fiscal Year 1957-58. This would make a total of 28 camps.

The total cost of operating these camps during 1957-58 is estimated at \$4,008,200, of which the counties' share will be \$2,372,200 and the State's share as reflected by this item will be \$1,636,000.

We recommend approval of the amount requested.

We have pointed out in prior years' analyses the inaccuracy in the estimates presented by the agency. We note that of the seven new camps which were proposed for inclusion in the 1956-57 Budget, the agency now only expects the actual inclusion of three. It is now estimated that \$219,000 of the amount budgeted last year will not be required. In 1955-56, \$426,833 or 32.2 percent of the amount budgeted for the program was not required.

Inasmuch as the remaining four camps of the seven proposed last year are included in this year's estimate of nine additional camps, we raise the question as to whether any better assurance supports their inclusion in this budget than in the last one?

The per capita cost of county camp care for the budget year is estimated at \$2,666 for an estimated population of 1,503. Compared with the estimated per capita cost for Youth Authority care of \$4,441, this represents a substantial reduction of cost to the taxpayer.

Local Assistance

Department of Employment

DISABILITY AND HOSPITAL BENEFITS PROGRAM

ITEM 444 of the Budget Bill

Budget page 1459

Budget line No. 26

FOR SUPPORT OF DISABILITY AND HOSPITAL BENEFITS PROGRAM FROM THE UNEMPLOYMENT COMPENSATION DISABILITY FUND

| | |
|---|---------------|
| Amount requested | \$4,252,153 |
| Estimated to be expended in 1956-57 Fiscal Year | 3,914,320 |
| Increase (8.6 percent) | \$337,833 |

Summary of Increase

| | Total increase | INCREASE DUE TO Work load or salary adjustments | New serv. ces | Budget Line page No. |
|--------------------------|-------------------|---|------------------|-------------------------|
| Salaries and wages | \$234,646 | \$234,646 | -- | 1482 62 |
| Operating expense | 94,172 | 94,172 | -- | 1482 63 |
| Equipment | 9,015 | 9,015 | -- | 1482 64 |
| Total increase | \$337,833 | \$337,833 | -- | 1482 66 |

RECOMMENDATIONS

| | |
|--|-------------|
| Amount budgeted | \$4,252,153 |
| Legislative Auditor's recommendation | 4,252,153 |
| Reduction | None |

GENERAL SUMMARY

The disability and hospital benefits program is a state financed program administered by the Department of Employment in conjunction with its administration of the federally financed unemployment insurance and employment service programs.

The purpose of the program is to compensate in part for the wage loss sustained by individuals unemployed because of sickness or injury. Persons entitled to unemployment insurance benefits for the same period are not entitled to disability insurance benefits, nor are those entitled to workmen's compensation, except to the extent of any excess of any amount due under disability insurance over any amount due under workmen's compensation.

Under certain conditions, and under general state supervision disability insurance with private carriers, under so-called "voluntary plans" can be substituted for coverage under the state plan. At present about 56 percent of the total eligible employees are covered by the state plan and 44 percent by voluntary plans with private carriers.

Table of Increases 1947-48 to 1956-57

| | 1947-48 | 1956-57 | Percent increase |
|--|---------------|---------------|---------------------|
| Work index: | | | |
| Amount of benefit payments under state plan .. | \$19,242,744 | \$57,000,000 | 196.2 |
| Number of covered workers: | | | |
| State plan | 1,980,400 | 2,034,240 | 2.7 |
| Voluntary plans | 543,978 | 1,584,760 | 191.3 |
| Total | 2,524,378 | 3,619,000 | 43.4 |
| Number of employees | 362 | 400.5 | 10.6 |
| Total expenditures | \$1,940,691 | \$3,914,320 | 101.7 |

Local Assistance

Disability and Hospital Benefits Program—Continued

The number of employees shown in the foregoing are those in the operating units of the Department of Employment who work on disability insurance functions only. In addition there were the equivalent of 216.8 persons working on phases of the disability insurance program in other units of the agency during 1956-57 (the comparable number for 1947-48 is not readily available).

The number of covered workers shown are the averages for the fourth calendar quarters in 1947 and 1956 respectively, the figures for 1956 being preliminary estimates.

The increase in benefit payments is due in part to increases in amounts authorized by successive legislatures, the maximum weekly benefit amount having been increased from \$20 to \$40 during the period, with substantial increases also authorized for hospital benefits.

ANALYSIS

The amount requested for 1957-58 is \$4,252,153, an increase of \$337,833, or 8.6 percent over the amount estimated to be expended during 1956-57.

Of this increase \$273,793 is due to increases in the units devoted exclusively to disability insurance functions, detailed on budget pages 1479 to 1482, as follows:

| | 1956-57 | Expenditures 1957-58 | Increase |
|----------------------------------|-------------|-------------------------|-----------|
| General administration | \$1,017,174 | \$1,108,375 | \$91,201 |
| Claim control section | 147,638 | 164,636 | 16,998 |
| District offices | 1,588,775 | 1,754,699 | 165,924 |
| Office of medical director | 55,354 | 55,024 | —330 |
| Total | \$2,808,941 | \$3,082,734 | \$273,793 |

The increase of \$273,793 includes the following additional positions:

| | Number | Amount | Budget | |
|--------------------------------------|--------|-----------|--------|------|
| | | | Page | Line |
| Claim control section: | | | | |
| Disability insurance officer I | 2 | \$8,592 | 1480 | 75 |
| Intermediate clerk | 2 | 6,432 | 1480 | 76 |
| District offices: | | | | |
| Disability officer II | 8 | 39,840 | 1481 | 36 |
| Disability officer I | 8 | 34,368 | 1481 | 37 |
| Intermediate clerk | 12 | 38,592 | 1481 | 38 |
| Janitor | 0.5 | 1,530 | 1481 | 39 |
| Total | 32.5 | \$129,354 | | |

The claim control section is in headquarters and processes all claim reports, supervises voluntary plan activities for conformity with requirements of the law and maintains voluntary plan files.

The district offices determine eligibility of claimants for benefits, issue payments to eligible claimants, conduct necessary correspondence with employers, claimants, doctors, institutions and other state or governmental agencies regarding claims, and maintain claimant disability insurance records.

Local Assistance

Disability and Hospital Benefits Program—Continued

The increases requested are all geared directly to work load increases and are based on the agency's comprehensive system of calculating needed staff in terms of units of work and processing times per unit.

Increased operating expenses are related to increased personnel, price increases, and other work load factors.

We recommend approval of the budget as submitted.

Efficiency and Economy

In answer to our request for a statement of any administrative changes made during the year in the interests of efficiency and economy the agency submitted a list of 12 changes which includes the following:

1. Elimination of copying of documents by use of the originals themselves, and in many instances the attendance of interviewers, in connection with hearings before referees.

2. Perfection of the application of the electronic data processing installations.

3. Reduction of time lag in paying benefits to California claimants in other states.

4. Redirection of efforts at collection of delinquent balances due from taxpayers and claimants into more productive channels.

5. Substitution of trailers for rented office space for use as seasonal farm placement offices.

6. Obtaining cooperation of the post office in segregating tax returns from other types of correspondence in connection with incoming mail, thus eliminating one step in the processing by the agency.

7. Simplification of refund procedure.

8. Reduction in number of rulings on eligibility matters by elimination of those where no immediate payment of benefits is involved.

9. Use of a standardized form for evaluation of performance of field auditors in connection audits of employers for unemployment tax purposes. This form permits an evaluation not only of the performance of individual auditors but also of the work of the various district offices in direction of the audit program and appears to us to be a procedure which could be profitably employed by other tax agencies.

DEPARTMENT OF EMPLOYMENT

ITEM 445 of the Budget Bill

Budget page 1459

Budget line No. 45

FOR ADDITIONAL SUPPORT OF DEPARTMENT OF EMPLOYMENT FROM THE DEPARTMENT OF EMPLOYMENT CONTINGENT FUND

| | |
|---|----------|
| Amount requested | \$39,812 |
| Estimated to be expended in 1956-57 Fiscal Year | 34,484 |

| | |
|-------------------------------|---------|
| Increase (15.5 percent) | \$5,328 |
|-------------------------------|---------|

Summary of Increase

| | Total increase | INCREASE DUE TO Work load or salary adjustments | New services | Budget Line page No. |
|--------------------------|-------------------|---|-----------------|-------------------------|
| Salaries and wages | \$4,559 | \$4,559 | -- | 1482 70 |
| Operating expense | 769 | 769 | -- | 1482 71 |
| Total increase | \$5,328 | \$5,328 | -- | 1482 74 |

Local Assistance

Department of Employment—Continued

RECOMMENDATIONS

| | |
|--|----------|
| Amount budgeted | \$39,812 |
| Legislative Auditor's recommendation | 39,812 |
| Reduction | None |

GENERAL SUMMARY

The Department of Employment Contingent Fund is a state fund created effective January 30, 1945, to receive revenue from interest, penalties and fines collected on contributions from employers and employees less interest paid on refunds and judgments. It can be used for administration of the Department of Employment but only to the extent of activities for which federal funds are not available and not as a substitute for federal grants (Section 1587, Unemployment Insurance Code).

The only program in the department in which the Contingent Fund is participating is the community employment program which involves planning and developing programs for the development of job opportunities and the stabilization of employment in which the State and the Federal Government participate on a 50-50 basis.

ANALYSIS

The amount requested is \$39,812 which represents an increase of \$5,328 or 15.5 percent over that estimated to be expended for 1956-57 of \$34,484.

This increase is due to an additional position added for the program in the Los Angeles area due to rapid growth in that area, of which the Contingent Fund will stand one-half the cost, including one-half the cost of related expenses.

There are four technical positions involved during the current year, one in the coastal area office in San Francisco, two in the interior area office in Sacramento and one in the southern area office in Los Angeles, where an additional position will be added in 1957-58.

Since this appropriation is one for purposes similar to those made in prior years and is calculated on a comparable basis, and since the increase appears to be justified by work load we recommend increase of the budget as submitted.