

LOCAL ASSISTANCE**Department of the Youth Authority
JUVENILE HOMES AND CAMPS**

ITEM 407 of the Budget Bill

Budget page 963

**FOR ASSISTANCE TO COUNTIES FOR MAINTENANCE
OF JUVENILE HOMES AND CAMPS
FROM THE GENERAL FUND**

Amount requested	\$3,087,000
Estimated to be expended in 1962-63 fiscal year	2,772,550
Increase (11.3 percent)	\$314,450

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

The provision of Sections 880 through 890 of the Welfare and Institutions Code provides that the State shall reimburse counties for one-half the cost, not to exceed \$95 per month per ward, of operating juvenile homes and camps established by the counties for the care of juvenile offenders.

The department now estimates that 46 camps with an average daily population of 2,720 boys and girls will be in operation in the budget year.

We recommend approval of the item in the amount budgeted.

**Department of the Youth Authority
ASSISTANCE FOR CONTROL OF JUVENILES**

ITEM 408 of the Budget Bill

Budget page 964

**FOR ASSISTANCE FOR CONTROL OF JUVENILES
FROM THE GENERAL FUND**

Amount requested	\$27,000
Estimated to be expended in 1962-63 fiscal year	27,000
Increase	None

TOTAL RECOMMENDED REDUCTION	\$27,000
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ANALYSIS

In 1958, the City of San Diego established a juvenile checking station at the Tijuana border under the general provisions of Sections 600 to 607 inclusive, Welfare and Institutions Code, which gives juvenile courts jurisdiction over persons under 21 years of age.

No information has been submitted to our office pertaining to the City of San Diego's operating cost of this function. However, the State share of the cost for 1963-64, as determined by the Department of Finance, will amount to \$27,000.

We find no basis for the State to participate in the cost of a specific police function under the jurisdiction of a municipality.

Furthermore, there is a question as to the legality of the State subvening to this municipality under the present provision of Section 1760(d) of the Welfare and Institutions Code. An opinion by the Legis-

Local Assistance

Item 409

Assistance for Control of Juveniles—Continued

lative Counsel issued on January 24, 1962, stated that Section 1760(d) of the Welfare and Institutions Code cited in the budget as the basis for this proposed appropriation, does not constitute authorization for the director (Youth Authority) to make subventions of money to a city.

We recommend disapproval of the amount requested for this item.

Department of the Youth Authority ASSISTANCE TO COUNTIES FOR CONSTRUCTION OF JUVENILE HOMES AND CAMPS

ITEM 409 of the Budget Bill

Budget page 963

FOR ASSISTANCE TO COUNTIES FOR CONSTRUCTION OF JUVENILE HOMES AND CAMPS FROM THE GENERAL FUND

Amount requested ----- \$834,575

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS

The 1957 Legislature enacted legislation to provide for state participation in the cost of construction of juvenile homes, ranch or forestry camps, and for construction at existing facilities, including site development and utilities.

The amount of state assistance provided to any county is not to exceed 50 percent of the project cost approved by the Youth Authority and, in no event to exceed \$3,000 per bed unit of a new facility or per bed unit added to an existing facility.

The appropriations for this item are made for a period of two years and during the current year the department will allocate the remainder of the 1960 appropriation of \$618,295.

The department has stated that a total of 1,960 beds will have been built since the inception of this program in 1957-58 through 1963-64.

We recommend approval of the amount requested.

Subventions for Education
CHILD CARE CENTERS

ITEM 410 of the Budget Bill

Budget page 970

**FOR SUPPORT OF CHILD CARE CENTERS
FROM THE GENERAL FUND**

Amount requested	\$5,556,395
Estimated to be expended in 1962-63 fiscal year	5,881,666
Decrease (5.5 percent)	<u>\$325,271</u>

TOTAL RECOMMENDED REDUCTION None

GENERAL SUMMARY

Chapter 5, Division 12 of the Education Code, commencing with Section 16601, contains the legislative authority for child care centers. These centers were originally established in 1943; from then until 1956-57 the Legislature continued their support on a one-year or two-year basis. Since 1957 the program has a permanent status provided by statute.

These centers offer state-subsidized care and supervision for children whose parents are legally defined as eligible on the basis of demonstrated financial need. Section 16618 of the Education Code provides that approximately \$0.28 per attendance hour per child shall be made available from the General Fund. This support is intended to provide approximately two-thirds of the total cost of the centers. The remaining third, equal to approximately \$0.14 per attendance hour per child, comes from fees paid by the parents. These fees are graduated depending upon the financial status of the particular family.

Section 16622 of the Education Code provides, in effect, for an open-end appropriation for support of the centers by permitting the Superintendent of Public Instruction to withhold from, or add to, the apportionment of the next succeeding year if the apportionment for the current year is not sufficient. The total of attendance hours for child care centers is based upon periodic reviews and estimates of the number of attendance hours actually recorded by the centers. In this manner it is possible for the appropriation in any year to either exceed or fall short of the exact amount actually needed. Presently, 233 child care centers are operated by 47 school districts in 20 counties of the State. Teaching and supervisorial employees total approximately 1,200. It is estimated that nearly 10,000 families in the State make use of this service.

Included in the total budget of the child care centers for the past three fiscal years has been the sum of \$46,613 intended for the support of pilot project child care centers for the mentally retarded and physically handicapped. This sum was first used in 1961 when the first center was established. The current fiscal year is the third of the three years proposed for the pilot project centers. For these centers for physically handicapped and mentally retarded children, there is a different proportion of state to parental fee support; namely, state support shall equal approximately \$0.52 per attendance hour (nearly twice that of the regular centers) while parental fees shall account for \$0.14 per attendance hour, the same amount as for the regular centers.

Child Care Centers—Continued
ANALYSIS

The requested appropriation for child care centers in the coming year is \$5,556,395. This represents a decrease of \$325,271 from the 1962-63 budget for this item. An amount of \$433,271 was applied from the 1962-63 appropriation to cover a deficit incurred in the previous fiscal year. Of the current requested appropriation only a small amount, presently undetermined, will be applied toward a deficit because preliminary estimates do not indicate that the program will sustain a substantial loss in 1962-63; however, such estimates must not be regarded as being final. No similar request for funds to cover a deficit is included in the 1963-64 budget request. Nevertheless, should such a deficit materialize it will again be necessary to increase the 1964-65 expenditure for this item by the amount of the deficit; in this way appropriations for child care centers are open-end appropriations.

State support for this activity is set at \$0.28 per attendance hour while parental fees provide an average of \$0.14 per hour for the regular program. The enrollment status of the centers is as follows:

	1960-61	1961-62	1962-63 (Est.)	1963-64 (Est.)
Enrollment hours	18,972,390	19,343,537	19,389,500	19,677,793
Change from prior year	0.3%	1.9%	0.2%	1.5%
Total state apportionments	\$4,994,128	\$5,381,122	\$5,448,395 ¹	\$5,556,395
Change from prior year	\$63,948	\$386,994	\$67,273	\$108,000

¹ Total appropriation included \$433,271 to cover previous year's deficit.

Pilot Child Care Centers for Physically Handicapped
and Mentally Retarded

Chapter 2141, Statutes of 1961, established state support for the pilot centers for handicapped children at \$0.52 per attendance hour, while parents were to supply the same amount as in the regular program, namely \$0.14 per hour. For 1963-64 it is estimated that 89,640 hours will be used in the two projects presently authorized in Oakland and Stockton, bringing total state support for the pilot projects to \$46,613.

Although the pilot projects were authorized by the Legislature in 1959, no termination date was mentioned and the first such center was not established until 1961 when the Stockton project was opened. The Department of Education has indicated that a full report on the preliminary findings of these pilot projects will be made to the Legislature at the 1963 session.

Presently, the Stockton project, operated by the Stockton Unified School District, has a pupil enrollment of 35 handicapped children, while the Oakland center, operated by the local unified school district, cares for 30 children daily. Both districts are enthusiastic about the program, feel that parental fees are too high, and want the State's support of the program expanded. At the same time, both jurisdictions are receiving substantial aid from private agencies in their areas directed toward improving their programs. The Oakland center operates without charge in the building of the local association for the cerebral palsied. Stockton reports great enthusiasm for the program in its area, while Oakland, after experiencing initial interest, states that it is find-

Child Care Centers—Continued

ing it increasingly difficult to interest parents of handicapped children in the program. This it ascribes to the parental fee which it feels is too high, despite the fact that the fee, \$0.14 per hour, is identical with the charge for the regular centers. It must be borne in mind that the \$0.14 figure is only an average; families with low income pay much less, in spite of the substantially more expensive operation of these pilot centers. Directors of both projects report they are caring for children from outside their school district boundaries, indeed from throughout San Joaquin and Alameda Counties.

Although this program is continued at the existing level in the current budget, the Advisory Committee on Pilot Child Care Centers has recommended an expansion of program and the creation of additional centers in the future. Therefore, it appears to us that the Legislature should be apprised of the current status of the program relative to such anticipated future expansion. We believe that two items should be considered as follows:

1. The need for the child care centers for handicapped children.

Careful analysis should be made of the actual demand and need for this type of service, as distinct from services provided to handicapped children by the Departments of Mental Hygiene and Public Health and in state-supported schools for handicapped children. As the experience of Oakland would seem to indicate, there is in that community a serious question as to whether parents of such children actually desire this service.

2. Continue operation of these centers and finance them through a partnership of state funds and local funds derived from a county-wide tax.

In view of the fact that many of the children attending these centers are from outlying areas within the counties but outside school district boundaries, this would seem to be a more equitable method of financing the centers. It would have the added advantage of providing local support to offset parental fees which, as we pointed out, officials of the centers contend are too high. In our opinion, this proposal has great merit, if it is decided to continue and to expand this project, because it includes the principle of local effort for services rendered locally. The cost to local taxpayers for such a program would be extremely low, local effort would be uniform throughout the county, and only those counties desiring and needing such child care centers would need to take part. The Advisory Committee on Pilot Child Care Centers has included this second proposal in its recommendations. We believe serious thought should be given to it if an expansion of this program is desired by the Legislature.

With the exception of the reservations noted above concerning the pilot projects for handicapped children, we recommend approval of this item as budgeted.

**Subventions for Education
STATE TEACHERS' RETIREMENT SYSTEM**

ITEM 411 of the Budget Bill

Budget page 970

**FOR TRANSFER TO THE TEACHERS' RETIREMENT FUND FOR
THE STATE'S SHARE OF BENEFIT PAYMENTS OF THE
STATE TEACHERS' RETIREMENT SYSTEM
FROM THE GENERAL FUND**

Amount requested -----	\$46,300,000
Estimated to be expended in 1962-63 fiscal year -----	43,001,872
Increase (7.7 percent) -----	\$3,298,128

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS

The State Teachers' Retirement System does not maintain full reserves against actuarially determined liabilities. The \$46,300,000 requested is the amount of the State's estimated obligation to pay retirement benefits for services performed over past years.

The State finances expenditures not funded by the contributions of employing agencies and members. The State's contributions to the Teachers' Retirement Fund and the Retirement Annuity Fund are used to finance the major portion of expenditures for retirement allowances. The major portion of such allowances is payable for prior service which is funded entirely from contributions of the State and the employing districts. Subventions to local retirement systems and a portion of death benefits from the Retirement Annuity Fund are also provided from state contributions.

We recommend approval of the item as budgeted.

**Subventions for Education
STATE TEACHERS' RETIREMENT SYSTEM**

ITEM 412 of the Budget Bill

Budget page 970

**FOR TRANSFER TO THE TEACHERS' RETIREMENT FUND FOR
IMPROVED BENEFITS PROGRAM OF THE TEACHERS'
RETIREMENT SYSTEM, FROM THE GENERAL FUND**

Amount requested -----	\$1,000,000
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TOTAL RECOMMENDED REDUCTION ----- Unresolved

ANALYSIS

The budget proposes a \$1,000,000 increase in retirement allowances in 1963-64 in order to finance an improved benefit program to annuitants retired in prior years.

Enabling legislation will be necessary to define the increased benefits to this group of annuitants. *At the writing of this analysis we have not seen the proposal for the retirement benefit adjustments thus we are withholding our recommendation until we are able to review the legislative proposal.*

Department of Education

FREE TEXTBOOKS

ITEM 413 of the Budget Bill

Budget page 975

FOR SUPPORT OF FREE TEXTBOOKS
FROM THE GENERAL FUND

Amount requested \$11,794,795
 Estimated to be expended in 1962-63 fiscal year 8,976,520

Increase (31.4 percent) \$2,818,275

TOTAL RECOMMENDED REDUCTION \$584,827

Summary of Recommended Reductions

	Amount	Budget Page	Line
A reduction in the amount budgeted for the new adoptions in sixth and seventh grade geography and history based on revisions in enrollment estimates	\$115,367	976	48
A reduction in the amount budgeted for newly adopted textbooks in sixth and seventh grade geography and history that will be printed in the State Printing Plant based on revisions in printing cost estimates	140,385	976	48
A reduction in the amount budgeted for the two-year purchasing and printing program of prior adoptions based on revisions in enrollment estimates	74,247	976	70
A reduction in the amount budgeted for prior adopted textbooks in the two-year program that will be printed in the State Printing Plant based on revisions in printing cost estimates	223,306	976	71
A reduction in the amount budgeted for royalties to be paid for textbooks that will be distributed during the 1963-64 fiscal year based on revisions in enrollment estimates	28,440	976	73
A reduction in the amount budgeted for freight and shipping supplies for books to be distributed during the 1963-64 fiscal year based on revisions in enrollment estimates	3,082	977	22

GENERAL SUMMARY

The Constitution of California, Article IX, Section 7, provides for a free textbook program for California elementary schools. Provision for the actual operation of the program can be found in the Education Code, Division 8, Chapter 1, Article 1, beginning with Section 9201.

The State of California distributes textbooks without charge to California elementary students, grades K through 8. All books distributed are adopted by the State Board of Education for a period of at least four years as specified in the State Constitution and for not more than eight years as provided in the Education Code. At the end of an adoption period the State Board of Education may extend the adoption of a book for not less than one year nor more than four years. Adoption periods for elementary school textbooks vary. New book adoptions anticipated for the next several years are as follows:

Beginning of adoption period

Subject and Grade

July 1, 1963	History and geography, grades 5 and 8; civics, grade 8
July 1, 1964	History and geography, grades 6 and 7; Mexico, grade 6
July 1, 1965	California history and geography, grade 4
July 1, 1965	Arithmetic, grades 1-8
July 1, 1966	Music, grades 1-6 or kindergarten to 8

Free Textbooks—Continued

In determining the particular book titles that should be adopted in any one subject area, the State Board of Education relies largely upon the recommendations of the State Curriculum Commission. The commission consists of 10 members appointed by the State Board and headed by the Superintendent of Public Instruction. In aiding the board in the book selection process the commission:

- (1) Formulates criteria upon which the selection of the books will be made. This criteria will either coincide with existing elementary educational programs or become a framework around which the schools can develop their individually tailored programs.
- (2) Offers the criteria, in the form of a call for bids, to the various textbook publishers. In response to this call, publishers submit textbooks to the commission for consideration.
- (3) Appoints subcommittees, composed of commission members, to review and evaluate the books submitted by the publishers. These evaluations, once completed, are presented to the full commission and the textbook recommendations are made. The recommendations consist of the books preferred by the commission and the ratios at which they should be distributed.
- (4) Presents the recommendations to the State Board of Education. The board compares the commission's quality recommendations with the cost of the books and adopts the appropriate textbooks.

The State Board of Education secures adopted textbooks from private publishers by two different methods. Some publishers offer to let the State print the adopted textbooks. In such instances the State leases the bookplates or negatives in return for a per-book or lump-sum royalty paid to the publisher. The leased-plate books are then printed at the State Printing Plant for cost. This office has criticized the State Printing Plant for lacking the proper managerial controls and an adequate accounting system that will insure that textbooks are being printed in the most efficient and economical manner. We believe that the State Printing Plant should be able to print books as economically as private printers and that the State Printing Plant by printing with leased plates can serve as an instrument for maintaining competition in the textbook market to a degree which would otherwise not exist and which produces substantial savings to the State. However, until the plant develops the proper managerial controls and accounting system, the above functions cannot be realized. There are some publishers that will not permit the State to lease the plates of adopted textbooks. In such cases, the State Board of Education purchased the printed and bound copies of the books from the publishers at a discount that is approximately two-thirds of the list price of the book. The price that the State may pay for books that are purchased directly from the publishers has been limited by restrictive language in the Budget Bill.

The free textbook program has grown both in scope and size during recent years. The number of different titles adopted by the State of California has increased from 23 for the school year 1913-14 to 210 for the school year 1953-54, and to 381 for 1963-64. Of the 391 titles that

Free Textbooks—Continued

will be distributed in 1963-64, 93 will be basic texts, 54 supplementary texts, 131 unitext and other supplementary pamphlets, 84 teachers' editions and 29 teachers' manuals.

The number of textbook titles adopted in each subject depends upon the particular subject area and the grade for which the books are adopted. To illustrate the variances in the adoption program the following examples are offered. The State furnishes one basic textbook and one teachers' edition for use in third grade spelling. In first grade reading, however, the State furnishes 12 basic textbooks, 6 supplementary textbooks, and 13 teachers' editions and manuals. The reading textbooks are distributed at ratios of 1 book for each two first grade pupils or one book for each four pupils depending upon whether the book is supplementary or basic. The teachers' editions and manuals for the reading textbooks are distributed at a ratio of 1 book for each first grade teacher. This distribution on a one to one basis is the equivalent of $7\frac{1}{2}$ reading textbooks for each first grade student and 13 teachers' editions and manuals for every first grade teacher. The initial distribution cost of this adoption is approximately \$7.00 per first grade pupil. This, however, cannot be considered the total cost for first grade reading material. The private publishers of the adopted textbooks have developed various types of supplementary material to be used in connection with state adopted books. The publishers sell this material directly to the school districts. For use in connection with the state adopted reading series (including the above discussed first grade reading textbooks) the private publishers offer nine activity workbooks, ranging in price from \$0.44 to \$0.72 each, seven teachers' workbook editions costing from \$0.72 to \$1.40 each, and various card sets and other teacher aids varying from \$1 to \$17.60 per set. The total amount spent by California school districts for this supplementary material, while not accountable at the state level, is a substantial expenditure. One California school district alone spent over \$23,580 for supplemental workbook material for two of the state-adopted reading series during the 1961-62 school year. Since the workbooks are consumable, such an expenditure is made yearly by the district.

Paperback Textbooks

In the 1962-63 budget analysis this office recommended that monetary savings could be realized by binding certain state adopted teachers' editions and manuals with paper covers. Based upon this recommendation the textbook budget was reduced by \$56,728. The reduction was made in an attempt to initiate a paperback textbook program within the State of California. Prior to this time, the State had bound only certain types of adopted textbooks with paper covers. These books have mainly consisted of teachers' manuals, consumable workbooks, handwriting manuals, preprimers, and supplemental reference texts. It was our contention that other California state adopted textbooks, presently being bound in hard covers, could be economically bound in paper. Although such a possibility existed, no information was available as to the durability, life expectancy or replacement ratios

Free Textbooks—Continued

of paperback textbooks as compared with hardback textbooks. The Department of Education had not conducted any valid surveys in these areas. No other state was making extensive use of paperback textbooks in elementary schools. Professional organizations, publishers, and private businesses, although of the opinion that paperbacked books would be practical and economical, could offer no information concerning paperback textbooks in use by elementary schools. Since little or no information was available as to the feasibility of binding elementary textbooks in paperback covers, this office recommended that those textbooks that would receive a minimum amount of use could be bound with paper covers at a minimum amount of risk. Based upon this premise, supplementary teachers editions were chosen. At the time of the recommendation, all teachers' editions were being bound in hardback covers. It was felt that besides the binding savings that could be realized, (by using a paperback cover instead of a hardback cover 10 percent to 30 percent of the cost of the hardback textbook could be saved depending upon the type of binding used and the size of the textbook being bound) valuable information could be obtained for use in evaluating the advantages and disadvantages of extending the use of paperback textbooks to other titles. Shortly after the above recommendation was made, the Department of Education proposed an additional budget reduction of \$43,175. Its proposal was "that all textbooks being printed for use in the last year of the adoption period and which are not being considered for readoption be provided in paperback." This experiment will also constitute little risk and will offer a valid experimental opportunity.

In addition to the monetary savings that will be realized by binding various books in paper covers, the recommendations have initiated various controlled experiments and surveys concerning both teachers' editions and paperback textbooks. These experiments and surveys are being conducted by the Department of Education in co-operation with the Department of Finance and the office of the Legislative Analyst. One such study, recently initiated by the Department of Education, has as its purpose to "obtain merit comparisons between paper backed and fabric backed textbooks, as to durability, acceptability, longevity and replacement possibilities." The experiment will consist of in the field studies conducted in the Los Angeles City Schools and the Sacramento City Schools. The Department of Education has also recently concluded a study of the utilization of teachers' editions and manuals for state adopted basic textbooks. Although such surveys and experimental programs will not immediately give us all the necessary information concerning the feasibility of binding certain state adopted textbooks in paper covers, the ground work has been laid for determining the part paperbacks will play in the California Textbook program.

In addition to the above studies, the first progress report of the paperback textbook experiment conducted by the State of Texas has recently been published. This study was initiated approximately the same time that the State of California first attempted to determine the possible savings that paperback textbooks may offer. The progress

Free Textbooks—Continued

report indicates that except for selected titles, it is uneconomical and impractical to bind textbooks with paper covers. We believe that such a conclusion is unwarranted and that there are many low-risk areas in which paperback textbooks can economically be used. Such areas would include books used as teachers' editions, supplemental materials and during the last year of an adoption period.

Before the results of the Texas study are applied to the California program a further review should be made of the methods used in making comparisons between the life expectencies of the paperback and hardback textbooks, the choice of the textbook titles used in the experiment, the textbook bindings used in the study, the subject areas from which the test books were chosen and the comparative costs of the paperback and the hard back textbooks.

ANALYSIS

The 1963-64 textbook budget includes funds for: (a) one year textbook distribution of the new adoptions in history and geography for the sixth and seventh grades; (b) a two year printing and purchasing program for prior adoptions; and (c) payment of royalties on those textbooks that are to be distributed in the 1963-64 budget year.

A total of \$4,171,077 is budgeted for the first year distribution of the new sixth and seventh grade history and geography adoptions. This includes \$1,799,558 for the purchase of textbooks from private publishers and \$2,271,519 for the printing of textbooks in the State Printing Plant. The number of copies of each adopted title that will be required for the first year of the adoption period is estimated by the Department of Education. As a basis for estimating the first year's distribution of pupils' editions, the department uses the graded public school enrollment figures as developed by the Department of Finance. Added to the estimated enrollment is the anticipated number of copies that will be needed during the year for ungraded and special students, enrollment growth, various special schools and agencies; sales, replacements and a number of copies as a contingency for underestimating. The total of these requirements will comprise the number of copies that will be needed during the first year of the adoption period. The number of copies needed multiplied by the cost of the copies will give an estimated cost of the first year of an adoption period. In formulating the above estimates, the Department of Education is faced with a difficult task. Since the books are being distributed for the first time, little historical data is available as to the acceptability or the durability of each particular textbook. While the task is admittedly difficult, we believe that the distribution estimates contained in the 1963-64 budget for sixth and seventh grade textbooks in history and geography are inaccurate and the enrollment figures that the department used in projecting the copies needed are incorrect. The department used the projected graded enrollment figures that were compiled on January 22, 1960. On January 16, 1963 the Department of Finance issued a revised projection of the enrollment figures. A comparison between the two sets of enrollment projections appear on Table I.

**Table I. Projected Graded Enrollment in Public Elementary Schools, As
Compiled by the Department of Finance**

<i>1/22/60 Projection</i>	<i>Grade</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>Total</i>
1963-64		361,882	339,480	321,645	317,469	311,579	299,584	291,039	280,343	2,523,021
1964-65		360,535	356,454	342,875	324,861	322,231	316,253	310,069	295,405	2,628,683
1965-66		367,534	355,127	360,019	346,304	329,734	327,064	327,322	314,720	2,727,824
<i>Revised 1/16/63 Projection</i>	<i>Grade</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>Total</i>
1963-64		363,100	337,800	319,400	312,500	302,200	291,800	286,400	275,900	2,489,100
1964-65		365,300	354,600	338,400	320,200	315,600	305,700	300,700	289,600	2,590,100
1965-66		372,300	356,700	355,100	339,000	323,200	319,200	314,800	303,800	2,684,100

Free Textbooks—Continued

The enrollment bases used by the department in determining the number of sixth and seventh grade history and geography textbooks to be distributed during the first year of the adoption period (1964-65) were: 316,253 sixth grade students and 310,069 seventh grade students. The revised projection figures are 305,700 and 300,700 sixth and seventh grade students respectively, constituting a reduction of 10,553 sixth grade students and 9,369 seventh grade students or a total of 19,922 sixth and seventh grade pupils. If the first year's anticipated distribution of the new sixth and seventh grade adopted pupils' editions was to be re-estimated, using the revised graded enrollment figures as the basis for the estimate and the same factors for determining the additional required copies, a reduction of \$115,367 in the 1963-64 Budget could be realized. We believe that this reduction would result in a more realistic budgetary projection of the textbook program. *We therefore recommend a reduction in the budgetary request for the new adoptions in history and geography for the sixth and seventh grades of \$115,367.*

As stated previously, the amount budgeted for the first year's distribution of sixth and seventh grade history and geography textbooks reflects the (number of copies of each title needed) multiplied times (the unit cost of each title). In the case of the state printed textbooks, only the manufacturing cost of the book is included in the budget since the royalty cost will be paid in the year of actual distribution (1964-65).

The manufacturing cost of each of the sixth and seventh grade book titles is estimated by the State Printing Plant. The estimations consist of the anticipated actual cost of the book plus a percent reserve for contingencies and a percentage allowance for spoilage. We have previously stated that until the proper accounting and manufacturing controls are installed in the State Printing Plant, it will be impossible to insure that the cost of each book, as determined by the plant, is accurate and is as low as possible. However, it can be established at this time that the initial budgetary book estimates, as formulated by the State Printing Plant, are higher than the book costs that will be charged when the books are printed. Upon examining the textbook orders completed by the State Printing Plant over the last two years, it was determined that the estimated printing costs as projected by the printer, exceeded by \$132,689 or 6.1 percent the printing cost of the books as charged by the printer. This excess is in addition to the percentage amounts that the plant had included in the estimates for spoilage and contingencies. The survey included 86 individual printing orders delivered between October 1961 and December 1962. Such consistent over-estimating prohibits the formulation of an accurate and valid textbook budget. *We therefore recommend that the 1963-64 request for the printing in the State Printing Plant of sixth and seventh grade adopted books in history and geography be reduced by 6.1 percent or \$140,385. This budget reduction will not limit the size of the textbook orders to be placed nor the number of textbook copies*

Free Textbooks—Continued

to be printed. The reduction will, however, permit a more accurate budgetary projection of the textbook program.

Budgeted for a two-year printing and purchasing program for prior adoptions is \$5,230,126. This budgetary request consists of \$1,512,490 for purchased textbooks and \$3,717,636 for textbooks that will be printed in the State Printing Plant. In determining the number of books that the program will require, the Department of Education used methods similar to those discussed in regard to the sixth and seventh grade adoptions. The graded enrollments as projected by the Department of Finance formed the basis of the estimate. Added to the enrollment figures were the number of textbooks anticipated for growth, special schools, agencies sales, replacement and a contingency figure. In determining the total number of textbooks that would be needed for the two-year program, the 1960 graded enrollment estimates were used by the Department of Education. Since the 1963 enrollment projections reflect a reduction in the number of elementary students during the years for which the program was budgeted, we believe that the budget should be reduced accordingly. *We recommend that a proportional reduction of \$74,247 be made in the amount requested for the two-year printing and purchasing program of prior adoptions.*

We also recommend an additional reduction in the amount budgeted for that part of the two-year program that is scheduled to be printed in the State Printing Plant. The reduction should equal an amount that would offset the overestimates that have consistently been made by the State Printing Plant. As discussed in relation to the sixth and seventh grade adoptions in history and geography, printing orders have been overestimated by an average of 6.1 percent. A reduction of this amount would reflect a more accurate budget. *We recommend a budget reduction of 6.1 percent or \$223,306 from the adjusted figure requested for the printing of prior adoptions in the State Printing Plant.*

The 1963-64 Budget also includes \$2,122,418 for the payment of royalties for textbooks distributed during the 1963-64 school year. The number of textbooks to be distributed in 1963-64 was estimated by the Department of Education. The basis that the department used in estimating the 1963-64 textbook distribution was the January 22, 1960 graded enrollment projections as compiled by the Department of Finance. As previously stated, these figures are inaccurate and have recently been revised by the Department of Finance. The revised figures reflect a reduction in the 1963-64 graded enrollment of students. The budget request should be reduced accordingly. *We therefore recommend that the budget amount requested for payment of royalties on those textbooks that are to be distributed in the 1963-64 budget year be reduced by \$28,440.*

Also included in the budget are requests for funds to meet the necessary operating expenses to the textbook program. Two such operating expenses are freight, cartage, and express charges totaling \$161,000 and shipping supplies totaling \$69,000. Both of these budget requests, based upon the number of textbooks to be shipped during the

Free Textbooks—Continued

1963-64 fiscal year, have been overestimated by the Department of Education. The budgeted amounts allotted for freight and shipping supplies should therefore be reduced accordingly. *We recommend a budget reduction of \$3,082 from the \$230,000 requested for freight, cartage, express and shipping supplies.*

Subventions for Education

ASSISTANCE TO PUBLIC LIBRARIES

ITEM 414 of the Budget Bill

Budget page 977

FOR ASSISTANCE TO PUBLIC LIBRARIES
FROM THE GENERAL FUND

Amount requested	\$850,000
Estimated to be expended in 1962-63 fiscal year	None
Increase	\$850,000
TOTAL RECOMMENDED REDUCTION	\$850,000

Summary of Recommended Reductions

	Amount	Budget Page	Line
Delete entire program	\$850,000	977	54

GENERAL SUMMARY

This item appears for the first time in the proposed budget for fiscal 1963-64. Enabling legislation detailing the method by which the appropriation requested here is to be apportioned has been introduced before this session of the Legislature in A.B. 590. Actual apportionment of these funds will await both the final legislative action on this budget item and on the enabling legislation.

This appropriation is intended to authorize the State to grant financial assistance to local public library jurisdictions which meet necessary minimum standards. This assistance will, according to the State Library, "promote areawide library co-operation and will be aimed toward the improvement of library services available to all the State's citizens." The operation of the program, together with the determination of which library systems qualify for state aid, will fall to the State Library. We understand that grants made for the fiscal year under consideration will be largely "establishment grants" aimed at consolidating small library systems into larger, more complete systems, and at generally improving and making more economical local library service within the State.

ANALYSIS

An amount of \$850,000 is requested for this item for the coming fiscal year.

We recommend the deletion of the entire \$850,000 requested for assistance to local libraries from the budget for 1963-64. Our reasons for this recommendation are as follows:

1. We believe that local public libraries are and should remain strictly a local responsibility;

Assistance to Public Libraries—Continued

2. Counties and other local jurisdictions within the State either have adequate public library systems or have access to library service;

3. Only an extremely small percentage of the State's citizens are presently not served by a local public library, and every citizen of the State has access to library service through the interlibrary loan system.

4. The restriction on the amount of money which may be appropriated by the State for this purpose, discussed in detail at the conclusion of this analysis, provides for an open-end appropriation.

We have been unable to gather from the State Library any data supporting the need for state support to local libraries at this time. It is often pointed out that California is one of 25 states which do not aid local libraries; it often goes unmentioned that many of the 25 states which do grant financial assistance to local library jurisdictions lack well-developed city and county library systems such as obtain in California. In many of these states the need for state aid is proportionately greater. In California, however, the figure of books within local libraries per capita, often the criterion on which the effectiveness of a state's library systems is based, has risen steadily in the last four years to the present figure of 1.44. This means that there were 22,665,521 volumes in all California public libraries in 1960-61 for the use of a population in that year of 15,717,204. This figure of books per capita is comparatively high. In view of the apparent well-being of local libraries within the State, we cannot agree that a plan of state aid to these libraries is necessary. State financing of this segment of the educational system, together with the attendant approval by the State Library of the use to which the state money would be put, would infer greater state control of local library systems and would also make necessary a substantial increase in the size of the State Library staff in order to properly administer the program. Both these eventualities we regard as unnecessary and unwise.

In 1960-61 California public libraries spent \$35,765,628 on total support. Of this total amount, only \$1,938,388 was derived by means other than taxation. Local tax rates range from a high of 44.1 cents per \$100 assessed valuation to a low of 5 cents per \$100; the average being approximately 20 cents per \$100. If improvement in local library services is desired by localities, it appears that additional taxing capacity exists within nearly all of these local jurisdictions.

A cursory review of library statistics within the State shows that only five counties lack any county library service whatsoever. They are Alpine, Del Norte, Lake, Nevada and Yuba Counties. Of these five, only Alpine County lacks any library service within its boundaries, the other four containing local municipal systems. Several other counties lack their own library system, but compensate by contracting with an adjoining county or with a local city system for such service. This relationship is shown in the following table:

Assistance to Public Libraries—Continued

Counties Contracting With Other Jurisdictions for Library Services

1960-61

<i>County</i>	<i>Independent municipal or library district libraries</i>	<i>Municipal or district libraries affiliated with county library</i>
Counties contracting with other counties for service:		
MARIPOSA (Merced) -----	None -----	None
MONO (Inyo) -----	None -----	None
SIERRA (Plumas) -----	None -----	None
Counties contracting with cities for county library service:		
RIVERSIDE (Riverside City) -----	None -----	Banning Beaumont Coachella Corona Elsinore Hemet Indio Palm Springs Palo Verde Valley Perris Riverside San Jacinto
SAN JOAQUIN (Stockton City) -----	Lodi -----	Stockton
SANTA BARBARA (Santa Barbara City) -----	None -----	Lompoc Santa Maria Santa Barbara
SANTA CRUZ (Santa Cruz City) -----	Watsonville -----	Santa Cruz

The above table indicates that among counties and other local jurisdictions of small size, the possibility exists of contracting, at comparatively low cost, with adjacent or adjoining jurisdictions, for library service. Thus any claim that those jurisdictions without library service must necessarily have state aid for this purpose is not borne out by the facts. The State Library has estimated that in 1960-61, the last year for which complete figures are available, only 97,997 persons in the state were without any local library service. It is pointed out, however, that all citizens of the State have access to the State Library and may borrow volumes directly from this library. In addition, the University of California possesses one of the most massive collections in the country, measured both by numbers of volumes and by quality. A citizen may borrow from the university collection by requesting volumes through a local library system or through the State Library.

It is our understanding that two of the prime reasons for the advancement of a proposal of state aid to local public libraries at this time are: (1) the desire to provide financial incentive to several adjoining small library systems to merge into a larger and stronger single system, and (2) the desire to extend library service to rural areas not presently having access to such service. We have attempted to demonstrate that adequate and financially sound contractual relationships can be entered into by small jurisdictions desiring library service. Such

Assistance to Public Libraries—Continued

a development appears to us to be preferable to a system of state aid and control in consolidating small systems into larger, more efficient ones. With regard to the extension of library service to rural areas, the federal government, through the Rural Library Services Act (P.L. 597, 84th Congress) which is discussed in detail in our analysis of the State Library, authorizes substantial grants to jurisdictions with less than 10,000 population for the establishment of library service. Several rural counties of the State presently take part in this program which is financed through a matching, federal-local, relationship. In our opinion, the federal legislation authorizing this program provides sufficient incentive to these rural areas, and is available to them once the desire for library service and the accompanying willingness to pay a proportionate share of the cost is expressed.

Proposed Method for Allocating State Library Aid

A.B. 590, introduced on January 29, 1963, contains the implementing details of this proposal and outlines the three general types of grants to be made: planning grants, establishment grants and per capita grants. In addition, the provision that the amount appropriated for the total state program of aid to public libraries shall not exceed 20 percent of the total amount spent by all libraries in the State from funds received from local sources is included. Public library jurisdictions must tax at specified minimums to become eligible for this aid. Although our recommended deletion of this proposal is based largely upon our view stated above that the support of public libraries should remain a local responsibility, several features of the program included in this bill should be pointed out.

a. The provision that state expenditures for this purpose shall not exceed 20 percent of the total amount spent by public libraries in the State each year appears to be, in effect, an open-end provision. That is, since library expenditures will, in all probability, continue to rise in the future, state aid will also rise proportionately. Additionally, the spur toward new spending for libraries which state aid will provide is likely to increase total public library expenditures at a faster rate than they have increased in the past. Thus, there is no cap or limitation on the amount which, in the future, will be spent for this program by the State. Such a provision will subject the State to pressure to increase its support to the 20 percent level in any year in which something less than 20 percent of total library expenditures is budgeted.

b. Establishment grants are set at an annual maximum of \$10,000 per library; the purpose for which such a grant is to be made is not specified, nor is the basis upon which the figure of \$10,000 was chosen explained. This provision, similar to the 20-percent maximum limitation discussed in subparagraph a., above, may subject the State to pressure from local jurisdictions desiring such a grant for any unspecified purpose.

c. The per capita grant, in our view, is open to criticism on two grounds. Firstly, it contains no limitation on future state aid to libraries; implicit in the per capita principle is the fact that as the

Assistance to Public Libraries—Continued

population of a library area grows, state aid to that library area will increase concurrently. Secondly, and more significantly, the provision contains no reference to a local library's actual requirement for state aid. As we pointed out above, the need for improved library service varies widely throughout the State. Under this proposal, a wealthy library system need only apply for per capita state aid, regardless of its actual well-being.

Per capita grants may also be assailed on the basis that they grant funds per total population of an area, rather than per registered library user. The two totals often vary greatly.

d. A.B. 590 also includes a provision that if a library district contains the necessary population to meet the requirement for state aid but fails to qualify under the minimum local tax requirements of the bill, the State Librarian may still approve the allocation of funds to that jurisdiction upon the submission by the jurisdiction of an "acceptable plan." This segment of the proposal destroys any semblance of equalization between library systems and appears to grant an extraordinary amount of discretionary authority to the State Librarian.

For these reasons, as well as those expressed above, we recommend deletion of the \$850,000 proposed for aid to public libraries.

Subventions for Education.**VOCATIONAL EDUCATION: REIMBURSEMENTS TO SCHOOL DISTRICTS**

ITEM 415 of the Budget Bill

Budget page 980

FOR SUPPORT OF VOCATIONAL EDUCATION: REIMBURSEMENTS TO SCHOOL DISTRICTS FROM THE GENERAL FUND

Amount requested	\$230,271
Estimated to be expended in 1962-63 fiscal year	230,271
Increase	None

TOTAL RECOMMENDED REDUCTION	None
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GENERAL SUMMARY

Subventions to local school districts are made from General Fund and federal moneys. After the costs of state-level operations have been deducted from the total amount appropriated from these two sources, the balances are distributed to secondary school districts for supervision and teacher training, provided the recipient districts are maintaining approved vocational education courses in agriculture, business, homemaking and industrial education. State-level operations have been discussed under Item 92 of this Analysis.

ANALYSIS

General Fund support of these subventions in 1963-64 is identical with the amount appropriated last year for that purpose, \$230,271. Federal contributions, however, will rise from \$4,297,121 to \$6,268,271, an increase of \$1,970,902 or 45.9 percent. Thus federal moneys will provide the entire increase in the budget of this item. This is true largely because of new federal funds available under the Manpower

Vocational Education: Reimbursements to School Districts—Continued

Development and Training Act (P.L. 87-415) to school districts as reimbursements for their costs of providing training as prescribed by the act. In the year under consideration, federal funds allocated to local districts under the provisions of this act will increase by \$1,972,900 to a total of \$3,700,000.

Department of Mental Hygiene

ASSISTANCE TO LOCAL AGENCIES FOR MENTAL HEALTH SERVICES

ITEM 416 of the Budget Bill

Budget page 981

FOR SUPPORT OF ASSISTANCE TO LOCAL AGENCIES FOR MENTAL HEALTH SERVICES FROM THE GENERAL FUND

Amount requested	\$3,450,000
Estimated to be expended in 1962-63 fiscal year	3,050,000
Increase (13.1 percent)	\$400,000
TOTAL RECOMMENDED REDUCTION	\$100,000

Summary of Recommended Reductions

	Amount	Budget Page	Line
Reduce appropriation	\$100,000	981	32

ANALYSIS

This subvention, commonly known as the Short-Doyle program, was initiated in January 1958. Funds are provided by the State for the establishment and development of locally administered mental health services. The State then reimburses locally approved programs one-half of their total support expenditures. The local jurisdiction in which an operation is located, which may be either a city or a county, finances one-half of support costs and the total cost for capital outlay. In addition, local organization and control is maintained in the actual operation. The types of services provided must consist of at least two, and may include all, of the following five mental health services: inpatient, outpatient, rehabilitation, education, and consultation.

In past years, the department has always requested funds far in excess of the actual amount required. In every instance where the initial agency request has received approval, a substantial portion of the allocation has not been expended.

One of the reasons for this overbudgeting has been that the department has consistently overestimated the number of new programs that would be entering into the Short-Doyle program. However, no new entries are anticipated in the 1963-64 budget year. The department is asking that the 1962-63 estimated expenditure level be augmented by \$400,000, an increase of 13 percent, to provide funds solely for the expansion of existing programs. Based on past budgeting practices and the rate at which the Short-Doyle program has expanded, this would appear to be an unnecessarily large increase, especially in view of the fact that new program entries are not anticipated.

Therefore, we recommend this request be reduced by \$100,000 and that \$3,350,000 be approved for state Short-Doyle reimbursements. This will provide an increase of \$300,000 or 9.8 percent over estimated 1962-63 expenditures.

**Department of Mental Hygiene
FOR ADDITIONAL ASSISTANCE TO LOCAL AGENCIES
FOR MENTAL HEALTH SERVICES**

ITEM 417 of the Budget Bill

Budget page 981

**FOR AUGMENTATION OF ASSISTANCE TO LOCAL
AGENCIES FOR MENTAL HEALTH SERVICES
FROM THE GENERAL FUND**

Amount requested ----- \$2,000,000
TOTAL RECOMMENDED REDUCTION ----- **\$2,000,000**

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
Delete item -----	\$2,000,000	981	33

ANALYSIS

It is anticipated that legislation to increase the present 50-50 Short-Doyle reimbursement formula will be introduced during the 1963 legislative session. The proposals that would be contained in such a bill are not yet known. However, in the event of an increase in the state share of Short-Doyle costs, this item would provide \$2 million toward financing changes in the reimbursement formula.

It does not appear to be sound budgetary practice or policy for the Legislature to appropriate funds to implement the unknown provisions of a potential bill which might be introduced and to make a legislative commitment through the Budget Act for changes in the law in advance of the enactment of such changes.

Any such bill which may be introduced can carry its own appropriation language if action on the Budget Bill is taken at a different time so that any cost implications may be evaluated and considered in the light of the policy or program changes sought to be effectuated by the language of the bill as finally submitted.

Therefore, we recommend that this request for \$2 million be denied.

We further recommend that legislative steps be taken to incorporate the fully state-supported outpatient clinics into the Short-Doyle program.

The only basic difference between state and Short-Doyle outpatient clinics is in the financing. At the present time, the State is subsidizing certain communities in which state clinics are located to the disadvantage of other communities which must furnish one-half of the support cost through a Short-Doyle program. Also, in the instance where a community has two outpatient clinics, one operated by the State and the other administered through Short-Doyle, duplications of functions can exist that result in greater costs to the State. We feel a uniform policy for providing mental health outpatient services within the communities is essential.

**Department of Public Health
CRIPPLED CHILDREN SERVICES**

ITEM 418 of the Budget Bill

Budget page 982

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

Amount requested	\$11,537,419
Estimated to be expended in 1962-63 fiscal year	9,273,258
Increase (24.1 percent)	\$2,264,161

TOTAL RECOMMENDED REDUCTION None

GENERAL SUMMARY

This item provides funds for a state program for handicapped children, as authorized by Sections 249 through 271 of the Health and Safety Code. The code provides that whenever the parent or guardian of the child is unable to finance necessary care, a designated agency of the county shall request the State to furnish such services. Also, each county must appropriate not less than one-tenth mill on each dollar of assessed property valuation for the purpose of financing its portion of the program. When a county's program exceeds the one-tenth mill level, the State contributes funds until the program reaches the equivalent of three-tenths mill on each dollar of assessed valuation. After that the sharing of costs is two dollars of state money for each dollar of county money.

ANALYSIS

An amount of \$11,537,419 is requested from the General Fund for this item. This represents a substantial increase of \$2,264,161, or 24.1 percent, above the \$9,273,258 which is estimated to be expended on this program during the current year.

We recommend approval of the item as budgeted.

Included in the \$9,272,259 that is estimated to be expended during the current year is a proposed deficiency appropriation of \$1,788,527. It is our understanding that the deficiency appropriation will be requested through separate legislation.

The department justified its request for a deficiency appropriation on the basis that "when the budget request for crippled children services for the 1962-63 fiscal year was prepared for the Legislature in January 1961, it was based on prior years' expenditures and the first quarter expenditures of the 1960-61 fiscal year. Expenditures in the second and third quarters of 1960-61 far exceeded estimates. For example, Los Angeles County alone had a 63.3 percent increase in expenditures for 1960-61 over 1959-60. Since the budget had already gone to the Legislature it was recognized that a deficiency appropriation would be needed for 1962-63.

The program expenditures in 1961-62 were held to the budgeted amount. This caused some counties to carry over claims into the 1962-63 fiscal year. Los Angeles County held over approximately \$1,000,000 in claims. Fresno County held over approximately \$80,000.

Crippled Children Services—Continued

The deficiency appropriation of \$1,788,527 is based on the following factors:

- “1. Los Angeles County: Prior to 1962-63 this county's program was less than 3/10 mill. For 1962-63 the treatment program is estimated at \$5,539,152 which is \$933,368 over 3/10 mill. Los Angeles County's share of the deficiency appropriation is \$1,400,000. Approximately \$135,000 of this is for cystic fibrosis.
2. The balance of \$388,527 is apportioned as follows:

Cystic fibrosis	\$165,000
Increased caseload and cost per case	223,527
	<hr/> \$388,527”

The department justifies their proposal for a \$2,264,161 increase in the budget year over estimated expenditure in the current year, including the proposed deficiency appropriation, on the following factors:

- “1. While the caseload for the State, as a whole, increased 4 percent from 1960-61 to 1961-62, the cost of care increased 15 percent. This is the result of per case cost increases as the program continues to care for children whose care requires major expenditures rather than children whose care requires relatively minor expenditures. Two conditions are important in this regard, open heart surgery for congenital heart disease and the correction of the late results of severe poliomyelitis.

The state share of the total treatment program is increasing as more county programs approach 3/10 mill.

2. Of the \$2,100,897 increase (in diagnostic and treatment funds) over 1962-63, \$1,300,000 is estimated for Los Angeles County whose caseload and expenditures continue to increase at a greater rate than the rest of the State. The total program for Los Angeles County in 1962-63 is estimated at a little over \$6,000,000. This is an increase of \$2,250,000 over their expenditures in 1961-62.
3. The cost of care for cystic fibrosis children is estimated at \$240,000 (excluding Los Angeles County). The balance of the increase of \$560,897 is needed for normal program growth. Normal program growth is made up of caseload increase and the increased cost of hospitalization.
4. The increase in administrative costs is a result of the estimated increase in expenditures by independent counties in the 1962-63 fiscal year.”

While we have recommended approval of this item we believe that the rapid increase in the cost of this program should be reported to the Legislature. The \$11,537,419 proposed for the 1963-64 budget year represents an increase of \$5,072,150 above the amount which was actually spent on this program during the 1961-62 fiscal year. Thus we are faced with a 78 percent increase in program costs over a period of two fiscal years.

Crippled Children Services—Continued

During the 1962 session of the Legislature, the Department of Finance was directed to develop uniform fee schedules for medical and related services. These schedules will establish uniform fees which will be paid by all state agencies which purchase medical and related services. These schedules are being issued during the current year.

It should be pointed out that the proposed budget does not make any provision for any increases in medical fees above their current level.

The 1962 Legislature also directed the Department of Public Health to "recommend to the 1963 session of the Legislature as to the feasibility of the further extension of independent operation of the crippled children's program to those counties with less than 200,000 population." We recommended this study in view of the action taken by the 1961 session of the Legislature which added to the Budget Act a proposal that "counties with a population of 200,000 operate the program on an independent rather than a dependent basis." As a result, counties over 200,000 now operate their own independent programs, and we believe that the extension of independent operation to certain of the smaller counties will result in the benefits of the more efficient administration of this program which can be obtained at the local level. This report is being submitted at the present session.

**Department of Public Health
TUBERCULOSIS SANATORIA**

ITEM 419 of the Budget Bill

Budget page 983

**FOR ASSISTANCE TO COUNTIES FOR TUBERCULOSIS
SANATORIA FROM THE GENERAL FUND**

Amount requested.....	\$2,962,503
Estimated to be expended in 1962-63 fiscal year.....	3,563,469
Decrease (16.9 percent).....	\$600,993

TOTAL RECOMMENDED REDUCTION..... None

GENERAL SUMMARY

Division 4 of the Health and Safety Code provides state grants-in-aid to counties or cities for the treatment and care of persons suffering from tuberculosis. The funds are allocated in accordance with Section 3300 of the code which provides for a graduated subsidy rate of \$2.60 per patient-day for the first 36,500 patient-days, and \$1.75 for all additional days. The section further states that in addition to the amounts specified for the three categories, there can also be provided any additional amounts specified in any appropriation made thereafter. There have been additional amounts added in the Budget Act for each year since 1954.

ANALYSIS

The budget proposes an expenditure of \$2,962,503 for assistance to counties for tuberculosis sanatoria during the 1962-63 fiscal year. This

Tuberculosis Sanatoria—Continued

is a decrease of \$600,993, or 16.8 percent, from the \$3,563,469 which is estimated to be expended on this program during the current year.

We recommend approval of the budget as submitted.

The proposed appropriation is based on the graduated rate in the Health and Safety Code, plus a supplemental rate of \$2.44, an increase of 14 cents over the supplemental amount of \$2.30 which was approved for the current year. Despite the increase in supplemental aid, approval of the budget proposal will mark the fourth straight year in which the total expenditure for this program has been reduced. This reduction is attributable to the decreasing incidence of tuberculosis.

Section 3295 of the Health and Safety Code provides for the care of persons suffering from tuberculosis who violate the quarantine or isolation orders of a county health officer. An agreement has been made with the Department of Corrections to care for these persons at the medical facility at Vacaville and at the Institution for Women at Corona. Included in the budget request is \$67,509 to reimburse the Department of Corrections for an average occupancy of 37 beds.

Department of Public Health**ASSISTANCE TO COUNTIES WITHOUT LOCAL HEALTH DEPARTMENTS**

ITEM 420 of the Budget Bill

Budget page 984

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

Amount requested	\$494,406
Estimated to be expended in 1962-63 fiscal year	414,249
Increase (19.3 percent)	\$80,157

TOTAL RECOMMENDED REDUCTION	None
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GENERAL SUMMARY

Section 1157 of the Health and Safety Code authorizes the Department of Public Health to furnish local public health services to those counties of less than 40,000 population without recognized local health departments which contribute a minimum of 55 cents per capita. The program is administered by the Bureau of Contract Public Health Services and currently includes the 14 counties of Alpine, Amador, Calaveras, El Dorado, Glenn, Lassen, Lake, Mariposa, Modoc, Mono, Nevada, Sierra, Tehama and Trinity.

ANALYSIS

The budget proposes an expenditure of \$494,406 for assistance to counties without local health departments for the 1963-64 fiscal year.

This is an increase of \$80,157, or 19.3 percent over the amount which is estimated to be expended on this program during the current year.

The budget requests three public health nurses and one area sanitarian for Siskiyou County and two public health nurses and two sanitarians for Tuolumne County to provide public health services to these counties under contract as of July 1, 1963.

Local Assistance

Item 421

Assistance to Counties Without Local Health Departments—Continued

Also proposed is one additional nurse for Tehama County on the basis of providing what the department deems to be the minimum staffing necessary to carry on a basic health program in this county.

The proposed positions are as follows:

6 Public health nurse II	\$40,464
3 Sanitarian II	20,232
Total	\$60,696

We recommend approval of \$26,976 for three public health nurse II's and one sanitarian II to serve Siskiyou County.

The above four positions are requested to serve the needs of the proposed contract county of Siskiyou which had a population of 34,000 and an area of 6,256 square miles as of July 1, 1962.

We recommend approval of \$26,976 for two public health nurse II and two sanitarian II requested on the basis of increased workload resulting from a contract with Tuolumne County.

The above four positions are requested to serve the needs of the proposed new contract county of Tuolumne which had a population of 15,300 and an area of 2,190 square miles as of July 1, 1962. The proposed staffing of two nurses and two sanitarians has been adopted by the department as meeting the needs of most of the larger contract counties. The addition of Siskiyou and Tuolumne as the 15th and 16th contract counties would mark the first time in which all of the residents of California will have organized public health services from either local health agencies or through contract with the Bureau of Contract Public Health Services.

We recommend approval of \$6,744 requested for one public health nurse II for Tehama County.

Tehama currently is the second largest of the contract counties with a population of 27,500 residents and is also one of the larger counties in terms of area with 2,925 square miles. Tehama entered the contract county program as of August 1, 1961 and in the nursing field has been staffed with the two public health nurses which were authorized upon its entry into this program. We believe there is a justified need for an additional public health nurse to provide the staffing necessary to carry on a program of basic health services in this county.

Department of Public Health

ASSISTANCE TO LOCAL HEALTH DEPARTMENTS

ITEM 421 of the Budget Bill

Budget page 985

FOR ASSISTANCE TO LOCAL HEALTH DEPARTMENTS FROM THE GENERAL FUND

Amount requested	\$4,241,401
Estimated to be expended in 1962-63 fiscal year	4,109,164
Increase (3.2 percent)	\$132,237

TOTAL RECOMMENDED REDUCTION None

Assistance to Local Health Departments—Continued
GENERAL SUMMARY

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

ANALYSIS

An amount of \$4,241,401 is requested to provide the same per capita distribution as the current year, 20.7 cents. This amount is \$132,237, or 3.2 percent, more than the \$4,109,164 which is estimated to be expended in the current year.

The budget request is based on a July 1, 1963 qualified area population estimate of 17,429,970.

In addition to the amount appropriated from the General Fund by this item an estimated \$1,939,000 in federal funds will be distributed to local departments in the same ratio as state funds. *We recommend approval of the item as budgeted.*

Department of Public Health

GNAT CONTROL

ITEM 422 of the Budget Bill

Budget page 985

**FOR ASSISTANCE TO LOCAL AGENCIES FOR GNAT CONTROL
 FROM THE GENERAL FUND**

Amount requested	\$50,000
Estimated to be expended in 1962-63 fiscal year	50,000
Increase	None
TOTAL RECOMMENDED REDUCTION	None

GENERAL SUMMARY

This subvention is allocated to local agencies for research on the control of gnats. The State provides financial assistance for up to 50 percent of the support of approved gnat research programs. This subsidy is authorized by Section 2425-2426 of the Health and Safety Code.

Gnat Control—Continued
ANALYSIS

The budget proposes \$50,000 for this item for the 1963-64 budget year. This is the same amount which is estimated to be expended on this item during the current 1962-63 fiscal year, but \$30,000 more than the \$20,000 which was expended on this item during the 1961-62 fiscal year.

We recommend the transfer of the \$50,000 which is requested for assistance to local agencies for gnat control to Item 97, the support item for the University of California.

Two gnat research programs are currently being carried on under this subvention. One research program on the control of the biting black gnat is being carried on by the San Mateo County Mosquito Abatement District. The State has been providing financial assistance to this research program in the amount of \$10,000 annually during the past five years.

The other research program on the control of the Clear Lake gnat is being carried on by the Lake County Mosquito Abatement District. The State had been providing financial assistance to this research program in the amount of \$10,000 annually for four years, however, at the 1962 Session the Budget Act was augmented by \$30,000 so that the total support to the district during the current year is \$40,000. This level of support is proposed to be continued during the budget year. This increase was proposed on the basis of an accelerated research program including the chemical treatment of Clear Lake which was completed during the current year. The district effectively utilized the chemical approach to obtain a short term relief from the Clear Lake gnat. The other approach is a long range program directed towards the biological control and eventual elimination of the Clear Lake gnat.

The State has accepted the responsibility for providing some financial support for gnat control research and we recommend the continuance of this support at the current level of \$50,000 annually. However, we believe that an effective program which will lead to the control of the biting black gnat and the Clear Lake gnat can best be achieved when these programs are brought within the research environment of the university. The accessibility to research centers and the availability of faculty and research personnel who are recognized experts in the vector control field will enhance the prospects for an early solution of this problem.

We would hope that both the San Mateo County Mosquito Abatement District and the Lake County Mosquito Abatement District will provide the field personnel to field test the control measures which are developed by the university.

A similar approach is now being followed at Riverside where the university carries out gnat research on the eye gnat through a \$30,000 appropriation to the university while the Coachella Valley Mosquito Abatement District provides the field personnel to field test the control measures which have been developed by the university.

During the hearings last year on the 1962 Budget Bill the Senate Finance Committee directed "the Department of Public Health and the

Gnat Control—Continued

University of California . . . jointly to submit a report to the 1963 session of the Legislature relative to the feasibility of the university assuming the research responsibility for gnat control”.

The department's attention was called to the fact that no report relative to this matter had been submitted to the Legislature. The department advised by letter that a joint report from the University of California and the Department of Public Health had previously been submitted relative to mosquito control research. The letter indicated that it was their “intention that this one report would apply similarly to research in the control of mosquitoes and of gnats”.

We believe that the basic research approach in the gnat control area is considerably different from that which should exist in the mosquito control area. This difference in approach is brought out in our recommendation and discussion relative to gnat control, above, and in the following item in our analysis which deals with our recommended research approach in the mosquito control area.

Department of Public Health**MOSQUITO CONTROL**

ITEM 423 of the Budget Bill

Budget page 985

FOR ASSISTANCE TO LOCAL AGENCIES FOR MOSQUITO CONTROL FROM THE GENERAL FUND

Amount requested_____	\$208,767
Estimated to be expended in 1962-63 fiscal year_____	207,904
Increase (0.4 percent)_____	\$863
TOTAL RECOMMENDED REDUCTION_____	None

GENERAL SUMMARY

Section 24216 of the Health and Safety Code provides that the State Department of Public Health may enter into co-operative agreements with any local district or public agency engaged in the control of mosquitoes under conditions to be prescribed by the State Board of Public Health.

ANALYSIS

An appropriation of \$208,767 is requested to provide for assistance to local agencies for mosquito control during the budget year.

The mosquito control subvention provides for two major programs, one of which is a mosquito control research program which is conducted by the department and the other is a direct subvention to local districts for the reporting of mosquito incidence.

During the hearings last year on the 1962 Budget Bill the Senate Finance Committee directed “the Department of Public Health and the University of California . . . jointly to submit a report to the 1963 Session of the Legislature relative to the feasibility of the university assuming the research responsibility for mosquito control.” The requested report has been submitted.

Mosquito Control—Continued

The report states in part "the University of California has a broad interest and responsibility in the basic aspects of research on mosquitoes, but also follows through to the application of basic findings to practical problems and seeks direct answers to such problems. The regulatory, consultative, surveillance and control responsibilities of the State Department of Public Health require that it engage in mosquito control research where the present fund of knowledge is insufficient and other agencies are not pursuing the problems on an adequate time schedule. It is inevitable that the respective research roles of these two agencies contain some overlap of interests and responsibilities."

The report continues: "It is unrealistic and undesirable for either the university or the department to assume sole responsibility for all research in this field; the solution of the many problems will require the support and collaboration of both agencies. It is agreed therefore that the best way of handling the overlapping interest and responsibility is a co-ordinated research effort by the University of California and the Department of Public Health."

To facilitate this co-ordinated research effort the report proposes the following plan:

"(1) The University of California will continue to accept the major responsibility for basic research carrying its findings to the applied level wherever necessary.

(2) The State Department of Public Health will continue to conduct research necessary to carry out its regulatory, advisory, surveillance and control responsibilities when basic or applied research of other agencies is inadequate or will not meet critical time schedules.

(3) A joint committee of the University of California and State Department of Public Health has been established to co-ordinate their research efforts. This joint committee will develop collaborative projects where necessary, direct the attention of researchers and administrators to areas of research need or overlap, and in other ways co-ordinate and facilitate the research program."

The department is presently carrying out a research program with 12 vector control specialists. Three of these specialists are assigned to the Co-operative Encephalitis Project in Bakersfield. This field program is directed by the Hooper Foundation of the University of California and is a co-operative effort composed of personnel from the School of Public Health of the University of California at Berkeley, the Communicable Disease Center of the United States Public Health Service and the Kern County Mosquito Abatement District as well as the State Department of Public Health. In addition, two specialists, who are employees of the department, are assigned to the University of California at Davis on a co-ordinated research program.

The remaining seven positions are located at the department's Fresno field station and conduct research under the direction of the department.

We recommend approval of the \$208,767 as budgeted.

We are making our recommendation for approval as a result of the study conducted jointly by the university and the Department of Pub-

Department of Water Resources—Continued

Last year the department processed only \$2,781,453 in claims while \$9,978,692 in appropriation authority was available. The Governor's Budget indicates that next year the department will disburse \$14,664,187 out of a total of \$18,068,373 available, which is not a reasonable expectation in view of past experience. Furthermore, approximately \$5,500,000 in appropriations which have reached the end of their three-year period of availability will either be allowed to revert or be reappropriated by control sections of the Budget Bill to extend their availability because the funds have not been spent. This clearly indicates that funds have been requested far in advance of reasonable expectation of expenditure.

It must be recognized that it is difficult to estimate the reasonable need for funds to be expended each year because of changes in Corps of Engineers schedules and for many other reasons. However, reasonable improvement is possible. As part of the budget justification this year, the Department of Water Resources was requested by this office to furnish a schedule of anticipated expenditures by fiscal year for the funds being requested. The department was unable to prepare such a schedule. The Department of Finance recognized that not all of the money being requested would be spent next year and provided for limiting language in the Budget Item so that \$4,042,691 of the appropriation could not be expended during the next fiscal year, thus permitting only \$7,826,709 of the appropriation made by Item 429 to be spent next fiscal year. This limitation is a step in the right direction but adequate management and scheduling of the expenditures is needed.

The projects for which funds are being requested and the amounts being requested for each project are listed in the schedule under Item 429 of the Budget Bill. *Approval of the request is recommended.*

DEPARTMENT OF WATER RESOURCES

ITEM 430 of the Budget Bill

Budget page 1003

FOR SUBVENTIONS FOR WATERSHED PROTECTION PROJECTS
FROM THE GENERAL FUND

Amount requested	\$2,173,291
Appropriated for 1962-63 fiscal year	2,759,314
Decrease (21.2 percent)	\$586,023

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

Sections 12850 to 12875 of the Water Code authorize the Department of Water Resources to reimburse local agencies for costs of lands, easements and relocation of utilities for watershed protection projects constructed by the U.S. Soil Conservation Service. The Napa River Project in the amount of \$1,325,000 is the only new project being started next fiscal year. A list of the projects with the amounts requested for each is contained in the schedule under Item 430 of the Budget Bill.

Approval of the request is recommended.

Reclamation Board
FLOOD CONTROL

ITEM 431 of the Budget Bill

Budget page 1004

**FOR COSTS OF CO-OPERATION IN FLOOD CONTROL
PROJECTS IN THE CENTRAL VALLEY
FROM THE GENERAL FUND**

Amount requested-----\$3,517,922
Appropriated for 1962-63 fiscal year-----5,894,000

Decrease (40.3 percent)-----\$2,376,078

TOTAL RECOMMENDED REDUCTION-----\$714,922

Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Reduce Lower San Joaquin River Flood Control Project			
(State's portion for construction)-----	\$714,922	1005	31

ANALYSIS

The funds appropriated by this item are used by the Reclamation Board to acquire lands, easements, and rights-of-way and for relocation of utilities needed for construction of Corps of Engineers levee and channel flood control projects in the Central Valley. Also included are funds for transfer to the Department of Water Resources for construction of the State's portion of the San Joaquin River Flood Control Project.

The \$3,517,922 contained in this item is for the following projects:

- | | |
|--|-----------|
| (a) Sacramento River Flood Control Project----- | \$197,000 |
| (b) Lower San Joaquin River Flood Control Project----- | 1,964,922 |
| (c) Middle Creek Flood Control Project----- | 1,000 |
| (d) Calaveras River and Littlejohn Creek and Tributaries Project----- | 1,350,000 |
| (e) Sacramento River Flood Control Project—Chico Landing to Red Bluff----- | 5,000 |

Total of schedule-----\$3,517,922

In the past, this analysis has called the attention of the Legislature to the high costs, slow progress and uncertain responsibility between the Reclamation Board and the Department of Water Resources for construction of the State's portion of the Lower San Joaquin River Flood Control Project (that section of the San Joaquin River south or upstream from its juncture with the Merced River). Particular attention was given to the problem on page 760 of the 1961-62 analysis.

During the past year the project plan has been further revised and the total estimated cost has once again greatly increased. The original cost estimate at the time the project was authorized for state construction in 1955 was on the order of five to six million dollars. The current estimate is \$20,338,000. Because of the unsatisfactory status of the project, special attention has been directed by this office to the project and the following information has been developed:

Flood Control—Continued

1. The initial planning by the Division of Water Resources, contained in its report of 1954, was inadequate in that it was not sufficiently detailed, contained no cost estimates and lacked economic analysis.

2. The authorization for the project contained in Water Code Section No. 8621 was inadequate because it did not define or limit the project, but authorized the Reclamation Board to build any project costing less than acquiring rights-of-way for a federal project. The original estimated cost of the flowage easements for the federal project was \$12,000,000 compared to between five and six million dollars for the construction costs of the state project. The present state construction costs are, however, \$20,338,000.

3. The Reclamation Board has been authorized to construct the project, and design and construction funds have been appropriated to it. The funds have been transferred to the Department of Water Resources which has actually executed the design work, awarded the construction contracts and supervised the construction. Overall control of the program schedule and responsibility for acquiring lands and making basic policy decisions has remained with the Reclamation Board. There has resulted a lack of clear-cut responsibility between the department and the Reclamation Board with increasing costs and unnecessary delays occurring.

4. The Construction Branch of the Department of Water Resources has been primarily occupied during the past few years with construction work at Oroville, with the result that the department's field office at Merced, which is responsible for contract construction on the project, has been inadequately supervised. Inefficient working relationships, overstaffing, poor morale and other elements of inadequate management have occurred.

5. Three basic revisions in the project plan have been made by the Reclamation Board to date since the project was authorized for construction. These revisions have so altered the project that the present plans for that portion of the project remaining unconstructed bear no resemblance to the authorized plan. The project no longer provides for channel and levee work along the San Joaquin River but has been shifted to a system of bypasses. Only limited work along the San Joaquin River will actually be done.

6. The cost of these revisions has been high. For example, the Department of Water Resources has estimated that it has spent \$221,000 for design and engineering work on the project which was lost because of revisions in plans.

7. The record indicates in each of the three major project revisions, the Reclamation Board selected that plan which was most expensive for the State. In one clearly documented instance where the alternatives available in selecting the revised plan were extensively studied by Colonel Hedger, the former chief engineer of the Los Angeles County Flood Control District, the cheapest of 11 plans cost \$2,810,000 and the most expensive plan cost \$4,685,000. The most expensive plan was the most desirable from the point of view of the local interests since it had low local maintenance costs, utilized the least improved lands, had low

Flood Control—Continued

drainage interference and was next to highest in groundwater replenishment. Its only local disadvantage was from seepage. The revised plan adopted this expensive alternative but it was modified by the board to eliminate seepage. It is clear in this instance that the Reclamation Board selected the plan most favorable to the local interests even though it was the most expensive for the State.

8. The project is a flood control project but it also contains substantial land reclamation. For example, the flowage easements required for the original federal project would have kept approximately 100,000 acres out of full production. Most of this land will be fully protected by the state project and will undoubtedly appreciate several hundred dollars per acre. The area through which the revised project passes is similarly largely grazing lands or unused lands which are periodically subject to flooding. After completion of the project these lands will also appreciate in value. No figures are available, but it appears that many millions of dollars of land enhancement will occur from the project construction. Federal law requires the Corps of Engineers to secure some contribution towards construction costs of a project by those land owners who receive substantial land enhancement, but the State has no such policy.

9. As part of the construction of the project, and pursuant to generally accepted state policy, the Reclamation Board is rebuilding bridges or providing bridges as may be necessary because of the project. It appears that the board has provided bridges of unnecessarily high cost for counties and private land owners in several instances. The construction of these and other bridges is one of the major cost components of the project.

10. Although substantial advantages are being gained by the area from the construction of the project in the form of groundwater replenishment, land enhancement, bridge construction, and flood control protection, the local people have frequently not assisted the State and the Reclamation Board by co-operating with them. Law suits have been filed, condemnation has been required to secure rights-of-way and unreasonable requests for payments for lands on which existing levees stand have occurred.

11. Water Code, Sections 8708 and 8710 authorize the Reclamation Board to protect flood channels from encroachment. Although the Reclamation Board has been careful to design the San Joaquin Valley Flood Control Project to high engineering standards, even though in one instance this has involved construction of two expensive bridges instead of one, the board has not been equally careful to protect the existing channels from impairment. The board has not exercised its authority to prevent unauthorized relocation of the Fresno River channel by private interests and local government even though this movement gave evidence of affecting the flood channel.

12. Two of the members of the Reclamation Board are directly interested in lands affected by construction of the project. This condition arises because the Water Code permits members of the board to have a conflict of interest. Section 8575 states, "A member of the board

Flood Control—Continued

having an interest in lands within the drainage system (meaning Central Valley) is not disqualified from voting to execute any part of the plans of flood control or from carrying out the object of this part."

In view of the above considerations, it is recommended that (1) Water Code Section 8575 be repealed thereby preventing any future possibility of conflict of interest from occurring, (2) that no further expenditures be made on the project, which is about half completed, until a thorough restudy has been completed and furnished to the Legislature, (3) that the Legislature reauthorize the project on the basis of a specific plan resulting from the restudy, (4) that the authority to construct the project be placed in one state agency, and (5) that the \$714,922 contained in the Budget Bill for construction of the State's portion of the Lower San Joaquin River Flood Control Project be denied until the State's portion is reauthorized. With regard to funds for other projects contained in this item, approval is recommended.

**Reclamation Board
FLOOD CONTROL**

ITEM 432 of the Budget Bill

Budget page 1004

**FOR COSTS OF CO-OPERATION ON THE SACRAMENTO
RIVER BANK PROTECTION PROJECT
FROM THE GENERAL FUND**

Amount requested	\$993,000
Appropriated for 1962-63 fiscal year	270,000
 Increase (267.7 percent)	 \$723,000

TOTAL RECOMMENDED REDUCTION None

Summary of Recommended Reductions

Budget

	Amount	Page	Line
Limit appropriation to emergency work		1005	32

ANALYSIS

The funds appropriated by this item are used for the acquisition of lands, easements, rights-of-way, relocation of utilities and a portion of the construction costs of the U.S. Corps of Engineers' Sacramento River Bank Protection Project.

The 1961 session approved Chapter 2188 which authorized the Reclamation Board to participate in the construction of the Sacramento River Bank Protection Project. This is a new project authorized by Congress in 1960. It establishes a new policy that in addition to local payment for the acquisition of rights-of-way and relocation of utilities, local agencies shall also share in the construction costs of the project to the extent that the costs of rights-of-way and relocation of utilities do not equal one-third of the project costs.

Chapter 2188 did not specify whether the State or local reclamation districts along the river should pay the portion of construction costs not paid by the federal government. Instead, Chapter 2188 states "Prior to any appropriation of funds for the purposes described in this section, the (Reclamation) board shall investigate and report to the

**Department of Water Resources
BEACH EROSION CONTROL**

ITEM 433 of the Budget Bill

Budget page 1005

**FOR THE STATE'S SHARE AND FEDERAL ADVANCES
FOR BEACH EROSION CONTROL
FROM THE GENERAL FUND**

Amount requested	\$4,308,200
Appropriated for 1962-63 fiscal year	1,265,790
Increase (240.3 percent)	\$3,042,410

TOTAL RECOMMENDED REDUCTION **None**

ANALYSIS

The U.S. Corps of Engineer's Beach Erosion Control program has been in existence for only a few years. Sections 335 through 338 of the Water Code authorize the Department of Water Resources to pay one-third of the project costs and advance one-third for the federal cost which is subsequently reimbursed. The remaining one-third is paid by local agencies of government, or when state land is involved by the State. Projects which are being funded and the amounts for each are shown in the schedule under Item 433 of the Budget Bill.

Although Item 433 is for \$4,308,300, less than one million dollars of this amount is for the State's portion of project costs, the remainder being advances for the federal portion which is subsequently reimbursed. It is our understanding that the Corps of Engineers requires the State to make all of the advance for a project at one time and before the Corps of Engineers has done any detailed planning work on the project. Since the planning work necessary to secure congressional authorization of a beach erosion control project is frequently only very general in nature, these projects are subject to significant changes as the final planning work is done and designs are prepared by the Corps of Engineers prior to construction. In view of the fact that the State is advancing large sums, in some instances better than two-thirds of the construction costs of the project, it appears that further review and approval of project plans by the Department of Water Resources should occur before construction contracts are awarded.

It is, therefore, recommended that limiting language be inserted in the Budget Bill to require that the Department of Water Resources review and approve final planning work on the project before the department releases any funds for the construction of the project. In other regards approval of the request is recommended.

**Department of Conservation
DIVISION OF SOIL CONSERVATION**

ITEM 434 of the Budget Bill

Budget page 1013

**FOR GRANTS TO SOIL CONSERVATION DISTRICTS
FROM THE GENERAL FUND**

Amount requested	\$100,000
Estimated to be expended in 1962-63 fiscal year	100,000
Increase	None

TOTAL RECOMMENDED REDUCTION	\$10,600
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Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Budget Line</i>
Delete amount for grass testing	\$10,600	1013	57

ANALYSIS

Chapter 2406, Statutes of 1957, established a continuing appropriation of \$100,000 annually, payable from the State Lands Act Fund, to be used by the State Soil Conservation Commission to make grants to regularly organized soil conservation districts for various purposes deemed by the commission to be for the welfare of the people of the State. This was contained in a new Section 6816.1 which was added to the Public Resources Code.

Subsequently, in 1961 the Legislature abolished the State Lands Act Fund by Chapter 892 and repealed the section mentioned above. The same legislative act also added Section 9063.1 to the Public Resources Code which essentially provided for the same purposes as mentioned in the repealed section. However, the new section did not contain an appropriation for a specific sum of money but instead left this amount to be appropriated as required.

In the Budget Act of 1961 the Legislature provided \$100,000 from the General Fund for these grants, contingent upon the abolishment of the State Lands Act Fund, and in the 1962 Budget Act it again provided \$100,000 from the General Fund.

The State Soil Conservation Commission has been allocating these funds on four broad categories: construction, planning, investigation and demonstration with the bulk of the funds going to construction and planning. In the proposal for the 1963-64 budget year the amount for planning exceeds construction for the first time since the program began, which is in line with our prior recommendations that the funds should be used as much as possible for planning purposes with construction funds being made available locally from both public and private sources.

The proposal includes approximately \$22,500 for additional costs of planning projects already underway and approximately \$17,500 for additional costs of construction projects already underway. In both categories state funds have been previously provided. The balance of \$60,000 represents new projects in the categories previously mentioned.

The proposal also includes \$10,600 for a type of research work involving the testing of vegetative types for ditch bank erosion control and

Division of Soil Conservation—Continued

for the spraying or other eradication of undesirable vegetative types which choke ditches and impede water flow.

We suggest that such research can be accomplished without added cost by the University of California particularly at Davis where field conditions are readily available or can be easily simulated.

We recommend that the proposal be reduced by \$10,600 to a new total of \$89,400 and that these subventions be devoted exclusively to planning and construction.

SALARIES OF SUPERIOR COURT JUDGES

ITEM 435 of the Budget Bill

Budget page 1014

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

Amount requested	\$3,962,000
Estimated to be expended in 1962-63 fiscal year	3,952,000
Increase (0.3 percent)	\$10,000

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

The State's share of the salaries to be paid to superior court judges during fiscal year 1963-64 is estimated at \$3,962,000, an increase of \$10,000 or 0.3 percent over estimated expenditures for the current year.

The State contributes a portion of the salary of each of the presently authorized 335 superior court judges for California's 58 counties. The amount of this share is based on a population formula and averages from about 55 percent for the large counties up to approximately 65 percent in the small counties. Current salary payments reflect, in addition to statutory amounts, a 5-percent salary increase granted by the Budget Act of 1960. This increase is paid in total by the State with no contribution by the counties.

The amount requested contains a salary share for one authorized position in San Joaquin County which is not to become effective until courtroom facilities are certified by the board of supervisors to be available.

We recommend approval of this item as budgeted.

**Department of Veterans Affairs
COUNTY SERVICE OFFICERS**

ITEM 436 of the Budget Bill

Budget page 1015

FOR SUPPORT OF CONTRIBUTIONS TO COUNTIES TOWARD THE COMPENSATION AND EXPENSES OF COUNTY VETERANS SERVICES OFFICES, FROM THE GENERAL FUND

Amount requested	\$500,000
Estimated to be expended in 1962-63 fiscal year	500,000

Increase	None
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TOTAL RECOMMENDED REDUCTION	None
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County Service Officers—Continued

GENERAL SUMMARY

Sections 970 to 973 of the Military and Veterans Code provides that the board of supervisors of any county may appoint a county service officer. It is the duty of the county service officer to assist veterans and dependents of deceased veterans in pursuit of their rights provided by California and the United States.

Provision is also made for payment of up to \$75 per month toward the salary of the county service officer and for payment as determined by the Department of Veterans Affairs toward the salaries of assistants and operating expense.

ANALYSIS

There are 54 counties participating in this program. The Governor vetoed \$150,000 of the \$500,000 proposed in the 1959-60 Budget. The 1960-61 Budget retained the \$350,000 level of aid and the 1961-62 Budget restored it to \$500,000, the level of the present proposal.

We recommend approval of this item as requested.

Department of Agriculture

COUNTY AGRICULTURAL COMMISSIONERS

ITEM 437 of the Budget Bill

Budget page 1015

FOR SALARIES OF COUNTY AGRICULTURAL COMMISSIONERS
FROM THE GENERAL FUND

Amount requested	\$177,600
Estimated to be expended in 1962-63 fiscal year	171,001
Increase (3.9 percent)	\$6,599

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

This item appropriates funds under the authority of Section 63.5 of the Agriculture Code, which authorizes the Director of Agriculture to enter into co-operative agreements with any county for the purpose of increasing the salary of the county agricultural commissioner. The state contribution is limited to two-thirds of each salary or \$3,300, whichever is less. Fifty-two counties are participating in this program, and there are indications that two more counties may sign contracts. The purpose of this program is to provide for enforcement of the provisions of the Agricultural Code at the county level.

Approval of this item is recommended.

State Disaster Office

WORKMEN'S COMPENSATION FOR DISASTER SERVICE WORKERS

ITEM 438 of the Budget Bill

Budget page 1016

FOR SUPPORT OF WORKER'S COMPENSATION FOR DISASTER SERVICE WORKERS FROM THE GENERAL FUND

Amount requested	\$50,000
Estimated to be expended in 1962-63 fiscal year.....	50,000

Increase	None
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TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

Legislative action to provide compensation insurance for volunteer civil defense or disaster workers was first taken by passage of Chapter 104 of the First Extra Session of 1946 which added sections to the Labor Code. Subsequently, these sections were further consolidated and amended in their present position in the Labor Code as Chapter 10 of Division 4.

The greatest part of the total civil defense or disaster service effort depends on volunteer workers who usually receive no form of compensation for their work. It is therefore appropriate that some protection be afforded these people in the event of injuries resulting from their duties and activities as volunteer workers. This item provides for the charges for administrative services rendered by the State Compensation Insurance Fund and for the actual cost of hospitalization and medical care anticipated to be required during the budget year, based on previous experience. The same amount is proposed as was provided for the current fiscal year which appears to be adequate for the purpose. *We recommend approval.*

Department of Justice

COMMISSION ON PEACE OFFICERS STANDARDS AND TRAINING

ITEM 439 of the Budget Bill

Budget page 1016

FOR ALLOCATION TO CITIES, COUNTIES AND CITIES AND COUNTIES PURSUANT TO SECTION 13523 OF THE PENAL CODE, FROM THE PEACE OFFICERS' TRAINING FUND

Amount requested	\$535,238
Estimated to be expended in 1962-63 fiscal year.....	489,750

Increase (9.3 percent)	\$45,488
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TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

The Peace Officers' Training Fund, derived from a five percent penalty assessment on certain criminal fines and forfeitures, provides for state participation in the cost of training local peace officers. Within amounts available in the fund, the Commission on Peace Officer's Standards and Training may allocate to individual cities and counties up to

Commission on Peace Officers Standards and Training—Continued

50 percent of the living and other expenses of trainees from those local jurisdictions which by ordinance have agreed to abide by commission rules and regulations.

It is reported that of the 434 jurisdictions employing enforcement officers, 281 are participating in the program and that through fiscal year 1961-62, approximately 2,279 officers had received training under the program. It is estimated that approximately 1,880 officers will have been trained during the current year.

The commission proposes to allocate the sum of \$535,238 to local agencies under the program for fiscal year 1963-64, an increase of \$45,488, or 9.3 percent, over estimated allocations for the current year. It is anticipated that this sum will provide a training cost share by the State for about 1,970 trainees.

We recommend approval as budgeted.

Department of Finance**HOUSING IMPROVEMENT AND DEVELOPMENT**

ITEM 440 of the Budget Bill

Budget page 1018

FOR SUPPORT OF HOUSING IMPROVEMENT AND DEVELOPMENT FROM THE GENERAL FUND

Amount requested ----- \$2,000,000

Estimated to be expended in 1962-63 fiscal year ----- None

Increase ----- \$2,000,000

TOTAL RECOMMENDED REDUCTION ----- Unresolved**ANALYSIS**

This amount is provided to initiate an interest guarantee program to provide a wider choice suitable housing for low-income California residents, and is subject to proposed legislation. Support for the administration of this program amounting to approximately \$100,000 is budgeted under the Local Allocations Division of the Department of Finance.

We have no further information nor have we seen the proposed legislation, and therefore have no basis for evaluating the merits or budgetary requirements for this program.

As we are unable to resolve questions relating to this proposal, we cannot make a recommendation at this time.

Department of Public Works**DIVISION OF ARCHITECTURE**

ITEM 441 of the Budget Bill

Budget page 1055

FOR SUPPORT OF DIVISION OF ARCHITECTURE FROM THE ARCHITECTURE REVOLVING FUND

Amount requested ----- \$9,539,112

Estimated to be expended in 1962-63 fiscal year ----- 9,643,889

Decrease (1.1 percent) ----- \$104,777

TOTAL RECOMMENDED REDUCTION ----- None

Division of Architecture—Continued

GENERAL SUMMARY

Architectural services for the State, performed by state employees, were apparently first provided for in Chapter 183, Statutes of 1907, when a State Architect was designated as part of a department of engineering. This position was given general charge of the erection of all state buildings as well as the preparation of designs and plans, specifications and estimates. Subsequent legislation somewhat broadened these powers to include the use of private architects under certain conditions. The Statutes of 1945, Chapter 118 created the Department of Public Works and within it the Division of Architecture which was to be under the control of the State Architect with the same duties and responsibilities mentioned above. These duties implied the construction of buildings and immediate appurtenant facilities as differentiated from highways, highway structures, bridges, dams, etc. The responsibility extended to all such buildings with the exception of those constructed by the University of California, the San Francisco Port Authority and, with certain limitations, the various district and county fairs.

Another separate and distinct responsibility, which was subsequently placed upon the Division of Architecture, was the checking and approval of all plans dealing with the construction of primary and secondary school buildings throughout the State to ascertain their adequacy in resisting earthquake stresses particularly but other types of stresses as well. This was largely a result of the extensive damage following the Long Beach earthquake in 1925.

The Legislature in enacting Chapter 49, Statutes of 1960, First Extraordinary Session, created the Trustees of the California State Colleges and delegated to that new body full control of the design and construction of all state college buildings, thereby removing this responsibility entirely from the Division of Architecture. The trustees were given complete power which permitted them to use either private architects or to employ the State Division of Architecture as though it were a private architect. As a practical matter the trustees have chosen to employ the State Division of Architecture in about 60 percent of their authorized projects for design, preparation of working drawings and specifications and for all projects with respect to the bidding procedure, the letting of construction contracts and the inspection of the progress of construction. This is an interim arrangement and the trustees may subsequently establish their own organization for performing the latter service.

Prior to 1960 the Division of Architecture did not submit a regular budget proposal each year covering the salaries and wages of its employees and its operating expenses. Instead it levied appropriate charges for its services against the appropriations for each capital outlay project which was authorized by the Legislature. This was accomplished by means of a technique in which all such appropriations were deposited in the Architectural Revolving Fund and the Division of Architecture made all of its disbursements from this fund including disbursements for actual construction as well as for its own service fees.

Division of Architecture—Continued

In 1960, for the first time, the Division of Architecture was required to submit a regular budget request covering the total anticipated salaries and wages for its employees, operating expenses and equipment cost for the budget year. This budget was based more or less on the anticipated volume of construction that would be authorized by the Legislature. The purpose of this procedure by which the Legislature made a specific appropriation for the support of the Division of Architecture even though it came from a revolving fund which was already devoted to the Division of Architecture, was to put the division on the same footing as other agencies in requiring it to estimate its manpower needs and its operational costs for the budget year. This system has been continued each year thereafter. To the extent that the Legislature fails to appropriate for anticipated capital outlay projects, the support budget of the Division of Architecture will be adjusted downward automatically by the reduced availability of funds.

The services of the Division of Architecture with respect to the checking of public school building plans are financed in an entirely different manner and are covered by an appropriation item immediately following this one. These services are supported from the Architecture Public Building Fund which derives its revenues from a schedule of fees levied against each project submitted to the division for checking and approval. The volume of work anticipated for the budget year is based largely on empirical experience which for the past few years has indicated an annual value of between 300 and 350 million dollars. The schedule of fees is based on a sliding scale percentage of the estimated construction value of the project submitted. This scale is adjusted from time to time as required to maintain a balance between expenditures and anticipated revenues.

ANALYSIS

The budget proposed for the 1963-64 fiscal year largely reflects the anticipated volume of work to be performed by the division during the budget year. The reduction is relatively small when compared to the current fiscal year and represents entirely a reduction in operating expenses occasioned by a lesser use of outside contract architectural and engineering services. The size of the work force is proposed at about the same level as the current fiscal year which is approximately 876 full-time positions compared with 970 authorized in 1961-62 fiscal year. The position reduction is occasioned almost entirely by the reduction in workload resulting from the fact that the State College Trustees have chosen to use private architects on about 40 percent of their work. On the other hand the college trustees are continuing to use the Division of Architecture for the purpose of bidding and contract supervision and inspection. To the extent that the Legislature makes any significant changes in the proposed capital outlay budget the support budget for the Division of Architecture would automatically be adjusted by the Department of Finance commensurate with the change in workload. *We recommend approval.*

Reserve for Contingencies—Emergency Fund—Continued

made or for which insufficient appropriations were made by law. Allocations are made only upon the written approval of the Department of Finance.

As in previous years, the budget request for this item is for \$1 million. This represents a minimum base as the following table indicates that deficiency appropriations have been substantial during recent budget years. Unexpended balances revert to the General Fund.

	<i>Actual</i>			<i>Estimated</i>	<i>Proposed</i>
	<i>1959-60</i>	<i>1960-61</i>	<i>1961-62</i>	<i>1962-63</i>	<i>1963-64</i>
Budget Act appropriations	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Deficiency appropriations	1,325,839	340,000	3,200,000	1,500,000	—
Total available	\$2,325,839	\$1,340,000	\$4,200,000	\$2,500,000	\$1,000,000
Allocations to agencies	—\$2,123,785	—\$1,212,920	—\$3,675,690	—\$2,008,749	NA
Unexpended balances	\$202,054	\$127,080	\$524,310	\$491,250	NA

Details of the actual expenditures from this fund in 1961-62 appear on pages 690 through 694 of the current printed budget. We have summarized these line items into nine categories of general types of expenditures, as presented in the following table. The consolidated figures represent 40 separate allocations that were made to 25 state agencies during the year.

<i>Functional Need</i>	<i>Allocation</i>	<i>Percent Total Allocation</i>
Emergency fire suppression	\$1,680,000	45.71%
Unrealized reimbursements and salary savings	705,859	19.20
Local assistance	322,466	8.77
Increased workloads	317,829	8.65
Services, studies, fees, etc.	191,862	5.22
Physical plant and equipment	155,976	4.24
New and expanded programs	115,000	3.13
Capital outlay	110,000	2.99
Operating, travel, communications, etc.	76,698	2.09
Total	\$3,675,690	100.00%

We recommend approval as budgeted.

**Reserve for Contingencies
EMERGENCY FUND**

ITEM 284 of the Budget Bill

Budget page 690

**FOR EMERGENCY FUND DEFICIENCIES IN AUGMENTATION
OF APPROPRIATION MADE BY ITEM 284, BUDGET
ACT OF 1962, FROM THE GENERAL FUND**

Amount requested ----- \$1,500,000

TOTAL RECOMMENDED REDUCTION ----- **None**

**Reserve for Contingencies—Emergency Fund—Continued
ANALYSIS**

As shown in the discussion of the preceding item, \$2,008,749 has been allocated by written authorization of the Director of Finance out of the Emergency Fund for the 1962-63 fiscal year. These amounts are detailed on pages 690-694 of the budget, and exceed, by \$1,008,749, the amount appropriated. This appropriation of \$1,500,000 is proposed to cover this deficiency and provide a \$491,250 unallocated balance for the remainder of the current fiscal year.

We recommend approval as budgeted.

PERSONAL SERVICES NOT ELSEWHERE REPORTED

ITEM 285 of the Budget Bill

Budget page 695

**FOR ALLOCATION TO THE SEVERAL STATE AGENCIES,
DEPARTMENTS, TRUSTEES OF THE CALIFORNIA STATE
COLLEGES, AND THE BOARD OF REGENTS OF THE
UNIVERSITY OF CALIFORNIA FOR CONTRIBUTIONS
TO THE STATE EMPLOYEES' RETIREMENT
SYSTEM, FROM THE GENERAL FUND**

Amount requested ----- \$600,000

TOTAL RECOMMENDED REDUCTION-----Unresolved

ANALYSIS

This item proposes \$600,000 from the General Fund and \$400,000 from special funds for an improved benefit program for annuitants of the State Employees' Retirement System who have retired and whose retirement income was fixed.

Any adjustment in retirement benefits to annuitants of the State Employees' Retirement System will be subject to the enactment of enabling legislation. *At the writing of this analysis we have not seen the proposal for the retirement benefit adjustments thus we are withholding our recommendation until we are able to review the legislative proposal.*

PERSONAL SERVICES NOT ELSEWHERE REPORTED

ITEM 286 of the Budget Bill

Budget page 695

**FOR THE STATE'S CONTRIBUTION FOR THE COST OF A BASIC
HEALTH PLAN FOR ANNUITANTS AND OTHER EMPLOYEES
FROM THE GENERAL FUND**

Amount requested ----- \$496,000

TOTAL RECOMMENDED REDUCTION-----None

ANALYSIS

A sum of \$496,000 is proposed as the State's contribution for health and welfare benefits for annuitants of retirement systems to which the State contributes.

The State pays \$5 per month plus 5 percent of the cost of premiums for annuitants of the various retirement systems in accordance with the provisions of the Meyers-Geddes State Employees' Medical and Hospital Care Act.

We recommend approval of the amount budgeted.

PERSONAL SERVICES NOT ELSEWHERE REPORTED

ITEM 287 of the Budget Bill

Budget page 695

**FOR STATE'S CONTRIBUTION TO THE OLD AGE AND SURVIVORS'
DISABILITY INSURANCE REVOLVING FUND,
FROM THE GENERAL FUND**

Amount requested ----- \$5,000,000

TOTAL RECOMMENDED REDUCTION ----- None**ANALYSIS**

A sum of \$5,000,000 is proposed from the General Fund and \$3,300,000 from special funds for payment into the Old Age and Survivors' Disability Insurance Revolving Fund as the employers' share of the OASDI contribution.

The State's contribution for the Old Age and Survivors Disability Insurance program has been paid from the State Employees' Retirement Fund, since the programs were integrated. Starting July 1, 1963, the State's contribution will be paid from the appropriation from which salaries and wages are paid. Because the previous payments were not identified with an appropriation there is not sufficient experience to determine the amounts to be included in the appropriations for the budget year, thus a lump sum is proposed in this item, which will be allocated in augmentation of each appropriation as the necessary amount becomes known.

We recommend approval of the amount budgeted.

LEGISLATIVE CLAIMS

ITEM 288 of the Budget Bill

Budget page 696

**FOR CLAIMS OF THE STATE BOARD OF CONTROL
FROM SEVERAL FUNDS**

Amount requested ----- \$38,571

Estimated to be expended in 1962-63 fiscal year ----- 116,654

Decrease (67 percent) ----- \$78,654

TOTAL RECOMMENDED REDUCTION ----- None**GENERAL SUMMARY**

This item represents claims filed with and approved by the State Board of Control and the Governor. Such claims are of two general types in accordance with the following provisions of the Government Code:

Section 620:

"There shall be presented to the board and it shall audit claims against the State for which settlement is provided by law but for which:

- (a) No appropriation has been made,
- (b) No fund is available, or
- (c) An appropriation or fund has been exhausted.

"Upon approval of such a claim by unanimous vote of the board, it shall with the consent of the Governor be transmitted to the Legislature with a brief statement of the reasons for approval."

Legislative Claims—Continued**Section 621:**

"Any person having a claim against the State, the settlement of which is not otherwise provided for by law, shall present it to the board at least four months before the meeting of the Legislature. . . ."

Section 622:

". . . It may hear evidence for and against them and, with the approval of the Governor, report to the Legislature such facts and recommendations concerning them as it deems proper."

In addition, individual legislative claim bills are often filed which if approved by the Legislature, may be added to and paid out of this appropriation, or may be the subject of special appropriations.

The State Supreme Court, in *Muskopf v. Corning Hospital District*, abolished the doctrine of governmental immunity from tort liability. The Law Revision Commission proposes to introduce legislation in this session to limit such liability. Substantial fiscal demands against the State, presumably through this item, will undoubtedly result and become evident in the 1964-65 Budget.

ANALYSIS

The \$38,571 represents claims approved by the Board of Control up to November 1, 1962. Individual claims bills and Board of Control claims heard and approved subsequent to this date, but prior to final passage of the 1962 Budget Act, less Board of Control claims not approved by the Legislature, will be amended into the Budget Bill. Accordingly, this amount does not truly reflect the figure which will finally appear in the Budget Act.

SAN FRANCISCO WORLD TRADE CENTER AUTHORITY

ITEM 289 of the Budget Bill

Budget page 697

**FOR SUPPORT OF THE SAN FRANCISCO WORLD TRADE CENTER
AUTHORITY FROM THE GENERAL FUND**

Amount requested	\$160,238
Estimated to be expended from the General Fund in 1962-63 fiscal year	None
Increase	\$160,238
TOTAL RECOMMENDED REDUCTION	\$150,238

Summary of Recommended Reductions

	Budget		
	<i>Amount</i>	<i>Page</i>	<i>Line</i>
World Trade Development Program	\$50,238	698	19
Tourism Development Program	\$100,000	698	67

ANALYSIS

This proposed appropriation of \$160,238 to the San Francisco World Trade Center Authority represents both a new program and a new method of financing. This item is to finance a combination of several somewhat related, although separate, programs which must be discussed separately.

One part of the total proposed program is represented by Item 290 which appropriates \$75,681 from funds of San Francisco Port Au-

San Francisco World Trade Center Authority—Continued

thority to the San Francisco World Trade Center Authority. This is a continuation of an existing program and we have recommended approval of that item.

Another part of the program is the amount of \$10,000 proposed also from the General Fund as a one-time expenditure for the construction of a California exhibit at the United States World Trade Fair to be held in San Francisco in 1964. Since this is a one-time expenditure in a relatively modest amount in the interest of promoting California trade, industry and tourism without involving continuing support cost, *we recommend approval of the amount requested.*

Another part of this total proposed program to be financed from the General Fund is the expenditure of \$50,238 for "World Trade Development Program." This is described in the budget as a program to establish overseas commercial attachés and provide other staff to represent the State's business and agricultural interest in seeking markets and to keep this State's interest informed of export opportunities in certain countries. This is the same program and the same proposed budget which was submitted to the Legislature in the 1962-63 Budget and deleted from the budget.

We recommend deletion of the proposed \$50,238 for the following reasons:

1. There is no specific legislation defining this commercial attaché program and it would appear that anything that can be accomplished under existing legislation through the San Francisco World Trade Center Authority could also be accomplished by an increase in the funds proposed to be transferred from the San Francisco Harbor funds by Item 290 if it is considered desirable to increase that program. It is noted that the administration of the proposed new program and the existing program would be the same and in the absence of legislative guide lines it would be difficult to distinguish between those parts of the program which should properly be supported by the General Fund of the State and those which should be supported by the funds of the San Francisco Port Authority. For instance, the budget proposes to appropriate \$1,400 for director's expense and guest meals from the harbor funds and \$1,000 for the same purpose from general funds. Similarly, \$1,500 is proposed for out-of-state travel from harbor funds and \$4,000 from general funds for this purpose.

2. It was the intent of the original legislation which authorized the San Francisco World Trade Center Authority that it could be and should be self-financing. To add a General Fund appropriation of this amount to be administered under the same enabling legislation and machinery for the World Trade Center Authority would further discourage the use of both private funds and harbor funds for trade development in this area.

The largest part of the proposed appropriation from the General Fund is the amount of \$100,000 for a program to foster and develop tourism for the benefit of the State. The budget proposes a staff consisting of an information officer and a senior stenographer and other operating expense, the largest part of which is an item of \$47,495

San Francisco World Trade Center Authority—Continued

for tourism promotion and development. It is stated in the budget document that enabling legislation will be requested of the Legislature in the 1963 session to provide the necessary framework for this work. At this time, legislation has not been enacted but a bill has been introduced which presumably represents this program. A.B. 374 proposes to create the Office of Tourism and Visitor Services, to be headed by a director, and also a Tourism and Visitor Services Commission composed of 15 members appointed by the Governor. The proposed expenditures for these are not identified in the budget.

We recommend deletion of the \$100,000 proposed to be appropriated for this purpose for the following reasons:

1. The Legislature, in our opinion, should not act upon approval of this part of Item 289 of the budget until the legislative policy contained in the proposal enabling legislation is first acted upon.

2. Although tourism is an important industry to the State of California, it is after all only one of the industries of importance to the State. Governmental assistance in encouraging industries of interest to California, including tourism, is already available in the Office of Economic Development which has a proposed expenditure program for the 1963-64 fiscal year of \$184,383 for research, printing, etc., and the interest of California in tourism has traditionally been recognized and encouraged by large expenditures of private funds to foster tourism in the State. We have no doubt that if there were measurable evidences that the expenditure of more dollars for the development of tourism in California would yield measurable proportionate results, these expenditures would be made from private sources because of the interest of organized industry and other related services in this area.

SAN FRANCISCO WORLD TRADE CENTER AUTHORITY

ITEM 290 of the Budget Bill

Budget page 697

**FOR SUPPORT OF THE SAN FRANCISCO WORLD TRADE
CENTER AUTHORITY FROM THE SAN FRANCISCO
HARBOR IMPROVEMENT FUND**

Amount requested-----	\$75,681
Estimated to be expended in 1962-63 fiscal year-----	82,538
Decrease (8.3 percent)-----	\$6,857

ANALYSIS

This item proposes a transfer of funds from the San Francisco Harbor Improvement Fund to the Special Deposit Fund of the Authority for the support of the San Francisco World Trade Center Authority which was created by Chapter 1508, Statutes of 1947. This continues substantially the same program as has been conducted by the San Francisco World Trade Center Authority since 1960 and under the same method of financing from funds of the Port Authority.

We recommend approval of this part of the program in the amount budgeted. This program is further discussed in connection with a proposal to appropriate \$160,238 in addition from the General Fund by Item 289.

Department of Finance
SERVICE REVOLVING FUND

ITEM 291 of the Budget Bill

Budget page 700

**FOR SUPPORT OF THE SERVICE REVOLVING FUND
 FROM THE GENERAL FUND**

Amount requested	\$1,173,208
Recommended for approval	826,708
Amount unresolved	211,500

TOTAL RECOMMENDED REDUCTION	\$135,000
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Summary of Recommended Reductions

	Amount		Budget Page	Line
Printing Division—Equipment:				
Photo typesetting equipment	\$10,000			
Cover-coating machine	25,000	\$35,000	700	64
State garages				
Operating expense—Airplane	100,000		700	64

The Service Revolving Fund, created by Chapter 875, Statutes 1961, effective July 1, 1961, is a combination of two former revolving funds, the Purchasing Revolving Fund and the State Printing Fund.

The fund provides service to state agencies on a wholly reimbursable basis, its only source of operating income, with minor exceptions, being from appropriations to using agencies for services provided by the fund. Money for working capital and equipment needed to expand operations, or for replacement of equipment not fully covered by depreciation charges have been provided by appropriations from the General Fund in the past.

The two general classes of activities included under the Service Revolving Fund are the Printing Division and the general service activities of state garages, central stores, central reproduction, radio maintenance, office machine repair and rented buildings. All of these functions are supervised through various divisions of the Department of Finance.

The activities conducted under revolving funds are not generally subject to budgetary review by the Legislature as appropriations are made in the budgets of the individual agencies for these services. The activities of the Service Revolving Fund are shown, however, on pages 1045 through 1053 in the appendix to the Governor's Budget, but there is no position control nor line item reporting similar to that where direct appropriations for the support of particular agencies are involved.

Total income for all activities of the Service Revolving Fund is estimated at \$20,265,332 for 1963-64, as shown on budget page 1052, line 79.

The fund statement for the Service Revolving Fund as of January 1, 1961 and June 30, 1962, which is similar to the balance sheet of a commercial enterprise, appears on budget page 1046. Table 1 is a condensed version of the balance sheet as of June 30, 1962 showing the assets and liabilities attributable to the Printing Division and to all other activities, or the general service functions.

Department of Finance—Continued

Table 1. Condensed Balance Sheet, Service Revolving Fund
June 30, 1962

	<i>All functions</i>	<i>Printing</i>	<i>General service</i>
Current assets -----	\$7,618,060	\$3,987,336	\$3,630,724
Current liabilities -----	3,213,002	1,067,672	2,145,330
Net current assets (working capital) -----	\$4,405,058	\$2,919,664	\$1,485,394
Equipment (depreciated value) -----	4,903,713	2,133,132	2,770,581
Fund balance -----	\$9,308,771	\$5,052,796	\$4,255,975
Represented by:			
General Fund appropriations -----	\$4,019,720	\$1,089,766	\$2,929,954
Transfers from other agencies -----	979,643		979,643
Surplus (retained earnings) -----	4,309,408	3,963,030	346,378
Total -----	<u>\$9,308,771</u>	<u>\$5,052,796</u>	<u>\$4,255,975</u>

Special Budget Act Provisions Relating to Printing Division

Section 19 of the Budget Bill contains special provisions relating to the State Printing Division, which are similar to provisions contained in Section 19 of the Budget Act of 1962 and in Sections 19.4 and 19.5 of the Budget Act of 1961.

These provisions are as follows:

1. Any amount of surplus and working capital advances in the Service Revolving Fund for the Printing Division which totals in excess of \$5,290,000 as of the end of the current year, shall be transferred to the General Fund. (As indicated in Table 1, these amounts totalled \$5,052,796 at June 30, 1962.)

2. All purchases of equipment be provided for in the Budget Act.

3. Augmentations to this division are limited to those specified in the Budget Act.

4. Augmentations proposed for the year following the budget year must be shown as a proposed appropriation from the General Fund in the proposed budget for that year.

In view of these legislative requirements we believe that a separate balance sheet for the Printing Division should be included in the printed budget and so recommend.

Printing Division

This division operates the State Printing Plant which produces the necessary printing for state agencies and the Legislature, manufactures text books for public schools, operates the Legislative Bill Room and operates a document section where sales are made of state documents.

Central Stores

Central Stores is managed out of the Purchasing Division, Department of Finance and concentrates on large quantity purchases of commonly used materials and storage at state-owned facilities. No augmentation is requested. The department indicates that it proposes to increase the inventory in the amount of \$175,000 which will result in sales approximating \$550,000 a year and savings to the State of \$82,000

Service Revolving Fund—Continued

a year. When overhead markup is excluded from the sales figure, the turnover of this additional inventory is projected at less than three times per year.

This section also houses surplus property reutilization which is currently financed out of the General Fund. The budget document indicates that one position will be added for property reutilization in Los Angeles, out of the revolving fund.

We recommend that property reutilization be established on a completely reimbursable basis, or be given a full and separate recognition as a service revolving fund activity.

With this unit combined in Central Stores, profit or losses from operations are undisclosed in normal reporting.

State Garages

The automotive management section of the Purchasing Division, Department of Finance, consists of 16 positions and related expenses financed out of the General Fund. Its function is to supervise the acquisition, use, maintenance, and disposition of state-owned vehicles, and supervise the automotive pool operated out of state garages. In various locations vehicles are provided for use by state personnel.

In our 1962-63 analysis, we recommended that all subfunctions of the pool be budgeted on a break-even basis. We find that the gain or profit from the sales of gas and oil and storage charges offsets losses from pooled car operations. As this situation has persisted,

We recommend that all subfunctions of the state garages be conducted on a "break-even" basis in the future.

The Department of Finance has in the past encouraged the use of the automotive pool for increased utilization of the fleet which results in savings to the State. However, we note that both other Service Revolving Fund activities and divisions of the Department of Finance now own and have budgeted for additional and replacement units of automotive equipment.

We recommend that all such vehicles be transferred to the pool.

Radio Maintenance

The radio maintenance activities in 40 locations throughout the State are supervised out of Sacramento by the Communications Division, Department of Finance which is discussed under item 132. The basic function of this unit is to provide repair service for certain state-owned mobile radio and microwave communication equipment. Of a total of 84 positions currently established, 9 are directly involved with microwave.

Two practices have come to our attention which we feel require legislative review. The first, inventory control procedures, relates in part to the other, writeoff of equipment.

Two clerical positions which had been maintaining a perpetual inventory of radio maintenance repair parts and equipment were transferred to the Department of Finance, Administrative Service Office in 1961-62, to centralize the accounting for this function. However, the perpetual inventory to which they had been assigned was dis-

Service Revolving Fund—Continued

continued, which we feel has resulted in a loss of control over maintenance parts and equipment, and unwarranted staff additions in the accounting office. The revised procedure is based upon a recommendation contained in Survey 852, Organization and Cost Control Division, dated November 1, 1957.

Currently, inventories are taken by the field offices annually and forwarded to Sacramento for consolidation. This ending inventory is subtracted from the total of the beginning (previous year) inventory plus purchases during the year. The difference presumably represents consumption in maintenance and repair work, and is charged as supplies used for work performed.

We recommend that a quantity perpetual inventory be reinstated.

Our attention was called to the revised procedure by an inventory adjustment of \$23,884 in the 1961-62 final statement of operations. Although we do not feel that pricing all postings is required, the control over what we feel to be highly sensitive items should be re-established. The personnel in the outlying shops work virtually without supervision, and could easily be diverting state property to other uses. Abnormal consumption would be revealed through the perpetual inventory records, if properly utilized. This is a basic concept in inventory control, as well as requisitioning replacement parts.

Related to this is the writeoff of equipment. Many transmitters and receivers as well as items of test equipment are replaced for various reasons, among them modifications not feasible, continued vehicular use impractical, excessive repairs, etc. This equipment is written off or dropped from accountability through survey reports, the disposition shown as junked. The division states that these sets are cannibalized for parts. However, as there is no inventory, control over these parts or complete components is lost. We feel that if they are not picked up on the inventory that they should be sold, as is done in other similar cases.

Office Machine Repair

This unit provides repair and maintenance service for various state-owned office equipment in Sacramento, and it is proposed that similar service be established in San Francisco and Los Angeles where there are also heavy concentrations of typewriter and adding and other machines of the type serviced. The investment of \$17,700 required for this expansion is proposed to be provided by charging agencies approximately what they are now paying for similar service until such time as this amount is recovered.

Rented Buildings

The Department of Finance under this fund leases a building in Santa Ana which it has sublet to state agencies.

Reproduction

Duplicating services are available through two locations in Sacramento. This function was formerly a part of the Printing Division.

Item 291

Miscellaneous

Service Revolving Fund—Continued ANALYSIS

Essentially the augmentation of \$1,173,208 is for the purchase of new equipment which cannot be financed otherwise.

It is of interest to note, as indicated on budget page 701, line 23 and 24 that the entire amount appropriated as an augmentation for the service revolving fund for 1962-63 by Item 274 of the Budget Act of 1962, \$1,69,571, plus \$73,508 from a prior year appropriation will revert to the General Fund on June 30, 1963.

The total augmentation requested is for the following sections:

Printing Division -----	\$504,150	
State garages -----	667,378	
Radio maintenance -----	4,358	
Total -----		\$1,175,886
Less excess of depreciation charges over losses or equipment requirements in following sections:		
Central stores -----	\$1,505	
Reproduction -----	1,173	2,678
Net augmentation requested -----		\$1,173,208

Printing Division

There are indications in material furnished us for review that the Printing Division desires to expend \$59,000 for an "Autobinder, Martini Clamp," for the bindery during the current year, which had not been authorized by the Legislature for 1962-63. We are informed that this equipment has not been purchased and that specific approval will be requested of the Legislature before action is taken.

The proposed augmentation is calculated as follows, as shown on Budget page 1047:

New equipment (Table 2) -----	\$576,060
Replacements (Table 3) -----	137,090
Alterations -----	28,500
Total -----	\$741,650
Less depreciation charges during year -----	237,500
Net augmentation required -----	\$504,150

Our recommendations may be summarized as follows:

	<i>Approve</i>	<i>Disapprove</i>	<i>Unresolved</i>	<i>Total</i>
New equipment -----	\$379,560	\$35,000	\$161,500	\$576,060
Replacements -----	87,090		50,000	137,090
Alterations -----	28,500			28,500
Total -----	\$495,150	\$35,000	\$211,500	\$741,650

Miscellaneous

Item 291

Service Revolving Fund—Continued

Table 2. Printing Plant Additional Equipment

Item	Description	Unresolved	Recommendation		Total
			Approved	Disapproved	
Composing Room:					
A.	Teletypesetting equipment -----	\$97,000			\$97,000
B.	Monotype modification -----		\$6,000		6,000
C.	Photo typesetting equipment ----			\$10,000	10,000
	Total Composing Room-----	\$97,000	\$6,000	\$10,000	\$113,000
Pressroom:					
D.	Platemaking equipment-----		27,000		27,000
E.	Forms printing press -----		26,000		26,000
F.	Two unit web offset press -----		300,000		300,000
G.	Cover-coating machine-----			25,000	25,000
	Total Pressroom -----		\$353,000	\$25,000	\$378,000
Bindery :					
H.	Conveyors -----	\$15,000			15,000
I.	Bundle tying machine -----		1,000		1,000
J.	Collator -----	15,000			15,000
K.	Second stitchhead -----	4,500			4,500
L.	3 knife trimmers -----	20,000			20,000
M.	3 knife trimmers -----	10,000			10,000
N.	5 knife unit -----		8,320		8,320
O.	Trim-a-Thread -----		6,240		6,240
	Total Bindery -----	\$64,500	\$15,560		\$80,600
Office :					
P.	Layout equipment -----		5,000		5,000
	Total -----	\$161,500	\$379,560	\$35,000	\$576,060

The new equipment requested, with our recommendation, is shown in Table II. Our comments on each item follow, referenced to the individual item.

Item A is to provide 10 teletypewriters which perforate paper tape to activate 6 teletypesetting units on existing, modified linotypes. Disposal of eight linotypes as surplus is proposed. The cost comparison provided reflects savings sufficient to repay the investment in approximately 3½ years. *We withhold recommendation pending further study.*

Item B is to modify existing equipment to allow entry of line filling slugs in one stroke rather than a series of strokes. A three-year payout is calculated. *We recommend approval.*

Item C is proposed as an experimental pilot installation in photo typesetting. We believe that exhaustive research should precede even a pilot installation since it is recognized that this equipment is in the state of metamorphosis and experiencing constant improvement. Furthermore, this equipment serves purposes similar to that of the linotype proposed for modification in Item A. *We recommend disapproval.*

Item D would allow the plant to make certain of its own plates rather than purchasing them from vendors at substantially greater cost. *We recommend approval.*

Item E would allow the State to print multiple copy forms at substantial savings. A one-year repayment from savings is expected. *We recommend approval.*

Service Revolving Fund—Continued

Item F has been justified by a calculation on agency printing alone which reflects savings sufficient to repay costs within $3\frac{1}{2}$ years. Although we have verified this calculation, we have reservations relating to (a) the effect of this press on other activities in the plant, (b) the adequacy of the scheduling system for the plant, and (c) the adequacy of the accounting system which has been the subject of frequent legislative criticism. All three will have a significant bearing on realization of savings projected. *We recommend approval.*

Item G will provide lacquer covers for paper back books to be bound on the Autobinder shown as a current year expenditure, mentioned previously. Presumably agencies and the Department of Education would desire this additional feature and pay the required amounts. As we feel action on this item should be deferred until experience on the proposed Autobinder is available, *we recommend disapproval.*

Item H is to automate movement of materials between production centers. The Department of Finance contract industrial engineer has not indicated approval of this or other bindery equipment, items H to O, and we have no further information on this item. Although economies would undoubtedly result, as we have no indication as to the extent of savings, *we withhold recommendation pending further information.*

Item I is to provide for tying in the bindery as well as in the shipping room. *We recommend approval.*

Item J is to replace hand collating and the equipment request and justification form indicates that savings could repay the investment in two years. We have been furnished no detail with which to verify this statement and therefore, *we withhold recommendation pending further study.*

Items K, L, and M are additions to existing equipment. However, as no indication is made of savings to be generated by these additions, *we withhold recommendation.*

Items N and O are expected to produce savings in excess of cost within one year in two bindery operations. *We recommend approval.*

Item P is for the scheduling and planning function for which an additional position is proposed. *We recommend approval.*

Table 3. Requested Replacements—Printing Plant

	Unresolved	Approved
20 tons of monotype metal -----		\$12,480
Envelope press -----		13,250
Cylinders, Miehle press -----	\$25,000	
Nipper and gluer -----		18,040
Automatic end sheet maker -----		15,000
Three knife trimmers -----	25,000	
Two trucks -----		18,320
Miscellaneous -----		10,000
Total -----	\$50,000	\$87,090

We recommend approval of all items in Table 3, on a workload basis, except those listed as "unresolved."

We do not have enough information at this time to make a recommendation on these two items.

Service Revolving Fund—Continued

The \$28,500 requested for alterations will improve the layout of the plant facilities. Although we have not been afforded the opportunity to study the proposed new arrangements of production centers or the use of conveyors proposed, *we recommend approval.*

State Garages

The proposed augmentation has been calculated as follows:

Additional equipment:

Airplane -----	\$500,000
98 new automobiles -----	178,940
Other -----	9,960

Total additional -----	\$688,900
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Replacements

396 automobiles -----	\$720,720
Other -----	1,630

Total replacements -----	722,350
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Total -----	\$1,411,250
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Less:

Depreciation charges during year -----	\$588,993
Receipts from sale of assets -----	119,480
Estimated profit from operations -----	35,399
	748,872

Net augmentation requested -----	\$667,378
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No written justification has been submitted for our review in support of the proposed expenditure of \$500,000 for the airplane.

We have been informed, however, by the Department of Finance, that the amount is proposed to be expended as follows:

Purchase price of one used Convair 240 -----	\$175,000
Conversion for executive use -----	225,000
Six months operating expenses -----	100,000

Total -----	\$500,000
-------------	-----------

We have been further informed that the principal reason for requesting the plane is for use by the Governor in lieu of a National Guard plane, which is now obsolete, although it is expected that the plane will be available for use by other state officials.

We recommend a reduction of \$100,000, budget page 700, line 64, representing operating expenses for executive aircraft.

We do not believe that augmentations to a revolving fund for operating expenses are proper. We recommend instead that provision be made for 1963-64 operating expense—travel in the budgets of those agencies proposing to use the plane.

This request is evidence in support of the proposition that the State is approaching the point where further use of state-owned aircraft is feasible. In order that information will be available for meaningful analysis in the future and for proper control, we recommend:

1. *that the operation of state-owned aircraft be reported as a separate and distinct item under the Service Revolving Fund, and*

Service Revolving Fund—Continued

2. that a log in generally accepted form be established and maintained in its entirety, to include number of passengers, origin, and destination of each and agencies billed.

A total of \$178,940 is requested for 98 new automobiles. This request is based upon an estimate of pool-car mileage which is expected for 1963-64. A review of projections and actual experience is shown in the following table.

Actual	Mileage		Actual	Number of cars	Average Annual Mileage
	Estimated Original	Revised			
1959-60	29,500,000	30,493,000	30,453,875	1,923	15,837
1960-61	33,375,000	34,000,000	33,450,524	2,218	15,081
1961-62	36,500,000	37,000,000	35,918,730	2,494	14,402
<i>Estimated</i>					
1962-63	39,800,000	37,700,000		2,554	15,583
				2,552	14,773
<i>Proposed</i>					
1963-64	39,600,000			2,650	14,943

We recommend approval.

Radio Maintenance

The augmentation requested is calculated as follows:

Additional equipment:

4 suburban carryalls with 2-way radio and LN	\$13,600
5 test equipment sets for new positions	19,000
6 Da Mont 5890 B frequency meters	5,100
Miscellaneous	12,775

Total additional ----- \$50,475

Replacements:

8 suburban carryalls with 12-V generators	\$27,200
20 mobile radio units	11,100
10 Motorola portable test sets	2,000
Miscellaneous	3,902

Total replacements ----- \$44,202

Total ----- \$94,677

Less:

Depreciation charges for year	\$52,314
Proceeds from sale of assets	2,400
Reduction in inventories	14,000
Profit from operations	21,605

Net augmentation requested ----- \$4,358

We recommend approval as budgeted.

The augmentation, which is relatively small, appears to be justified on a workload basis.

Improvements in Procedure Recommended

We believe that working capital requirements of the Service Revolving Fund could be substantially reduced, and additional amounts ac-

Service Revolving Fund—Continued

cordingly made available for transfer to the General Fund by improving procedures as follows:

(a) Increased use of advance payments as authorized by Section 11257 of the Government Code.

(b) Prompter billing and collection of amounts due for services rendered.

We recommend that immediate steps be taken to accomplish these results.

AUGMENTATION OF SERVICE REVOLVING FUND BY TRANSFER**ITEM 292 of the Budget Bill****ANALYSIS**

This item is identical to Item 275 of the Budget Act of 1962. It provides that the State Controller upon approval of the State Board of Control shall transfer to this item, from any appropriation in Section 2 of this act made from the General Fund, that part of such appropriation intended for the purchase of automobiles. These funds shall be available for augmentation of the Service Revolving Fund.

This item provides the machinery whereby funds appropriated from the General Fund to the various state agencies for the replacement of or purchase of additional automobiles may be used to augment the Revolving Fund which finances the Department of Finance car pool.

We recommend approval.

REFUND OF TAXES, LICENSES AND OTHER FEES**ITEM 293 of the Budget Bill**

Budget page 701

**FOR REFUND OF TAXES, LICENSES AND OTHER FEES
FROM THE GENERAL FUND**

Amount requested.....	\$30,000
Estimated to be expended in 1962-63 fiscal year.....	30,000
Increase	None
TOTAL RECOMMENDED REDUCTION.....	\$10,000

Summary of Recommended Reductions

	Amount	Budget Page	Line
Reduction	\$10,000	701	47

GENERAL SUMMARY

The heading and description of this item as printed in the budget does not precisely define the purpose of the appropriation. Actually, no refunds of taxes are made therefrom, but only those refunds described in Sections 13140-5 of the Government Code, i.e.,

1. Fees imposed or collected for or as a condition precedent to the issuing, making, taking or securing of any permit, filing, examination, or inspection.
2. Overpayments received by a state agency in connection with a revolving fund in the State Treasury maintained by such an

Refund of Taxes, Licenses and Other Fees—Continued

agency for the purpose of assisting persons under the jurisdiction or care of the agency, or providing for the welfare of such persons.

The procedure is designed to allow expeditious refunds of non-controversial amounts erroneously paid and deposited in other than "feeder funds," thereby avoiding the necessity of filing a claim with the State Board of Control and inserting the item in a claims bill. For example, fees erroneously paid for retail sales tax permits are not included as they are refunded by the State Board of Equalization out of the "feeder" retail sales tax fund. On the other hand, fees paid to the Corporation Commissioner are deposited directly into the General Fund and the item is mainly used to allow this and comparable agencies to certify refunds directly to the Controller for payment out of the special appropriation.

In addition, funds are hereby made available for payment of prior judgments, liens, or encumbrances under Section 12516 of the Government Code.

ANALYSIS

Expenditures from this item for the past four years have been as follows :

	1958-59	1959-60	1960-61	1961-62	1962-63
Budget Act appropriation-----	\$15,000	\$15,000	\$10,000	\$31,000	\$30,000
Emergency Fund appropriation-----	-	18,000	7,500	-	-
Amount reverted -----	-10,523	-1,579	-3,440	-14,751	-
Expenditure -----	\$4,477	\$31,421	\$14,060	\$16,249	-

We recommend a reduction of \$10,000, budget page 701, line 47.

Approximately 89 percent of the amount refunded during 1961-62 was on claims filed by the Division of Corporations. Fees collected by that agency were increased in 1959-60 and apparently numerous refunds were required as a result. We do not anticipate a recurrence of this situation and feel a reduced amount of \$20,000 is sufficient.

WORKMEN'S COMPENSATION BENEFITS FOR STATE EMPLOYEES

ITEM 294 of the Budget Bill

Budget page 702

FOR SUPPORT OF WORKMEN'S COMPENSATION BENEFITS FOR STATE EMPLOYEES FROM THE GENERAL FUND

Amount requested -----	\$3,000,000
Estimated to be expended in 1962-63 fiscal year -----	2,600,000
Increase (15.4 percent) -----	\$400,000

TOTAL RECOMMENDED REDUCTION----- None

GENERAL SUMMARY

This lump-sum appropriation is provided from the General Fund to cover the State's responsibility as a self-insurer under the State's workmen's compensation laws for the payment of medical, cash and other compensation and benefits to State General Fund agency employees receiving industrial injuries in the course of state employment

Workmen's Compensation Benefits for State Employees—Continued

and to pay an administrative or service charge at the current rate of 12.5 percent of losses sustained to the State Compensation Insurance Fund as the State's adjusting agent for employee claims.

ANALYSIS

Expenditures for workmen's compensation benefits for state employees, payable from the General Fund, proposed for fiscal year 1963-1964 total \$3,000,000, an increase of \$400,000 or 15.4 percent over estimated expenditures for these purposes during the current year.

As we have noted in previous analyses, it appears that on the average about 60 percent of the annual bill which this appropriation is scheduled to cover pays for injury liability already incurred in a prior fiscal year. Approximately 28 percent of the bill is provided to cover the accidents and illnesses expected to occur in the budget year and the balance is to pay the State Compensation Insurance Fund for its adjusting service.

While this proposed \$3,000,000 is substantial, it does not represent the total cost of compensation benefits for state employees. Though percentages vary from year to year, it appears that the General Fund cost averages two-thirds of the total cost and the special funds (which are not set out in this General Fund budget item), one-third of the total cost. In viewing the total cost, it appears then that we are considering a figure of approximately \$4,500,000.

The following table, using only General Fund costs, furnishes a measurement of the growth of the annual cost bill in dollars. It does not give us a measurement of the injuries and illnesses which the dollar costs reflect.

General Fund—Workmen's Compensation Benefits for State Employees

<i>Fiscal year</i>	<i>Amount paid</i>	<i>Percentage gain over previous year</i>
1957-1958	\$1,208,308 (actual)	-----
1958-1959	1,367,023 (actual)	+13.13
1959-1960	1,675,064 (actual)	+22.53
1960-1961	2,027,245 (actual)	+21.02
1961-1962	2,225,195 (actual)	+ 9.76
1962-1963	2,600,000 (estimate)	+16.84
1963-1964	3,000,000 (estimate)	+15.38
Gain of 1963-1964 estimate over fiscal 1957-1958		+148.28

For the reduction of injury rates and compensation costs and the prevention of accidents generally, private business and industry years ago discovered great merit in safety programs adequately designed and aggressively followed. We find however few adequate safety or accident prevention activities in the units of state government. The growing annual General Fund compensation cost bill to us signals a need for accident reduction studies and programs.

We recommend approval of this item as budgeted.

WORKMEN'S COMPENSATION FOR SUBSEQUENT INJURIES

ITEM 295 of the Budget Bill

Budget page 707

**FOR SUPPORT OF PAYMENTS FOR ADDITIONAL WORKMEN'S
COMPENSATION FOR SUBSEQUENT INJURIES
FROM THE GENERAL FUND**

Amount requested -----	\$900,000
Estimated to be expended in 1962-63 fiscal year -----	800,000
Increase (12.5 percent) -----	\$100,000

TOTAL RECOMMENDED REDUCTION -----	None
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GENERAL SUMMARY

The subsequent injuries appropriation, based on laws passed in 1945, is set up within the framework of workmen's compensation to insure that any employer, who serves a public purpose by hiring an already-handicapped worker will not, in the event that such worker should suffer a subsequent or second injury on the job, be responsible for compensating a greater disability than actually occurred while the worker was in his employment. Under this system, the employer pays only the benefits due for the second injury. The injured employee however, is protected because the State, through this type of appropriation, pays the difference between what the employee receives from the second employer and what he is entitled to under the law as a result of the combined disabling effect of the second injury and the first handicap less certain other payments which may have been made to him.

Subsequent injury awards are made by the Industrial Accident Commission. The Attorney General represents the State's interest in these cases and the State Compensation Insurance Fund makes the payments from the appropriation and is entitled to a 5-percent charge for its services.

ANALYSIS

Expenditures proposed for subsequent injuries proposes during fiscal year 1963-1964 total \$900,000, an increase of \$100,000 or 12.5 percent, over estimated expenditures for the current year.

Since the passage of this law, the State, through the General Fund, for the period ending with fiscal year 1961-1962 has expended the sum of \$4,665,957 for subsequent injury purposes including attorneys' fees and service charges. Total outstanding liability on June 30, 1962, was \$6,836,178.67 as reported by the state fund. Annual expenditures to meet the subsequent injury claims increased from approximately \$443,000 to \$700,000 in the most recent five-year period for which final figures are available.

We have proposed several times in our analyses that the cost of this program should be shifted from the General Fund to some other method of financing. California is one of only two states, the other being Pennsylvania, which pays second-injury claims by General Fund appropriation.

A common method of financing is to provide that where an employee dies without dependents and as the result of an industrial injury, the benefits which would otherwise have been payable to his dependents

Workmen's Compensation for Subsequent Injuries—Continued

are paid to the State and constitute a second injury fund. This was the method proposed by A.C.A. 72 adopted by the Legislature at the 1961 General Session and on the ballot at the 1962 General Election as Proposition No. 5.

This proposed amendment, however, was not approved by the voters in the General Election.

We recommend approval of this item as budgeted.

INTEREST PAYMENTS ON LOANS TO GENERAL FUND

ITEM 296 of the Budget Bill

Budget page 705

FOR SUPPORT OF INTEREST PAYMENTS ON LOANS TO GENERAL FUND, FROM THE GENERAL FUND

Amount requested	\$385,000
Estimated to be expended in 1962-63 fiscal year.....	100,000

Increase (285.0 percent)	\$285,000
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TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

Section 16310 of the Government Code, which has been in effect for a number of years authorizes temporary loans by special funds to the General Fund. Section 16310.5 of the Government Code, added by Chapter 1861, Statutes of 1961 provides for payment of interest by the General Fund on all such borrowings except those from the Division of Architecture Revolving Fund, from which most borrowings have been made in the past.

Item 280 of the Budget Act of 1962 appropriated \$500,000 for this purpose during 1962-63 of which an estimated \$100,000 will be needed.

The reasons for the increase in interest requirements during 1963-64 are that General Fund borrowings are expected to increase and money available in the Architecture Revolving Fund may decrease which will reduce borrowings which can be made on an interest-free basis.

Interest is required to be paid at the maximum rate of interest allowed interest bearing time deposits in banks at the time of the borrowing.

Since payment of this interest is a statutory requirement we recommend approval as budgeted.

TEMPORARY LOANS TO GENERAL FUND FROM CALIFORNIA WATER FUND

ITEM 297 of the Budget Bill

ANALYSIS

This item, which is similar to Item 281 of the Budget Act of 1962, would authorize temporary transfers from the California Water Fund (formerly the Investment Fund) to the General Fund in the event the cash position of the General Fund would require such transfers. Under the terms of Section 16310 of the Government Code transfers made from special funds to the General Fund, upon a determination of necessity

Temporary Loans to General Fund From California Water Fund—Continued

by the Governor, Controller, and Treasurer, are to be returned to the fund from which transferred as soon as there is sufficient money in the fund to return it. This section also provides that no transfers can be made which will interfere with the object for which a special fund was created.

Section 16310.5, added by Chapter 1861, Statutes of 1961, provides, in effect, that interest must be paid by the General Fund on any such temporary transfers from the California Water Fund at the maximum rate of interest allowed by banks on interest bearing time deposits at the time of the transfer. An appropriation to cover such interest payments is made by Item 296 of the current budget bill.

Since this authorization is in the nature of temporary, contingent financing only, *we recommend approval.*