ECONOMIES AND EFFICIENCIES REQUIRING LEGISLATION

This section contains a number of suggested changes in existing statutes which would produce savings to the State General Fund and to certain special funds. These savings are in addition to those recommended in the Budget Bill. The savings to the General Fund which the suggested changes would produce are difficult to estimate in many cases. In some instances, moreover, we suggest a number of alternatives, each of which would differ in respect to savings. Savings which can clearly be identified would total over 22 million dollars, and potentially far greater reductions in state cost could be secured by other suggested amendments. Some of the latter, however, would increase local government costs correspondingly, and they are not included in the total of savings for that reason. One recommendation, that relating to strict enforcement of the veterans exemption, would add many millions to local revenues and tend to relieve the need for state subventions. Two of the proposals would bring a total of approximately 60 million dollars immediately into the State Treasury without any increase in tax rates.

For convenience, the suggested statutory changes are grouped under appropriate subject headings, and where savings can be identified these are noted following each specific proposed change.

FINANCIAL AGENCIES

Inheritance Tax Administration—$1,350,000

The inheritance tax is a state tax which is administered at the state level by a civil service staff of 83 in the State Controller's Office, with estimated expenditures, exclusive of retirement, of $653,155 for 1958-59. This staff is headed by a principal inheritance tax attorney, at an annual salary of $15,000, and is distributed as follows:

Class	*Sacramento*	*San Francisco*	*Los Angeles*	*Total*
Attorney	6	6	9	21
Auditor	7	4	6	17
Technician and clerk	17	9	22	48
Total	30	19	37	86

This staff processes reports, verifies calculation of the tax, participates in court proceedings and renders assistance to taxpayers' representatives.

In addition, two other groups are involved in administration of the tax, county treasurers and the inheritance tax appraisers. The latter are appointed by the State Controller, exempt from civil service, and in a sense, are officers of the probate courts, since they appraise all estates both for probate purposes and inheritance tax purposes.

We believe that Inheritance Tax Administration should be completely overhauled, with a view to:

(1) Placing the tax on a self-assessed basis, and
(2) Providing for administration entirely at the state level by civil service staff.

Inheritance tax administration in other states incorporates features of both these recommendations.

Our reasons for recommending that the tax be placed on a self-assessed basis are: (1) that under existing law appraisals of estates are required in every instance, even where no tax is due, and there are indications that many appraisals are unnecessary, and their cost constitutes an unnecessary charge against the estates; (2) more economical administration should result if the tax were on a self-assessed basis, as is the gift tax, and almost all other major state taxes, and administered entirely by state civil service personnel; whatever steps necessary to verify the accuracy of the self-assessment could be taken in each individual case, including detailed appraisals where indicated, or no appraisals at all where none are needed.

It appears to us that the second objective can be accomplished entirely independently of the first by providing:

(a) That the functions now performed by the existing inheritance tax appraisers be performed entirely by the state civil service personnel.

(b) The commissions now paid to inheritance tax appraisers for probate appraisals under Section 609 of the Probate Code be paid instead to the State. Such commissions amount to an estimated $1,250,000 per year.

(c) That commissions to county treasurers for collection of the tax and other services, which amounted to $460,000 in 1957-58 be eliminated, with payment of the tax to be made direct to the State and any needed services now performed by county treasurers to be performed by state employees. Payment of the tax direct to the State would result in additional interest earnings of $100,000 per year to the State by eliminating delay in receiving the money, and would put into the State Treasury immediately $4 to $7 million of much needed revenue.

(d) That commissions now paid to the existing inheritance tax appraisers by the State for inheritance tax appraisals which amounted to $260,000 in 1957-58 be eliminated, any needed appraisers, of course, to be full-time state employees.

The estimated fiscal effects of such a program per year can be summarized as follows:

Additional revenue:		
Probate appraisers fees	$1,250,000	
Interest	100,000	$1,350,000
Costs eliminated:		
Commissions to county treasurers	$460,000	
Appraisers' fees for inheritance tax appraisals	260,000	720,000
Total		$2,070,000

As an offset to this, there would be the added cost to the State of assuming the functions now performed by inheritance tax appraisers and county treasurers.

As of October, 1958, there were 123 inheritance tax appraisers, 19 in Los Angeles County, five in San Francisco, three each in Alameda, San Diego, Santa Clara, Siskiyou and Ventura Counties, two each in 33 other counties and one each in the remaining 18. Present law requires

that there be at least one appraiser in each county, an unnecessary requirement if the appraisers were full-time civil service employees.

Many of these appraisers devote only a small part of their time to appraisals. On the other hand, we are informed that most of the 19 appraisers in Los Angeles County devote full time to the work and some employ as many as four full-time assistants.

There are indications that some of the work for which inheritance tax appraisers are now compensated is performed by the existing civil service staff in the Controller's Office, and also that the valuation of many of the assets of the estates such as bank accounts, listed securities, automobiles and residences is largely a routine clerical or an accounting process rather than a true appraisal process.

The Controller's Office has made an analysis of the taxable estates on which appraisers' reports were submitted during 1955-56 by size of the estates involved. There were a total of 17,785 estates of which 9,086 or 51 percent had clear market values of less than $25,000 each and which accounted for 8.9 percent of the total tax involved in all of the estates. In addition, there were approximately 18,000 estates appraised during the year on which no tax was involved, most of which were undoubtedly small.

Thus, it appears that the annual appraisal workload consisted of about 36,000 estates of which three-quarters (all of the "no-tax" estates plus half of the taxable estates) were probably all in the small category with clear market values of less than $25,000. Generally speaking, the smaller estates are those with assets limited to the types previously mentioned, the valuation of which presents little serious technical problems.

County treasurers, in addition to processing collections, perform two general classes of functions in connection with inheritance taxes:

1. Inventory contents of decedents' safe deposit boxes.
2. Issue "consents" to administrators and executors of estates to dispose of certain assets, such as bank accounts on a showing that payment of any inheritance tax due will not be jeopardized thereby.

Processing the actual tax collections could probably be handled by existing state personnel, with little or no increase. Any needed increase would be entirely at the clerical level.

Performance of the other functions would require some additional staff, although there are indications that some of the processes involved could be improved and streamlined. Inventorying of safe deposit boxes could be done on the basis of certification of contents by a bank officer at a nominal charge to the estate.

Lack of information as to the composition of the actual work load involved in both the appraisal process and the work done by county treasurers is a characteristic inherent in the present practice of having these functions performed by personnel which is not subject to adequate state supervision or control. Placing these functions under civil service, with resulting adequate budgetary control, would establish pressures for performance of the work in a more efficient manner.

We believe that it is entirely possible that the cost of the necessary additional state civil service staff to perform needed functions for administration entirely at the state level would not exceed present state payments to county treasurers and appraisers; namely, $720,000

per year, and might well be less. Thus the increased revenue to the State from the series of recommended charges noted above might net $1,350,000 after recognition of the increased costs involved.

A Department of Revenue Be Created

In our 1958-59 Budget Analysis, we stated that we believe that the most significant move in the interest of economies and improvements in tax administration would be the creation of a Department of Revenue headed by a director, appointed by the Governor to administer all state taxes now administered by the Board of Equalization, the Franchise Tax Board and the State Controller, together with the creation of an independent Board of Tax Appeals.

A similar recommendation was made in the first formal report prepared by this office, that to the 1943 Legislature, and has been repeated almost continuously in our budget analyses ever since.

We believe that significant economies would result through the consolidation of housekeeping services, the consolidation of field office facilities and the integration of field activities such as audit and collections. A report on the Need for a Department of Revenue in California, submitted to the 1955 Legislature by the Subcommittee of the Assembly Interim Committee on Government Organization contained an estimate that savings of $2,727,000 per year would result from the creation of such a department.

In addition to economies, better field coverage would result with fewer taxpayer contacts and consequent annoyance by integration of audit activities for the various state taxes.

With two exceptions administration of all the state taxes involved could be transferred to a single such department by statute, the exceptions being taxes on insurance companies and alcoholic beverages, where a constitutional amendment would be necessary.

We do not believe that an agency such as the Board of Equalization, consisting as it does of four members, elected by districts, to each of which is assigned a deputy, plus the State Controller as an ex officio member who has other major responsibilities, is the most effective type of structure to administer major state tax programs on a statewide basis. The basic reason for this is that it is not conducive to the development of the type of strong centralized administrative controls needed.

In actual practice, in the 25 years in which it has had major responsibilities as a tax agency, needless duplication in facilities and activities, inefficiencies and lack of uniformity in field administraton have developed.

Numerous examples of these shortcomings are to be found in the findings of a basic internal study recently conducted at a cost of $52,000, by a 16-man team of selected technicians from the board's own staff, headed by a senior administrative analyst, working in collaboration with an outside consultant.

While the report states that in general high levels of accomplishment have been maintained by the staff, it calls attention to numerous conditions which to us are indications of serious management deficiencies. Two examples follow:

1. "Operating difficulties are being encountered at various points because of failure to establish clear and practical policies for personnel performing operations at working levels."
2. "Although the board has been responsible for the collection of delinquent business taxes since it was first assigned tax administration functions many years ago, published statewide policies to guide the staff in its collection activities have never been developed. Bulletins are issued by the respective business tax divisions from time to time, but this is a piecemeal approach dealing mainly with processes, methods and forms, rather than policy matters."

   "This lack of statewide policies compels each district tax administrator to develop his own district policies or, as occurs in some areas, to permit the staff a wide degree of discretion in their collection work. This results in a lack of uniform treatment of taxpayers in the various districts and sometimes within the same district. Employees transferring from one district to another frequently find they must revise their approach to the collection problem because of policy variations between the districts."

Short of the creation of a department of revenue, we believe and have so recommended from time to time that some improvement in existing tax administration and some reduction in present costs could be achieved by concentrating responsibility for administration of all phases of a given tax in a single existing agency by:

1. Transferring collection of the gasoline tax from the Controller to the Board of Equalization.
2. Transferring gasoline tax refunds from the Controller to the Board of Equalization.
3. Transferring collection of the transportation tax from the Controller to the Board of Equalization.
4. Transferring collection of the insurance tax from the Controller to the Insurance Commissioner.
5. Transferring the assessing of the insurance tax from the Board of Equalization by making it a self-assessed tax to be administered entirely by the Insurance Commisisoner, the only function to remain with the Board of Equalization to be the hearing of appeals from actions of the Insurance Commissioner on deficiency assessments and refund claims.

We also wish to call attention to increases in revenues which would result from certain relatively minor procedural or other changes which could be made in the administration of certain existing state taxes.

Eliminate Installment Payments on Personal Income Tax—$200,000

At present, personal income taxes may be paid in three equal installments, on April 15th, August 15th, and December 15th, in the normal case where the taxpayer is on a calendar year basis, and no interest is charged if the installments are paid on time. If the installment payment privilege were eliminated, the State would gain additional interest revenue of approximately $200,000 per year by receiving the money at an earlier date and would save the costs of processing the installment payments.

Eliminate Installment Payments on Corporation Franchise Tax—$800,000

At present, corporations other than banks and financial corporations may pay their taxes in two installments, on April 15th and October 15th, in the normal case, without interest. The State would gain $800,000 per year in additional interest revenue if the installment payments were eliminated and would save the costs of processing the deferred payments.

Insurance Tax Collection Procedure

In our analysis of the Budget Bill for 1958-59, we recommended that the insurance tax be placed on a self-assessed basis, payable when the return is filed on April 1st, rather than on November 15th, as at present.

This would result in additional interest earnings to the State of $700,000 per year and increase, on a one-time basis, revenues collected in the current 1958-59 Fiscal Year, by approximately 55 million dollars.

A change in the statutes would be required.

MILITARY AND VETERANS

Uniform Allowance—$100,000

Under current statute, the officers of the California National Guard and Air National Guard are paid an annual uniform allowance of $50. The cost of this program from the General Fund in the Fiscal Year 1959-60 was originally budgeted for $150,000.

There are inequities and elements of double compensation involved in the program.

The inequities arise when one considers the fact that the full-time active duty National Guard officer is paid this allowance while his counterparts in the California Highway Patrol and in the Regular Army or Air Force receive no such allowance. The inequity is still present when one compares the drilling officer of any of the reserve components of the regular establishment with the drilling National Guard officer; in this case, the guardsman receives $50 each year while the reserve officer may qualify for a uniform maintenance allowance of $50 once every four years.

The double compensation question arises when one considers that the majority of National Guard officers referred to in both cases above draw the State as well as the federal uniform maintenance allowance for services performed during the same period of time.

To correct these inequities and preclude double compensation in the state program of granting initial uniform allowances and uniform maintenance allowances to National Guard officers, it is recommended that Section 323 of the Military and Veterans Code be amended to accomplish the following:

a. Increase the initial uniform allowance paid to National Guard officers upon original commissioning from $100 to $200.
b. Provide minimum qualifying performance standards for entitlement to a uniform maintenance allowance.
c. Provide that payment of a uniform maintenance allowance of $50 be paid, not more frequently than every four years, to those National Guard officers fulfilling the standards of performance.

d. Provide that the initial state uniform allowance and succeeding state uniform maintenance allowances will be paid only to those National Guard officers who are not eligible for federal allowances of this nature.
e. Provide that the full-time active duty National Guard officer receive no uniform maintenance allowance for the period of his full-time active state duty.
f. Provide that the individual officer must initiate his own claim for any type of uniform allowance.

By so amending this section of the Military and Veterans Code, it is estimated that a savings of approximately $100,000 per year will result.

Temporary Military Leave With Pay for Public Employees—$200,000

Under current statutes, all public employees are entitled to take up to 30 days' temporary military leave with pay. By definition, as appears in the Military and Veterans Code, a "public employee" means any officer or employee of a public agency and further, "public agency" is defined as the State or county, city and county, city, municipal corporation, school district, irrigation district, water district or other district.

The principal problem in regard to temporary military leave is one of dual compensation; that is, receiving payment of wages or salaries from both the State, or other public agency, and from the federal government in military pay and allowances for the same period. By comparison, for example, the nonreservist state employee in fulfilling a public responsibility in serving on jury duty receives not the sum of the pay received for jury duty and his state salary, but properly, only a total amount equal to his state salary or wages. The temporary military leave cost in salaries and wages to the State alone was over $330,000 in Fiscal Year 1957-58.

It is recommended that Section 19331 of the Government Code; Section 361, Title 2, California Administrative Code; and Sections 389, 395.01, 395.03 through 395.05 inclusive; be reviewed and amended to accomplish the following:

a. Provide that public employees may request and be granted up to 30 days' temporary military leave in any one fiscal year, but that they may receive pay from the public agency only for the first consecutive 14-day period plus any travel time allowed in their federal active duty for training orders.
b. Provide that public employees may be paid only the difference, if any, between the federal basic military pay received while in a temporary military leave status and their salary or wages due from a public agency during the first 14 consecutive days plus any travel time allowed in the federal active duty for training orders.
c. Provide that if a public employee accepts federal active duty for training orders in a nonpay status and performs such duty in a temporary military leave status from the public agency, he or she will receive no public salary or wages from the public agency during that period.

In a report dated October 15, 1958, by Woodward and Fondiller, Inc. to the Senate Special Committee on Governmental Administration

the annual cost to the State for time off for military service and to take physical examinations was estimated at $417,150. We believe, therefore, that adoption of recommended legislation would result in savings in excess of $200,000 per annum.

Military Retirement

Officers and enlisted personnel of the National Guard on full-time state active duty are in fact state employees.

Under current statute, personnel in the above category may request retirement from the state service, with pay, upon completion of 10 or more years of state active duty with the Office of the Adjutant General plus sufficient active duty with the federal armed forces to total not less than 20 years of combined active duty. Under such circumstances, they will receive the retired pay of personnel in their grade or rank in accordance with the federal law, statutes, rules and regulations effective on the date of their application for retirement.

These state active duty personnel make no contribution of monies toward this retirement pay as do other state employees who must participate in the State Employees' Retirement System. Therefore, funds to disburse this retired pay will of necessity come entirely from the General Fund.

It must be pointed out that as of this writing, no one has yet requested retirement under the current statute. However, at some future date we may expect a budget item to cover these retirement costs.

As a matter of principle, because the state active duty personnel of the National Guard are state employees, it is recommended that Sections 228 and 256 of the Military and Veterans Code be amended to accomplish the following:

1. To provide that full-time state active duty personnel of the Office of the Adjutant General may qualify for retirement with pay and must contribute toward that retirement under the same laws and rules as other state employees.

Armory Funds

Under current statute, the Adjutant General maintains an Armory Fund derived from revenue from rental or lease of armories. Expenditures made from this fund under his direction are not subject to prior legislative approval or control other than statutory. Further, as expenditures from this fund, other than reimbursements for custodial overtime and utility costs, are not shown in the departmental budget, it is necessary to inquire directly of the agency to determine how it is being spent. While the annual revenues to the Armory Fund are not large comparatively ($47,225.56 during Fiscal Year 1957-58), it is possible to accumulate sizeable surpluses (as of June 30, 1958, the surplus was $60,208.53).

In order to acquire a more positive control of expenditures from funds derived from revenues of rental or lease of state-owned armories, it is recommended that Section 431 of the Military and Veterans Code be amended to accomplish the following:

a. Delete the present authority of the Adjutant General to maintain any funds other than organizational or unit welfare and recreation funds.

b. Provide that revenues from rental or lease of armories be deposited in the General Fund.
c. Provide that the Adjutant General will continue to act as the State's agent in matters concerning the lease and/or rental of armories as at present.
d. Provide that the schedule of rental fees for use of armories be fixed by the Adjutant General with the concurrence of the Director of the Department of Finance.
e. Provide that appropriated funds or revenues from rental or lease of state-owned properties will not be used to establish or augment organization or unit welfare or recreation funds.

Veterans Exemption

The California veterans exemption was responsible for removing $930,057,000 of assessed valuation from local property tax rolls during 1957-58. The resulting tax shift was approximately $60,237,000, or about $55.24 for each of the 1,090,000 qualifying veterans.

According to the State Constitution, Article XIII, Section 1¼, qualified veterans may deduct up to $1,000 from their real and personal property tax assessments if they do not own property "of the value of $5,000 or more." This property limitation, however, has not been given the meaning which the voters should have expected because the assessed value of taxable property is used rather than the true market value. Since common property is normally assessed at about 25 percent of its market value, the distinction is significant. Some assets, however, are not afforded the same treatment. Stocks, bonds, savings accounts and automobiles, all of which are counted as part of the veterans' assets in arriving at the $5,000 limitation, are listed at their market price. Therefore, a double standard exists in determining this limitation.

The present method of administering the veterans' property limitation is obviously inequitable and is misleading to the taxpayer. Therefore, we recommend that legislation be enacted to provide that all assets be effectively valued at their actual market price. We also recommend that legislation be enacted that would specify exactly which assets are to be included in the veterans' annual property statements. Diligence by the assessors in verifying the accuracy of these statements would prevent many of the present abuses of this program. The effect of adopting these recommendations should result in a substantial reduction in the number of veterans entitled to claim the exemption, and this should, in turn, result in millions of dollars worth of property being returned to local tax rolls. This, for example, would in turn tend to relieve the need for state funds for subvention to local school districts in order to provide a minimum level of school support.

MOTOR VEHICLES

License Plates—$1,800,000

The current issue of license plates was to have a life of five years. However, the Department of Motor Vehicles in an administrative determination extended the life of the plates from two to three years and changed from steel to aluminum plates. The material for steel plates cost 26 cents per set whereas the aluminum will cost 35 cents per set. Since the cost per set has been increased it would seem highly desirable that the State should issue only one plate per vehicle.

In the past, this office has recommended that the plates be issued for the life of the vehicle and not be replaced except on the request of the owner when the plates have been damaged, lost or stolen. In accordance with this proposal, the State should issue only one plate per vehicle. This has been done in 16 other states and there have been no difficulties. Two other states have one plate for commercial vehicles only.

This can be accomplished by amending Section 156 of the Vehicle Code which presently directs the Department of Motor Vehicles to issue two suitable license plates upon registration. It is estimated that 10 million new plates will be required for the renewal of license plates scheduled for 1963. Therefore, at the present cost of 36 cents per pair, the State would save approximately $1,800,000, excluding postage (which is difficult to estimate this far in advance) if this recommendation should be put into effect.

WATER

Water Resources

If the Feather River Project or other large projects are constructed under the requirements of the Contracts Act, it would be necessary for the Department of Water Resources to have on hand large sums of money, perhaps on the order of $200,000,000 or $300,000,000. This money is required in advance of contracting for expensive, long-term delivery equipment such as generators, turbines, transformers, pumps and similar equipment. In addition, construction contracts could be signed to cover the complete construction of a major project only if money to complete all the contracted work were available in advance. Since it is generally conceded that most of this money will be raised through bond issues, it will be necessary under the present Contracts Act for the State to borrow large sums of money which will lie idle from several months to several years before the money is finally disbursed through progress payments or final settlement of contracts. Although the idle money may be reinvested, it will bring a lower rate of interest than the State will have to pay to borrow the money. As a result, millions of dollars in additional interest costs will be incurred under this practice. It is recommended that legislation be passed permitting the Department of Water Resources to sign continuing contracts as used by federal construction agencies and thereby reduce substantially this interest cost.

NATURAL RESOURCES

Division of Oil and Gas—$250,000

Chapter 73, Statutes of 1958, provides for the assessment of charges against the owners of production from oil or gas wells in a unit operation under the chapter to provide funds to "be used exclusively for the support and maintenance of the offices and personnel of the supervisor insofar as his costs and expenses directly attributable to the administration of subsidence operations herein provided are concerned." (Section 3339(a), Public Resources Code.)

The chapter incorporates the provisions of Sections 3405 to 3433, inclusive, of the Public Resources Code into the article affected by the chapter with appropriate substitution of terms. Section 3410 provides

that the Oil and Gas Supervisor shall, on or before the first Monday of March each year, estimate the fiscal requirements of the operation for the subsequent fiscal year. Section 3411 provides that the estimate shall not exceed the amount necessary for support in the following fiscal year less the estimated balance of the "Subsidence Abatement Fund" at the end of the then current fiscal year plus a reserve of $50,000. Section 3412 provides for the assessment at the rates necessary to produce the amount of money determined to be necessary under Sections 3410 and 3411.

Section 2 of Chapter 73, Statutes of 1958, appropriates $250,000 from the "Investment Fund" for the uses and purposes of the chapter and transfers the same to the "Subsidence Abatement Fund." It also provides that when the unencumbered balance of the "Subsidence Abatement Fund" amounts to $400,000 the amount of $250,000 will be repaid to the "Investment Fund."

It is obvious that under the limitations imposed by Sections 3410, 3411 and 3412 the unencumbered balance of the Subsidence Abatement Fund can never reach $400,000 and repayment never occur.

The simplest approach to securing repayment would appear to be an amendment to Section 3340 to the effect that notwithstanding any other provisions of law, the supervisor shall include in his estimate of the amount necessary to support the operation under Sections 3410, 3411 and 3412 an amount of $50,000 annually, in addition to the other items of support, to be repaid to the "Investment Fund" annually until the $250,000 is repaid. The amount could be varied to extend or restrict the time during which repayment would occur.

On the other hand, the amendment might more appropriately be to Section 2 of Chapter 73, Statutes of 1958. If not, then the language therein with reference to the $400,000 unencumbered balance should be deleted to avoid conflict. The objective might also be accomplished by amendment, in the form of an exception, to Section 3411. The determination of the proper sections to be amended and the wording should be made by the Legislative Counsel.

Division of State Lands

The State Lands Act Fund, which is derived from revenues from oil royalties from tidelands; bid bonuses on oil leases, tidelands; mineral royalties; and land rentals of state lands under the jurisdiction of the Division of State Lands, in turn has these amounts allocated by current statute (either by dollar amount or by percentage figure) for support or to several funds. This, in effect, has eliminated the annual legislative review of expenditures. The funds and support allocations follow:

For support:	
Division of Forestry	$100,000
Division of Soil Conservation	100,000
Colorado River Boundary Commission	25,000
Division of State Lands (estimate, current year)	919,946
Funds:	
General Fund, 30 percent, not to exceed	$3,000,000
Beaches and Parks, 70 percent, not to exceed	12,000,000
Veterans Dependent Education Fund	300,000
Small Craft Harbor Revolving Fund	----
Remaining balance, if any, to the Investment Fund.	

It is recommended that the Public Resources Code be amended to provide that all revenue, except that from rental or sale of school land, derived from the sale, lease, royalties, etc., of lands under the jurisdiction of the State Lands Commission be deposited in the General Fund.

Wildlife Conservation Board

This board has been in operation since 1947 and has authorized the expenditure on specific projects of approximately 14½ million dollars. In addition, its operating expenses approach some 0.5 million dollars for a total outlay of approximately 15 million dollars since its inception.

The board has performed a valuable service in providing hatcheries, waterfowl areas and a variety of other projects which could not have been completed from funds regularly accruing to the Department of Fish and Game. The operation of these facilities, however, is defrayed by the Fish and Game Preservation Fund and has had a major effect on the increase in the scope and cost of the department's operations over these years. However, in the past two years the board has engaged in projects which have been primarily to benefit fishing and hunting recreation without additional cost to the operating budget of the department. Local governments generally assume the operation and maintenance of these fishing and hunting access projects.

We do not take issue with these latter type projects; however, it is felt that the Wildlife Conservation Board has served its purpose and is no longer vital to the conservation, protection and propagation of wildlife resources. It is our opinion that all future applicable projects should be a part of the department's annual budget and justified through legislative consideration. Furthermore, the Division of Small Craft Harbors feels that local political entities can avail themsevles of the moneys appropriated to the division for development of access and launching facilities on state waterways and bodies of water within their respective jurisdictions.

Under current statutes $750,000 per year is appropriated to the Wildlife Conservation Board from horseracing revenues which would otherwise go to the General Fund. This amounts to a General Fund contribution to wildlife projects of interest and benefit to the sportsmen which should be supported from the Fish and Game Preservation Fund. We recommend that this annual transfer be terminated and that wildlife projects hereafter be financed from fish and game funds.

REGULATION

Industrial Relations—$4,650,000

Major changes recommended in the organization and function of this department which would require legislation to implement are listed below. All of these recommendations are discussed in detail in the analysis of the department's budget and the analysis of individual divisions.

a. The present relationship of the director to the division chiefs, where Governor's appointees, and to the boards and commissions of six divisions should be clarified and changed so as to give the director positive budgetary and policy control of the department. It is not possible to attach specific savings to this change but, in general, it would enable the director to take advantage of all possibilities to reorganize the de-

partment in the interests of efficiency and good management. To alter the present system of appointees and strengthen the director's powers would require extensive changes in the Labor Code.

b. The placing of the State's workmen's compensation insurance administration program on a self-reimbursing basis would bring it into conformity with most other states in this regard, would be consistent with what most professionals in the field regard as the most desirable method of financing such a program and could save the General Fund, in 1959-60, more than $4,500,000. Such a program would place the Division of Industrial Accidents and certain functions of the Division of Industrial Safety in a self-financing condition, and include the office of the Manager of Self-Insurers. Revenues would be realized from fees levied against issuers or carriers of workmen's compensation insurance. Under this system, the costs of administering the State's workmen's compensation insurance program would become a cost to carriers of such insurance in much the same manner that the costs of claims adjusting and other services related to conventional insurance are reflected in premium costs. To implement this program would require changes in the enabling acts of the two divisions and in the law pertaining to the Manager of Self-Insurers.

c. The Divisions of Industrial Welfare and Labor Law Enforcement have closely related and parallel law enforcement responsibilities. The merging of these two agencies to the extent field enforcement and division administration are concerned, would effect major savings to the General Fund. Such a merger could accomplish major efficiencies and could result in savings of up to $50,000. Extensive changes in the enabling acts of both divisions would be required.

d. Several divisions perform inspection and regulatory activities which complement and supplement identical activities by private and local government agencies. The bulk of this work is performed by the Division of Industrial Safety which inspects, or causes to be inspected, elevators and pressure vessels, and the Division of Housing, which inspects certain types of housing where local authorities do not assume responsibility. If the inspection program of the Division of Industrial Safety was placed on a self-financing basis, savings could be expected to be more than $100,000 in 1959-60. Savings in the Division of Housing would be somewhat less. Such a fee structure would have the major advantage of encouraging, rather than discouraging, private and local public agencies to assume these responsibilities under the supervision of the appropriate division.

As most present fees are specified by statute, extensive changes in the law would be required. It is recommended the law be changed to require such programs to be self-supporting, with responsibility for establishing specific fee schedules placed upon the individual divisions.

Department of Investment—$100,000

The present so-called Department of Investment is a department in name only without any existing departmental organization. It consists of the following five independent agencies:

Department of Insurance	State Banking Department
Division of Corporations	Division of Savings and Loan
Division of Real Estate	

Each of these agencies is headed by a chief, appointed by the Governor, and each chief is entitled to a high level exempt deputy under the law, although one, the Division of Corporations, has not filled this position in recent years.

Each of these agencies is engaged in a licensing and regulatory activity, one common characteristic of which is the financial examination of the affairs of the licensees to determine solvency and compliance with the law. Another is a field investigation program stemming from complaints of alleged violations of the law, and still another is the employment of relatively large legal staffs.

We believe that greater efficiency and economy would result if these five agencies were to be combined in a single department headed by a single director, appointed by the Governor, and a single exempt deputy director.

Our basic reason for this recommendation is that we believe that governmental activities such as those involved here which are basically similar in character can be administered most effectively on a functional rather than on an industry served basis, and that the grouping of these activities under a single responsible head in one good sized agency rather than in five separate smaller agencies would permit more complete application of this principle.

We believe that such a department might well include the District Securities Commission, a small entirely independent agency headed by a five-man board, three members of which are ex officio and two part time, which performs certain functions having to do with approval of security issues of irrigation districts and others which are comparable to these performed by certain of the component agencies of the present "Department of Investment," with respect to other types of security issues.

We believe that it might also include two regulatory activities now performed by the Secretary of State, those having to do with the processing and filing of articles of incorporation and those involved in the licensing and regulating of collection agencies, since these activities are unrelated to other activities of the Secretary of State.

A department including all of the agencies mentioned in the foregoing would have a budget of $6,000,000 and a staff of approximately 766 on the basis of authorizations for the individual units involved for 1958-59, the staff being distributed among 21 offices in six cities throughout the State.

It appears to us that definite economies could result from the establishment of the proposed department by:

(a) Elimination of duplications at the top administrative level.
(b) Reductions in rent and clerical personnel by consolidation of offices.
(c) Reductions in personnel by integration of administrative and housekeeping services.

At present there are five agency heads (directors) appointed by the Governor and four exempt deputies (assistant directors) in the com-

ponent agencies, with aggregate annual salaries of $133,700. It appears to us that a single director and a single deputy could be substituted for the nine positions, at salaries such as $18,000 and $16,000 per year respectively, or a total of $34,000, with a resulting saving of $100,000 per year. Our reason for taking this view is that we believe there is sufficient top level administrative civil service personnel to enable the agency to function properly with a single director and a single deputy director.

As previously indicated, the component agencies now have 21 separate office locations in six cities. If these were integrated into six offices, savings in rent could result and probably substantial savings in clerical personnel, of which there are now 347 positions statewide, at the junior, intermediate and senior clerical levels. Of these positions, 127 are in seven locations in San Francisco and 95 are in six locations in Los Angeles. It appears to us that the use of clerical pools at these two locations could result in savings in staff.

It also appears to us that economies could result from the integration of the administrative service type of activities including accounting, budgeting, filing, supplies, cashiering, etc., perhaps by the elimination of several minor supervisory positions. Larger units at a centralized location should be able to operate with fewer supervisors.

Professional and Vocational Standards

Major changes recommended in the organization and functions of this department which would necessitate legislation are discussed below. The department's pending proposal for the use of electronic machines for the centralized issuance of renewal licenses cannot achieve necessary economies and efficiencies until the statutory changes (as contained in recommendations 1 and 2) are enacted.

Twenty-six of the department's 28 agencies are:

Responsible for the licensure of nearly 500,000 individuals engaged in various business and professions throughout the State;
Responsible (independently) for the issuance of renewal licenses;
Directed by statutes to renew licenses at specific times during the year;
Responsible (independently) for the receipt of all revenues.

Each agency is responsible for renewing its licenses at a specific date each year. The majority of the agencies renew licenses on either a calendar or fiscal year basis; thus, there are essentially two peak periods during the year in which this work is concentrated for the department as a whole. Clerical workload during these periods is normally greater than regular personnel can handle. Consequently, most agencies are required to hire additional personnel (temporary help) to cope with these peak workload situations.

Centralized Issuance of Renewal Licenses Based on Birthdate Expiration should be established. The advantages afforded by a centralized license renewal system are undisputable. However, before such a system may be effectively implemented, it is necessary to distribute workload so that it will flow evenly and eliminate peak workload periods.

As a preliminary step for effectuating an even flow of workload, it is necessary to remove those sections of the law which specify (for

each agency) the dates on which renewal licenses are to become effective. This would require legislation.

Such legislation would enable the department to establish a system whereby the reissuance of licenses would be consolidated and subsequently all licensees could be renewed on a birthdate anniversary rather than on a calendar or fiscal year basis. This workload, instead of being conducted during essentially two periods of the year, would be dispersed over a 12-month period.

The Board of Nurse Examiners is presently issuing the renewal license in this manner and has apparently found the system entirely satisfactory. Unlike other agencies of the department, this board also issues a two-year license. The utilization of such a license by all agencies of the department should be considered.

Centralized cashiering also should be established. The advantages of a consolidated cashiering system seem self-evident. However, under existing law, many agencies are precluded from transferring their responsibility for cash receipts and other revenues except for depositing purposes with the departmental cashier. Thus, each agency must utilize a portion of its personnel to receive fees, issue receipts, and make deposits with departmental administration.

Before a centralized cashiering system may be implemented, legislation will be necessary to amend existing sections of the law.

OFFICE SPACE

Cost of Office Space for State Employees

A major increase in the support costs of a number of agencies in this budget results from the proposed movement of these agencies into a new state-owned building in San Francisco. State-owned buildings are under construction in the cities of Fresno, Oakland and Los Angeles and next year's budget will reflect the increased cost of these moves if such increases develop.

Our attention was directed to this problem by the extraordinarily large increases found in the budget for the Department of Industrial Relations and we have analyzed the problem in relation to that agency in detail and cite it here as an example. However, we believe that a more or less similar situation exists with all of the agencies who will move into new state-owned quarters in San Francisco in the budget year.

Among these are:

Alcoholic Beverage Control;
Corporation Commission;
Courts;
Franchise Tax Board;
Industrial Relations;
Justice;
Professional and Vocational Standards;
Public Utilities Commission;
Youth Authority.

In 1955 the Legislature authorized the construction of an addition to the existing state building in San Francisco which would more than double the total space and enable many state agencies to be housed

under one roof. The new annex will contain 275,700 square feet to augment the 139,050 square feet contained in the present building. The existing structure is six stories in height; the annex will be seven. The annex has been constructed so that it could ultimately be expanded to 12 stories if need exists after 1965. This building is financed from the 1957 State Office Building Bond Issue and the per square foot charges of 33 cents to be made to occupying agencies is designed to insure the amortization of the indebtedness incurred for construction costs.

In the case of the Department of Industrial Relations building space totaling 57,401 square feet and costing $14,292 monthly ($171,504 annually) is currently being leased at three locations in San Francisco to provide space for departmental administration and the eight divisions comprising this department.

In determining each divisions' space requirements in the new building, the Department of Finance obtained from each agency written personnel projections for the years 1960 and 1965. On the basis of this information, together with adjustments made for certain overcrowded conditions and poor working arrangements existing in a few agencies (at present locations), the Department of Finance determined the agency square footage needs in the new building.

Certain agencies were apparently satisfied with these space determinations; others were not. In the latter instances, the Department of Finance was required to resolve area differences through conferences with the individual agencies. More often than not, the individual agencies would claim they needed substantially more space than proposed by the Department of Finance. After many months of agency conferences and building plan revisions, proposed space nearly doubled over original estimates. This is evidenced by the data contained in the "Preliminary Program" Report of the Department of Finance, dated November 2, 1955, in which the projected space needs of the department were set out at 69,960 square feet. This figure was subsequently increased several times in the ensuing months and at the time the department had its preliminary budget hearings before the Department of Finance in October, 1958, the space was proposed at 112,060 square feet.

Several weeks after this budget hearing the Department of Industrial Relations was confronted by our office concerning its building space proposal. As an apparent result of this meeting, the department revised its building space proposal downward to 79,702 square feet.

The new state-owned building was originally scheduled to be ready for occupancy on December 1, 1959. Presumably, it was on the basis of this date that the Department of Finance renegotiated some existing building leases which were due to terminate prior thereto, since all are now due to expire on November 30, 1959. Budget data indicate that rental increases took place and presumably new leases commenced at the 785 Market Street Building as recently as October 31, 1958.

Recent budget information, dated December 5, 1958, reveals that the Department of Finance now expects the state building will be completed on or before August 1, 1959, four months ahead of schedule. It further indicates that monthly space charges will commence on that date despite the fact that every agency is bound by a noncancellable building lease until November 30, 1959.

Thus, it becomes apparent that during the months of August through November, 1959, building space for the Department of Industrial Relations, instead of costing $57,168 (four months at $14,292) will, in fact, cost $162,376 (four months at $14,292 plus four months at $26,302).

This "double rent" situation will cost the Department of Industrial Relations $105,208 over and above the amount shown for "rent—building space" in its preliminary budget proposal.

The fact that this is only one of several departments affected by this change of dates points up the probability that other departments may also pay double rents, the total amount of which is not known at this time.

In summary, total space leased by the Department of Industrial Relations at existing locations is 57,401 square feet and in the new state building during the budget year is proposed at 79,702 square feet.

The monthly cost of building space is presently $14,292 or $.249 per square foot per month; during the budget year (with the "double rent" factor included) it will be $30,609 or $.434 per square foot per month and in the subsequent year (on a normal full-year basis) it will be $26,302 or $.33 per square foot per month.

Average space for the 421 employees at existing locations is 136.3 square feet; subsequently it will be 189.3 square feet. Thus, the move from existing locations into the new state building will increase the average square footage per employee from 136.3 to 189.3 which is 53 square feet or 38.8 percent more space than currently provided each employee.

Monthly space cost per employee is presently $33.94; during the budget year it will be $71.42 and in the subsequent year it will be $62.47.

A recapitulation of the foregoing data shows that the department proposes to acquire 38.8 percent more building space than is currently utilized and when the move is completed, will pay 84.0 percent more per month than is presently expended for "rent-building space."

In 1954 our office made an interim report to the Joint Legislative Budget Committee on space utilization and costs in state-owned and leased office space. This concerned itself with the Los Angeles area and was followed by a report in September of 1955 entitled "Space Utilization and Costs in State-owned and Leased Office Space in San Francisco, Oakland and Sacramento." The conclusions of the latter report are as follows:

1. It cannot be assumed, as a general proposition, that it is always in in the interests of the State to own office space rather than lease space.
2. The unit cost of leased space in Sacramento does not appear to be higher than the comparable cost of state-owned space.
3. The decision to own or to lease, therefore, would appear to be dependent, in each case, upon the relative importance of specialized requirements substantially different from the space normally available in the general commercial market.
4. Efforts should be made to place the decision as to whether the State should in each case rent or build on the basis of a careful factual review of the costs and requirements.

The results which appear to be developing in the case of the San Francisco State Building annex reinforce these conclusions. They also point up the necessity for strict control over space utilization, whether owned or leased and indicate that such control is not now being exercised.

INSTITUTIONAL CARE

State Assistance to Counties for Maintenance of Juvenile Homes and Camps

The present law provides that the State shall reimburse 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.

The average cost per month per ward for all county camp care after deducting the state subvention was $138 in 1957-58, whereas the average cost per month per ward for care in a Youth Authority facility was $306 in 1957-58 after deducting the $25 per month paid by the county for a ward committed to the Youth Authority.

The changes in our economy during the postwar years were recognized by the Legislature in that the state subvention to counties for the cost of operating juvenile homes and camps was increased from $50 in 1945 to $80 in 1949 and to $95 in 1953, a total increase of $45 or 90 percent.

Despite the increase in the state subvention to counties, the $25 per month paid by the counties for wards committed to the Youth Authority remains unchanged and is the amount established by the Legislature in 1947.

There is no basis for continuing this charge on the assumption that it represents a sharing of the cost of care for juvenile wards as related to the state subvention to counties. In our opinion it bears no relationship to present cost of care in a Youth Authority facility, nor does it provide an equitable sharing of the cost of care of juvenile wards committed to the authority.

In conjunction with payment of subventions to counties for the cost of care of juvenile wards, the present law also provides in Sections 863-868.5, inclusive, of the Welfare and Institutions Code that counties can effect full or partial reimbursement from parents or other responsible sources for county costs for the expense of support and maintenance of a ward of the juvenile court. Under present law the State has no recourse to collect any moneys from parents or responsible sources for the cost of care of juvenile wards committed to the Youth Authority, nor does the State receive any share of the moneys presently collected by the counties.

Certain counties have established an effective collection precedure to effect full or partial reimbursement. One county for the calendar year 1957 collected $82,688 for county costs of wards committed to the Youth Authority and $738,301 for all other wards of the juvenile court.

We believe that the cost of caring for juvenile offenders should be shared on a 50/50 basis regardless of whether the ward is cared for at a local facility or at a Youth Authority facility. This should tend to encourage local government to expand their facilities and treatment program.

We recommend that legislation be enacted at the next general session to effectuate the following changes in the Youth Authority subvention program:

1. Provide state reimbursement to counties for one-half the cost, not exceeding $125 per month per ward, of operating juvenile homes and camps established by the counties for the care of juvenile offenders.
2. Provide that counties shall pay one-half the average cost not exceeding $150 per month per ward for the care and treatment of juvenile court wards committed to the Youth Authority.
3. Provide that where the juvenile court has ordered payment of money to be made by the parent or other responsible sources for the cost of support and maintenance of any juvenile ward, the county shall remit 50 percent of the reimbursements collected for the cost of care to the Youth Authority after deducting the collection expense.
4. Provide that the reimbursement payments should be readjusted annually to conform to one-half of the actual average per capita support costs in both the counties and the Youth Authority program. Such amount should be rounded out to the nearest $5 of actual expense.

If the proposed charges to State and county had been established in 1957-58, the reimbursement to the State could be estimated at $4,957,200, an increase of $4,131,000 over the amount estimated in the 1957-58 budget. Reimbursement to the counties could be estimated at $2,011,500, an increase of $583,960 over the amount estimated in the 1957-58 budget.

Reimbursement Charges for Care and Treatment of Patients

There is no uniform approach made by the State for charging for cost of care and treatment for patients under the jurisdiction of the Department of Mental Hygiene. The following table serves to illustrate the great numbers of different types of patients and the variation of charges by different types of patients, and sources of payment:

Reimbursement Rates in Effect for Department of Mental Hygiene Hospital Patients, January 1, 1959

Welfare and Institutions Code

	Charge	*Type of commitment or class of patient*	*Agency or source of payment*
740.5	$40 month	Juvenile observation	County of commitment
5050	$5.85 day	Mentally ill observation	County of commitment
5050.3	up to $178 month	Emergency observation	Patient, responsible relatives, or their estates
5100	up to $178 month	Mentally ill	Patient, responsible relatives, or their estates
5100	$5.85 day	Service connected veteran	Veterans Administration
5100	$5.85 day	Approved aliens	Immigration-Naturalization
5100	$5.85 day	Merchant seamen	U. S. Public Health Service
5100	$5.85 day	Mentally ill beneficiaries	Insurance Agencies
5100	$5.85 day	Female Navy personnel (Napa State Hosp. only)	U. S. Navy
5258	$20 month	Mentally deficient	County of commitment

Reimbursement Rates in Effect for Department of Mental Hygiene Hospital Patients, January 1, 1959—Continued

Welfare and Institutions Code

	Charge	*Type of commitment or class of patient*	*Agency or source of payment*
5300	up to $178 month	Epileptics	Patient, responsible relatives, or their estates
5355	$40 month	Narcotic addict	County of commitment
5404	up to $178 month	Inebriate	Patient, responsible relatives, or their estates
5512	up to $178 month	Sex psychopath	Patient, responsible relatives, or their estates
5518	up to $178 month	Sex psychopath	Patient, responsible relatives, or their estates
5604	up to $178 month	Abnormal sex offender	Patient, responsible relatives, or their estates
6602	up to $178 month	Mentally ill—voluntary	Patient, responsible relatives, or their estates
6602	$5.85 day	Voluntary	Department of Employment beneficiary
6605	up to $178 month	Mentally ill—90-day observation	Patient, responsible relatives, or their estates
6610.1	up to $178 month	Health officer application	Patient, responsible relatives, or their estates
7007	$40 month	Mentally deficient observation	County of commitment
7058	$40 month	Psychopathic delinquent	County of commitment
Penal Code			
1026	up to $178 month	Mentally ill (criminal)	Patient, responsible relatives, or their estates
1368	up to $178 month	Mentally ill (criminal)	Patient, responsible relatives, or their estates

Section 6650 of the Welfare and Institutions Code sets forth state policy as to responsibility for support of mentally ill and inebriate patients as follows:

> "6650. The husband, wife, father, mother, or children of a mentally ill person or inebriate, the estates of such persons, and the guardian and administrator of the estate of such mentally ill person or inebriate, shall cause him to be properly and suitably cared for and maintained, and shall pay the costs and charges of his transportation to a state institution for the mentally ill or inebriates. The husband, wife, father, mother, or children of a mentally ill person or inebriate, and the administrators of their estates, and the estate of such mentally ill person or inebriate, shall be liable for his care, support, and maintenance in a state institution of which he is an inmate * * * "

Under this authority, the Department of Mental Hygiene currently sets charges for care and treatment of these patients at rates varying from nothing to $178 per month. These rates are reviewed each year and the maximum has been regularly increased as the program has expanded and become more costly.

For those patients thus committed under Section 6650 of the Welfare and Institutions Code, the rates can somewhat reflect current costs to the State.

There is an entirely different philosophy applied to other patients who were admitted in the following categories:

Type	Number of patients June 30, 1958	Charge
Mentally deficient	9,415*	$20. month
Juvenile court observation	92	40. month
Narcotic addict	51	40. month
Mentally deficient observation	5	40. month
Psychopathic delinquent observation	1	40. month
Total patients	9,564	

* Excludes patients on Family Care Leave for which the department continues to collect $20 per month from the counties.

It can be seen that there is an inconsistent pattern of responsibility for the care of different patients. These inconsistencies have developed over the years as laws have been changed and added, while other laws have never been revised with changing conditions and price levels.

The present rate ($20.) charged counties for mentally deficient patients has been in effect since 1927, at which time per capita costs were $20.35 per month. During the 1959-60 Fiscal Year, the per capita costs for the four hospitals of this type are estimated to range from $202 per month to $298 per month. It can be readily seen that these charges are completely out of line with the type of service now being given.

The department, under Sections 7009 and 7010 of the Welfare and Institutions Code, is already authorized to increase this charge from the present $20. per month up to $40. per month for mentally deficient patients. These sections of the code are quoted below:

> "Section 7009. The county from which each person is committed to or for placement in a home for the mentally deficient shall pay the State the cost of the care of such person, for the time the person committed remains an inmate of the home or on parole or on leave of absence to a licensed boarding home for the care of such persons, at the monthly rate therefor fixed as provided in Section 7010."
>
> "Section 7010. The cost of such care shall be determined by the Department of Institutions from time to time, subject to the approval of the Department of Finance, but in no case shall it exceed the rate of forty dollars ($40) per month."

Should these rates be raised from the present $20 per month to $40 per month, it would add $2,259,600 annually as reimbursement to the State based on the 9,415 patients in this category on June 30, 1958. This estimate is minimal as a future projection because of the rapidly expanding facilities at the present hospitals caring for these types of patients; and because additional capacity will be available with the opening of Fairview State Hospital. The annual added reimbursement could total over $3,000,000 within a short time.

The raising of this rate from $20 to $40 per month would not necessarily entail an increase in moneys to be obtained through taxation by the counties equivalent to the full additional $20 per month. For those patients for whose care the counties reimburse the State, the counties in turn are entitled to collect all or a portion of the charge from the responsible relative or estates of the patients, according to ability to pay. Some counties make a real effort in this respect. As an example,

Los Angeles County in the 1956-57 Fiscal Year collected $380,044 or 53 percent of the total reimbursement sent to the State from sources connected with the patients. In the 1957-58 Fiscal Year, this was again 53 percent and amounted to $394,368. On this basis the county would raise less than $10 through taxes of the additional $20 per month if the rate were to be raised to $40 per month. This does not preclude the counties from raising the proportion of the total that is collected from patient sources instead of taxes.

Because of the fact that the department already has the authority to increase these rates, *we recommend that the Legislature adopt a resolution indicating that it is the intent of the Legislature that the counties be charged $40 per month, and that the Department of Mental Hygiene shall establish this rate.*

As a permanent goal, we believe that there should be only one standard or philosophy with regard to the responsibility for care and treatment of all patients under the jurisdiction of the Department of Mental Hygiene. The most uniform and equitable approach appears to be possible through the varying rate schedule which is used for mentally ill and inebriate patients. All the rates ($20 and $40) for which the counties are presently responsible should be changed to this basis, reflecting at the maximum the actual cost for caring for these patients which, in most cases, is higher than for mentally ill and alcoholic patients. The legislation setting up charges for treatment is inconsistent and inequitable and, therefore, should be revised on a basis of equality of obligation for the cost of care and treatment. In such a procedure, the counties would not be involved at all and would be relieved of the obligations and expense of acting as collection agents for the State or raising the funds through taxes.

During the current fiscal year, the State will spend well over $100 million for the care and treatment of mental patients. It is incumbent that a more uniform approach be made to the problem of reimbursement for care of the various types of patients.

We recommend that a study be made by an appropriate legislative committee of this entire problem of responsibility of state and local government for the cost of care and treatment of the various types of mental patients for whose care the counties are required to reimburse the State. Such a study to be designed to develop recommended legislation.

EDUCATION

School Apportionments

The 1959-60 Budget includes 635.6 million dollars for apportionment to public schools, an increase of 60.7 million dollars, or 10.6 percent over the preceding year. This increase is attributable to the rise in average daily attendance and to anticipated price increases of approximately 5 percent. The budget proposes to apply this increase to equalization aid rather than to basic aid and reduce adult education by one-fourth of projected expenditures. It proposes to add $2.49 per ADA to the current average excess costs for special education, reduce growth allowances and continue driver training and the allowance to the County School Service Fund at current levels. The amount set forth in the budget is some 33.6 million dollars less than the amount which

has been requested by the Department of Education for apportionment to schools.

There are several areas the Legislature should examine to determine if additional reductions are feasible.

1. *Basic Aid and Equalization Aid*

The Constitution guarantees a flat grant of $120 per unit of average daily attendance regardless of the wealth of the district. If a primary objective of state public school support is greater equalization, then it appears that the amount of basic aid should be kept at a minimum allowing greater amounts to be made available for equalization purposes.

2. *District Aid*

The amount of local area support for the public schools is determined by the local taxes levied upon the assessed valuation of property in school districts or in counties, as the case may be. If districts or counties are underassessed, the amount of state funds received is disproportionately large in relation to their actual needs and ability. For the equitable distribution of state funds for school support, a use of statewide standardized assessment data appears essential.

3. *Consideration of All Local Wealth*

In computing local ability to support schools for state apportionment purposes, all local wealth should be considered, including all federal funds and all miscellaneous funds for school purposes.

4. *Special Education*

As the cost for programs for the special student continues to increase, a clear definition of the support relationship between the State and the local community is essential. Presently, many people are of the opinion that special education is a program mandated by the Legislature, and as a result the excess expense involved with this program is a state responsibility. It appears that, as in all public school programs, there should be equal financing from local and state sources.

5. *Adult Education*

The proper level of support of the adult education program would appear to be dependent on several determinations which the Legislature can make. These areas may be summarized as follows:

a. The number and types of courses offered.
b. The amount of financial support which should be borne by the participant.
c. The relationship of state and local support for the program.

6. *The County School Service Fund and Lapsation of Small Districts*

The primary purpose of the County School Service Fund is to provide financial assistance to the small, inefficient school districts. The uses made of this fund should be examined further. Also, every effort should be made for the lapsation of school districts when they reach an uneconomical ADA enrollment which would continually reduce the need for this fund. It appears that when a district has an average daily

attendance of less than 100, serious consideration should be given to lapsation of the district.

7. *High Cost Programs*

All high cost levels of education and areas of increasing cost should be examined to determine if they are warranted. For example, junior high schools and departmentalized seventh- and eighth-grade classes are inherently higher cost operations and the additional building allowances which are given them in the school aid law further contribute to high cost operations. Under these circumstances, proof should be given to show that these additional costs are justified by an improved educational program.

Child Care Center Program

The Legislature could consider three alternative proposals in determining the future of the Child Care Center Program.

1. *Discontinue state support*

The original intent of the Legislature in establishing a public-supported child care center program was that it was of a temporary nature designed to meet a wartime emergency, and that the program should be discontinued when this unusual situation no longer existed.

Presently of the 240 child care centers in California, 210 are located in the four most populous counties, and 85 percent of the total enrollment is in these four counties. Since the Education Code allows those areas which desire a child care center program to establish a tax for this purpose, and with 85 percent of the enrollments in counties which have the tax resources to support the program, the Legislature could question the need for continued state support of the program.

2. *Balanced support for the program from parental fees, local support and state support*

At the present time, the local district operating a child care center determines such important aspects of the program as salaries to be paid employees, teacher-pupil ratios to be employed, and the type and location of the physical structure to be used to house the children, yet the local district, except in a few instances where minor support is contributed, does not have the responsibility for the raising of funds to support the program. The Legislature could consider the establishment of a balanced financial support of the program to consist of one-third parental fees, one-third local district support, and one-third state support. In establishing the amounts of each of these shares, the true statewide hourly costs of the program should be determined.

3. *Continued support of the program as it presently operates primarily from parental fees and state support*

The third alternative the Legislature could consider is to continue the present program in which the support is derived primarily from the State. If this is the alternative chosen, we would recommend that there be a careful review of the standards which apply to the child care center program. At the present time the standards which are in use are limited, and because of age are in need of revision. With approximately 60 percent of the support coming from the State there

appears to be a definite need for control measures for the spending of this money. The Legislature could consider statewide standards in the following areas:

1. Salaries
2. Teacher-pupil ratios
3. Structural standards

California Industries for the Blind

We believe the basic problem of the California Industries for the Blind shops is whether the philosophy is expressly a subsidy plan, a training program, or an efficient production shop plan. It would appear that either one of the latter two programs is impossible as long as aid, training, and production are interdependent.

The three alternatives which the Legislature could consider in determining the future of the California Industries for the Blind are as follows:

1. Abolish the shops.
2. Direct that the shops be established as a training program with the goal of placing the workers in industry. This program would be more expensive than the present program, but the end result would be more beneficial to the individual worker and to the State.
3. Direct the shops to establish a sound competitive production and sales program. This program could be implemented in two ways. First, only permit productive workers not on aid to participate in the work of the shops. Second, if it is felt blind persons should be subsidized because of their handicap, then provide a clearly defined amount and pay the worker over and above that subsidy for his production on an incentive basis.

School for the Blind and Schools for the Deaf—$500,000

In past analyses the Office of the Legislative Analyst has raised the question of the possibility of partial parental support to defray the cost of room and board at these schools in the same manner that other state agencies make charges for this cost.

The Legislature could consider the development of a means test providing a sliding scale for payment by parents of pupils in the two schools for the deaf and one school for the blind for room and board. We would not suggest that a charge be made for the instructional costs at these schools.

It is estimated that the feeding costs for these three schools will approximate $1,000,000 for the 1958-59 Fiscal Year, or approximately $900 per student. If a charge of $100 a year per student for dormitory facilities were added, the estimated total charge per year for board and room would be $1,000. If the average parent payment as determined by a means test was one-half of cost, or $500 per student, this would allow a reduction in the budgets of these schools of approximately $500,000 this year.

Fire Training Program—$20,150

The Department of Education, through its Bureau of Trade and Industrial Education, conducts fire training courses for various types of fire fighting groups throughout California. The majority of the

groups served are local fire departments although training classes are conducted for commercial enterprises as well as state and federal agencies. Since local districts chiefly benefit from the fire training courses, the State should not have to pay the full cost of operating this program.

The Department of Finance has conducted a study of the Fire Training Program. This survey, number 1003, issued by the Organization and Cost Control Division on December 19, 1958, recommends "* * * that the State require full payment of actual costs of courses presented to Industrial Fire Brigades and to those departments consisting of more than 50 percent full paid personnel." The Legislative Analyst concurs with this recommendation since fire fighting groups with the ability to pay will be required to pay for the program. It is recommended that the Legislature adopt the necessary legislation to implement this proposal. For 1959-60, it is estimated that savings to the State of approximately $20,150 will result if this proposal is adopted.

Financing of State College Laboratory Schools—$64,000

Five state colleges operate campus elementary schools which enroll pupils from the surrounding area. These schools are principally used for demonstration purposes as part of the training of state college students who intend to become teachers. Only San Francisco State College receives any reimbursement from the local school district. The State's General Fund, through the college support budget at the other four colleges, is assuming all the cost of providing an education for local elementary pupils.

We believe that the local school districts should help to support these laboratory schools since the colleges are in effect relieving the local school districts of the costs of educating their children. The local school districts which are sending children to state college laboratory schools at Chico State College, Fresno State College, Humboldt State College and San Diego State College, should reimburse the college for each ADA educated by the campus laboratory school. The reimbursement per ADA should equal the amount the local school district is expending from its own tax sources during the school year to educate one unit of ADA. For 1957-58, the State would have received approximately $64,000 if this cost-sharing plan had been in effect.

Fee for Teaching Credentials

Section 12500 of the Education Code establishes a fee of $4 for each teaching credential issued by the Department of Education. The unit in the Department of Education which issues these credentials has not been self-supporting for several years. The table below indicates the yearly deficit of this unit:

Year	*Revenue from credential fees*	*Expenditures for credentials process*	*Surplus or deficit*
1956-57	$290,112	$401,034	*—$110,922*
1957-58	322,988	458,146	*—135,158*
1958-59 (est.)	348,000	495,540	*—147,540*

The 1959-60 Budget as submitted anticipates that the fee for teachers' credentials will be increased to $6. Proposed legislation to accomplish this budget change will be introduced.

We support the raising of the fee to $6 which will place this operation on a self-supporting basis as generally as are other licensing programs in the State.

Student Fees at Institutions of Higher Education

In 1959-60 it is estimated that regular session student fees will pay for approximately 9.5 percent of the expenditures in the state colleges and 10.6 percent of the university's regular session expenditures. Ten years ago, in 1949-50, student fees paid 28.2 percent and 19.7 percent respectively at the two types of institutions. The present level of student fee charges at both the state colleges and the university is considerably below the fee charges made at other comparable institutions of public higher education in other states. In addition, there is no consistent policy governing the level of fee charges at the university or state colleges.

We recommend that the Legislature adopt policy guidelines which will be applicable to students at both the university and state colleges. The discussion of the Legislature's role in relation to fees at the University of California appears on page 281.

For the state colleges, we recommend that the Legislature establish a tuition charge which will cover 10 percent of the regular session instructional expenditures. This fee would be in addition to the Materials and Services fee recommended on page 283. It is also recommended that the Legislature increase the present level of the state college nonresident fees so that it will equal one-third of the support cost per student.

By adopting the recommended charges the Legislature could reduce the 1959-60 budget of the state colleges and university by $11,565,090.

PUBLIC HEALTH

Kosher Products Inspection

Chapter 2409, Statutes of 1957, directed the State Department of Public Health to enforce Section 383b of the California Penal Code which provides that it is a misdemeanor, punishable by fine or imprisonment, to sell or offer for sale as kosher meat, with intent to defraud, products which do not comply with orthodox Hebrew religious requirements or to fail to indicate by specified means proper displays indicating whether the food is kosher meat or nonkosher as the case may be.

Conditions governing the sale of kosher products originate directly from the rabbinic laws of the Jewish faith and are not related to conditions of the health and safety of the general public. It would appear that the faith itself should institute measures of enforcement among members of its own faith. There has also been no effort on the part of local law enforcement officials to enforce this section of the Penal Code. Ordinarily, and unless there are paramount state interests involving such recognized factors as public health, or a major threat to public safety and morals, the State has relied upon local officials for the enforcement of laws involving misdemeanors.

The nature of this problem and its enforcement would not indicate that there is any compelling basis for direct state regulation or enforcement from the standpoint of public health, public morals, public safety or agricultural well-being. However, from the standpoint of standard-

ization of marketing of agricultural products there are state programs which bear some resemblance to this problem. Such agricultural programs are established on a self-supporting basis by the producers and sellers of the affected agricultural products.

It is recommended that the effectiveness of state enforcement resulting from Chapter 2409 be completely reviewed at the 1959 Session of the Legislature for a determination of whether special state enforcement should be provided on a continuing basis; and, if it is determined that it should, that consideration then be given to the enactment of legislation similar to that provided for marketing of agricultural products under the Department of Agriculture Fund which are established on a self-supporting basis by the producers and sellers of the affected agricultural products.

Should this be put on a self-supporting basis or should the enforcement function be eliminated there would be a savings of approximately $14,800 annually.

State Department of Public Health

The State Department of Public Health administers several inspectional and licensing programs wherein a fee is charged to the industry that is being inspected or licensed. The purpose for the licensing is generally to insure that legal standards are maintained for the general health and safety of the population. Many of the standards established are upon the suggestion of the industry itself in order that a high level of quality is maintained. At the time the fees were established in the statutes the inspectional cost to the State was fully reimbursed through the fees. With the increased costs through the years of the inspection service, the fees have remained unchanged and in many cases the percent of estimated cost reimbursed by revenue has dropped to a very low figure.

It is recommended that legislation be introduced changing the statutes allowing the State Board of Health to establish fees in accordance with the actual cost of the inspectional service, or the specific fees should be changed for the following licensing or certification programs:

1. *Hospital and Nursing Home Licensure.*

It is estimated that the annual cost to the State is $151,858 and the revenue from this source for the 1956-57 Fiscal Year was $24,910 or approximately 17 percent of the cost.

2. *Clinical Laboratory Permit Fee.*

It is estimated that the annual cost to the State is $45,950 and the revenue from this source for the 1956-57 Fiscal Year was $11,290 or approximately 25 percent of the cost.

3. *Laboratory Animal Certificate Fees.*

It is estimated that the annual cost to the State is $7,150 and the revenue from this source for the 1956-57 Fiscal Year was $3,720 or approximately 52 percent.

SOCIAL WELFARE

Lack of Legislative Fiscal and Policy Control

The Legislature reviews the State Department of Social Welfare administrative budget each year but does not have an annual review

procedure or budget act control over public assistance costs which constitute about 98 percent of the state welfare costs. It is possible for the Social Welfare Board to commit the State to substantial costs, as they have done this year, without fiscal responsibility for finding the revenue for such costs. In the "special needs" of the Old Age Security program alone, the board has exercised its power to increase the cost of the program in the amount of over 70 million dollars. It has done this without seeking legislative approval and could increase this amount even more substantially without legislative control. It is common for the board to adopt policies which increase cost without ever asking the cost.

We recommend that legislative fiscal and policy control be established by abolishing the "continuous" appropriation and making all welfare appropriations as budget act items by either (1) a closed-end appropriation based on established criteria or (2) an appropriation open only to caseload increases, not cost-per-case increases.

Fiscal Limitations of the State in a Situation of Rising Caseloads and Decreasing Revenues During a Recession or Depression

The recent and current substantial increase in Aid to Needy Children (20 percent in one year) points up the problem associated with maintaining a high standard, wide eligibility program designed for boom economic periods. There is serious danger to both the state's welfare program and fiscal program in maintaining such liberal eligibility. Big caseloads in boom times mean even bigger caseloads in recessions or depressions at a time when state revenues are dropping. The resulting financial strain can well endanger the welfare program or, even more so, other state programs which are not so strongly buttressed by laws. Currently, there are over 520,000 welfare recipients in California at an annual cost of over one-half billion dollars.

We would recommend that the Legislature should provide for a more restrictive program which would include only the most seriously needy in order to maintain a workable program in severe economic conditions. This would mean a critical re-examination of eligibility standards and the imposition of a lien law.

Lack of a Co-ordinated State Approach to Welfare Problems

All too often state agencies approach a problem without adequate consideration of relationships with other state agencies. This leads to costly duplication, gaps in service and effort which contradict other state programs. State programs are often viewed from the standpoint of administrative organization rather than by function. An extreme example of such unco-ordinated effort is public medical care in California which is covered in the following sections on public medical care, medical fees and welfare medical care, and in a separate report by the Legislative Analyst.

We believe that legislative review of the budget and state policies should include the following functional subjects as well as the regular organizational review: (1) children's health and welfare, (2) disability programs (prevention, maintenance, rehabilitative), (3) aged programs, and (4) medical programs (for all citizens, for dependent citizens, for employed citizens, etc.). County and federal programs should not be ignored.

Public Medical Care in California

Public medical care in California is provided by federal, state, county and district programs. There is about 500 million dollars spent annually on it. The State alone has 10 agencies with more than 20 different medical programs. Some are operated as employment fringe benefits, some on a "needs" basis. There is no over-all co-ordination of state programs, much less co-ordination with counties. This leads to duplication, gaps in service and conflicting effort. A special report by the Legislative Analyst is being prepared on this subject.

Medical Fee Schedules

Medical fee schedules for services and supplies are schedules of the maximum amounts payable for a given item of service or supply. The problems are: (1) lack of uniformity of schedules; (2) lack of objective criteria for establishing or adjusting medical fees; and (3) lack of legislative budget control over welfare fees schedules which influence fee schedules in other agencies.

Currently 10 state agencies purchase service and supplies from private health vendors. Among these agencies are five or six different fee schedules. In 1957, after the State Department of Social Welfare unilaterally established a fee schedule higher in some instances than other agencies, particularly Public Health and Education, the Legislature put a one-year "freeze" on fees and directed the Department of Finance to submit a report in 1959 from an interdepartmental fee committee, which had been recently formed to recommend a uniform state policy.

Our recommendations regarding 1959-60 medical fee budgets are shown under Public Health's Crippled Children's Services, Education's Vocational Rehabilitation and Social Welfare's Prevention of Blindness. The long-term solution lies in establishment of an appropriate technical committee with a legislative direction to establish uniformity of fees and criteria for the setting of fees, similar to criteria for state employee pay scales or hospital payment schedules.

Social Welfare Medical Care Program for Aid Recipients, Overexpenditure of Available Funds

In 1957, the Legislature established a medical care program for recipients of Old Age Security, Aid to Needy Blind and Aid to Needy Children. It was established under a federal aid program which has since been changed radically, with the effect that the State now is paying for the whole program. The act providing for the program allowed virtually complete administrative discretion in the expenditure of funds. The funds came from separate Premium Deposit Funds for each program to which the General Fund contributes $6 per month per adult recipient and $3 per child. Its avowed purpose was to expand available medical care to recipients although no specific services were spelled out in the legislation. The total for all three medical funds is approximately 31 million dollars annually.

The statement to the Legislature at the time the program was initiated was that complete care could not be purchased with these amounts, but that this would supplement current (county) care. However, the services established have been utilized to an extent exceeding the funds

in Old Age Security and Aid to the Blind. Since the discretion was given to the department, this situation could have been avoided if it had started on a lower level of service and had established sufficient fiscal and statistical controls. At the same time, the Aid to Needy Children program was not being fully expended and the department construed it to be legislative intent that all funds be expended. Consequently, the department has expanded Aid to Needy Children medical services and withdrawn some Old Age Security and Blind medical services, resulting in unbalanced program content.

The fund is overexpending on a cash basis in Old Age Security and Blind medical care. The table on following pages shows the cash expenditures per month. The accrued expenditure is even higher. A more accurate picture can be obtained by taking the average of the accumulated bills on hand and expenditures for the last six months and dividing by the average caseload. For the aged this amounts to $8.55 per month from July to December or $2.55 per month per recipient over the $6 provided by law.

In an attempt to balance the Medical Care Fund, the Social Welfare Board adopted a policy January 22, 1959, of shifting a substantial portion of medical costs over to the aid programs by means of a change in the special needs provisions of the aid grants. The department estimates these changes to reduce expenditures in the Aged Medical Fund and Blind Medical Fund sufficient to offset the current rate of overexpenditure. However, they do not know yet by how much. Apparently it is estimated by at least $3 per recipient. This policy is not yet in effect.

At the same time, average aid grants will be increased. Again, the department did not know by how much except that state costs will be increased by several millions dollars over the estimate in the Governor's Budget. These increases are not reflected in the budget although of a substantial nature because these programs are not subject to budget act appropriation. These changes have been made within hours after the final budget has been completed and printed. This is another illustration of the substantial fiscal responsibility delegated to the Social Welfare Board without being subject to legislative budget control or control by the Governor. No other agency can make such major cost changes after completion, but before the issuance of the budget and without accounting for the cost increases regardless of the budget balance or the State's fiscal situation.

In summary there are five important aspects to this problem:

1. The department has not exercised adequate control of the program.
2. The extent of services, or fees, or both, will have to be reduced if the funds are to be brought in balance.
3. This program has not been co-ordinated with other available public medical care in California, thereby duplicating, contradicting, or merely assuming already existing programs in several instances.
4. The State alone supports the program without county financing (except for administration).
5. The special needs provisions allow extensive expansion of medical care without legislative budget review.

Medical Care Funds[1]—Estimated Fund Revenues and Disbursements by Month

	Fund revenues		*Disbursements*		*Cash balance in fund*
	Amount	*Per person*	*Amount*	*Average per recipient*	
Old age security					
1957:					
October	$1,591,446	$6	$42,373	$0.16	$1,549,072
November	1,593,906	6	149,924	0.56	2,993,054
December	1,599,558	6	862,999	3.24	3,729,613
1958:					
January	1,596,948	6	1,145,891	4.31	4,180,670
February	1,594,992	6	950,799	3.58	4,824,863
March	1,596,906	6	1,948,803	7.33	4,472,966
April	1,596,896	6	1,923,807	7.24	4,146,155
May	1,598,808	6	1,915,244	7.19	3,829,719
June	1,595,916	6	1,640,251	6.17	3,785,384
July	1,597,350	6	1,671,854	6.28	3,710,880
August	1,595,220	6	1,861,861	7.00	3,444,239
September	1,594,464	6	1,761,099	6.63	3,277,604
October	1,596,072	6	2,217,804	8.34	2,655,872
November	1,592,354	6	1,821,379	6.86	2,426,347
December	1,591,950	6	1,999,121	7.53	2,015,523
Estimated bills on hand					2,747,000
Estimated balance December 30, 1958					*(—$731,500)*
Aid to needy blind					
1957:					
October*	$81,438	$6	$1,898	$0.14	$79,540
November*	81,504	6	8,011	0.59	153,033
December*	81,618	6	40,762	3.00	193,889
1958:					
January	79,920	6	54,338	4.08	219,471
February	79,872	6	59,011	4.44	240,332
March	80,310	6	117,749	8.80	202,893
April	80,430	6	108,074	8.07	175,249
May	80,982	6	101,468	7.52	154,763
June	81,018	6	85,394	6.32	150,387
July	81,384	6	84,215	6.21	147,556
August	81,684	6	100,993	7.42	128,247
September	82,176	6	90,182	6.58	120,241
October*	82,350	6	122,121	8.90	80,470
November	82,392	6	100,165	7.29	62,697
December	82,740	6	109,482	7.94	38,449
Estimated bills on hand					119,000
Estimated balance December 31, 1958					*(—$81,000)*

* Includes fund revenues and disbursements for Aid to Partially Self-supporting Blind.

[1] Aid to Needy Children Medical Care Fund is not shown since it has not exceeded fund receipts of approximately $3.80 per person ($3 per child, $6 per adult), although it may in the future since services have been recently expanded.

The above table shows that the current rate of expenditure exceeds income in both aged and blind medical care. On an accrual basis, the blind fund and the aged fund are in deficit now. Since the fund operates on a cash basis, the program can continue operating temporarily. However, there are not sufficient funds to cover bills on hand and at the current rate of overexpenditure all cash reserves will be exhausted by May.

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The major alternatives which we believe the Legislature should consider are:

1. Continue the program without change and rely on the department to establish sufficient controls.
2. Make it a budget act item and provide for annual review and control by the Legislature. Limit special needs for medical care by code or budget act language.
3. Abolish the program and return to the former method of establishing one grant amount plus outside income for all needs.
4. Revamp the program; for example, use it for subventions to already established county medical programs.

We believe the Legislature should review this financial situation. To provide funds simply to cover the deficiency at this time will discourage efforts to control the program within the limits established. It is entirely within the competence of the Legislature to consider alternatives to this program and to establish criteria for arriving at the most seriously needed medical care. Criteria or priorities are needed in order that county medical programs are not harmed and the most medically-needed recipients are given care.

Licensing Fee Inequity

There exists an inequity of fees in the licensing of private chidren, aged and mental facilities. We recommend establishment of licensing fees for aged and children's facilities similar to license fees shown above under Public Health. All Welfare, Public Health and Mental Hygiene licensed facilities should have equal fees since the function and the facilities are similar.

Creation and Prolonging of Economic and Social Dependence on Government Program as a Result of Administration, Legal Eligibility and Standards of Aid

This problem area includes eligibility standards, recoupment provisions, relatives' responsibility and high standards of assistance. In Aid to Needy Children, these problems particularly stand out in the case of absent parents, stepfathers, unwed mothers and physical and mental disability of one or both parents. In the Old Age Security program, the problem arises from the fact that there is a liberal eligibility standard, a standard of aid higher in many cases than the federal Old Age Survivors Disability Insurance (OASDI) program, a liberal responsible relatives provision and no recoupment provisions for property retained by recipients. In blind aid, the problem is liberal aid grants and special treatment not received by other disabled people. Aid to Partially Self-Supporting Blind operates on a principle that higher aid and more retained earnings will spur recipients to become self-supporting.

The following are some of the alternatives available to mitigate the problem of creating dependency in programs designed to alleviate need.

1. In Aid to Needy Children
   a. Make cases with stepfathers ineligible.
   b. Make "common-law" couples ineligible.
   c. Require investigation of all illegitimate births requiring aid.

d. Require counties to make a finding regarding potential for self-support in all cases.
e. Require state review of all disability cases as in Aid to Totally Disabled.
f. Require six months notification of parental absence prior to granting aid.
g. Provide a lower grant for the first three months on the grounds that certain of the current budget items are for long-term cases rather than short-term (e.g., cases resulting from a 90-day jail sentence of father).
h. Make no payments to be used for real or certain personal property equities (houses, washing machines, etc.).
i. Aid not higher than earned wage or unemployment benefit.

2. In Old Age Security
   a. Provide for son-in-law and daughter-in law support under responsible relatives.
   b. Restrict eligibility requirements.
   c. Provide maximum aid on the same basis as the OASDI federal retirement program, particularly couples, where both receive aid.
   d. Establish a lien recovery provision for real property. Currently, recipients are allowed to leave a real property inheritance to relatives, friends or organizations which did not support them during life. If the State supports people, it should recoup some of its costs by providing for recovery on death of the recipient (and spouse). The estimated savings would be $10 to $15 million in state funds alone.

3. In Aid to Blind (Aid to Needy Blind and Aid to Partially Self-Supporting Blind).
   a. Abolish separate special organizational treatment of the blind in the State Department of Social Welfare. They now have privileges that needy children, aged, or other disabled do not have.
   b. Provide same standard of living and grant payment method as for the aged in Old Age Security.
   c. Provide for a disabled categorical program for all disabled, not special treatment for the blind.
   d. Limit the time a recipient can stay on Aid to Partially Self-Supporting Blind since this is supposed to be a rehabilitation program.
   e. Establish tighter eligibility including legal definition of blindness, since California has a very liberal definition compared to other states.

4. All Aid Programs

Establish a uniform grant payment method and equal standard of living (in result, not necessarily dollars) on the basis of need, i.e., establish a maximum grant within which a recipient's needs are budgeted on an objective cost basis and from which all income is subtracted. There are currently six aid programs, with six grant methods and eight standard of living bases. "Minimum adequate" aid should apply to all needy recipients equally.

The problem of federal-state-county administration of welfare can not be overlooked. Financing formulas play an integral part in administrative methods and program results obtained. Direct administration for nearly all programs occurs at the county welfare department level, resulting in 58 "decentralized" local offices. State supervision is decentralized to three area offices. State "supervision" means the staff attempts to enforce the Social Welfare Board rules and regulations at the county level. Legally, through state and federal law, the department has full authority to closely supervise and direct all phases of county administration—but it does not. As a result, it is often impossible to assess results of investment in state funds for state supervision.

The fiscal formulas for cost sharing and lack of legislative controls result in both the State and the counties being more concerned with administrative costs than with program costs.

The essential part of social work is "casework", that is, treating each case separately, according to the individual situation. This is not necessary if the only aim of public welfare is to supply money to technically (legally) eligible persons. If the aim of public welfare is to help the needy, only one method of which is money, then some sort of casework is necessary. However, this method means some loss of uniformity unless state standards for administration and personnel are established.

Stronger state supervision by means of minimum qualifications, staffing patterns, size of caseload per worker, methods and procedures, and organization is needed.