

solving policy issues, solving engineering problems and developing public acceptance of the proposed plan require time.

The other parts of the board's budget do not contain any major changes. The contract for the AMBAG study of Monterey Bay water quality problems which the Legislature authorized last session has been changed from General Fund to bond financing in the current year. The second year allotment of \$130,000 for the study is included in the 1971-72 budget and financed with bond money. The study is being integrated into the basinwide plan for the Monterey Bay.

Legislation enacted last session for the regulation of liquid waste haulers provided for collection of a fee. As of January the sum of \$6,000 had been collected but it does not show in the Governor's Budget. None of the money has been expended.

DEPARTMENT OF CORRECTIONS

Items 216 through 219 from the
General Fund

Vol. III p. 31 Budget p. 185

Requested 1971-72	\$106,487,239
Estimated 1970-71	103,929,699
Actual 1969-70	98,509,635
Requested increase \$2,557,540 (2.5 percent)	
Total recommended reduction (Item 216)	\$3,012,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. We recommend that the 1971-72 institutional average daily population be reduced by 1,000 inmates and the budget be reduced \$3,012,000 for institutional operations. 492
2. We recommend the projection of parole population be recomputed and any necessary budget increase for paroles be offset against the recommended reduction in institutional care. 492
3. We recommend that the department determine the degree of court acceptance of its precommitment recommendations. 495
4. We recommend that the department review a representative sampling of institutional releases to determine the extent to which the original reception center inmate program recommendations were followed and the factors which determined any non-compliance. 495
5. We recommend the department evaluate the effectiveness of the additional custody positions authorized to reduce the number and seriousness of escapes and incidents in institutions and report to the 1972 Legislature. 498
6. We recommend that legislative consideration be given to excepting legally authorized methadone treatment from the statutorily prescribed freedom from drug use presently required to be eligible for discharge from the nonfelon addict rehabilitation program. 506

Department of Corrections—Continued

Analysis
page

7. We recommend the department and parole boards give active consideration to expansion of the Short-Term Return Unit Program. 515

8. We recommend the department evaluate the parole outcome of parolees in the community correctional centers with similar parolees not in that program. 515

GENERAL PROGRAM STATEMENT

The Department of Corrections was established in 1944 under the provisions of Chapter 1, Title 7 commencing with Section 5000 of the Penal Code. The department succeeded to the powers and duties of the former Department of Penology, the State Board of Prison Directors and related departments and agencies.

The objectives of the department are to operate a system of correctional institutions for adult felons and nonfelon narcotic addicts providing secure detention, humane support and corrective treatment; to provide supervision and treatment of parolees released to the community to finish serving their prescribed terms; and to advise, assist and consult with other governmental and private agencies and citizens' groups in programs of crime prevention, criminal justice and rehabilitation.

To carry out its objectives, the department operates 13 major institutions, 26 conservation camps, four community correctional centers and over 50 parole offices. By the department's estimates these facilities and services will be used by approximately 24,000 adult felons, 3,000 nonfelon drug addicts, and 18,000 parolees in 1971-72.

The department's central administrative staff is headquartered in Sacramento. The Director of Corrections is aided by the advice and consultation of the Adult Authority, the Women's Board of Terms and Paroles, and the Narcotic Addict Evaluation Authority.

All adults convicted in the superior courts for criminal offenses and committed to the custody of the Director of Corrections are sentenced for an indeterminate period under the law. The commitment to the state system constitutes a felony conviction and incarceration is for the term prescribed by law with limited discretion in the term-fixing body (Adult Authority for adult males, Women's Board for adult females) to fix and refix the maximum sentence and the extent of the sentence to be within an institution and in the community on parole. The minimum term of sentence including institution and parole and the minimum time which must be served in an institution prior to parole is fixed by law for each offense category. This sentencing method was established to reduce the substantial discrepancies between sentences for similar offenses which existed when the term of the sentence was set by the judges and to provide the sentencing authority discretion within specific bounds to set terms based on judgmental factors relating to the nature of the offense, the offender's background and his degree of rehabilitation.

The inmates are usually released from the institutions to parole to continue serving their sentence in the community under supervision of

the parole organization. Some prisoners serve their full term in an institution and are discharged without parole conditions.

The approximately 40,000 individuals in adult correctional institutions and on parole represent only a portion of those involved in the total criminal justice system of the state. The latest full-year crime statistics available are for 1969. Data compiled by the Bureau of Criminal Statistics reflect that there were 602,423 crimes in the seven major offense categories reported in 1969, an increase of 5.7 percent over 1968 and 81.0 over 1960. These seven offenses do not include adult drug violations which have increased from 17,649 in 1960 to an estimated 94,745 in 1969, an increase of 436.8 percent. The greatest increase in total numbers and percent is in the dangerous drug category. Arrests of adults for this offense category have increased from 3,533 in 1960 to 41,230 in 1969, an increase of 1,067.0 percent.

Of the 117,728 adults arrested for nondrug felony offenses in 1969, only 32.4 percent reach the superior courts and 67.6 percent are either released by the police (33.7 percent) or otherwise disposed of prior to superior court filing and generally by prosecution as a misdemeanor or juvenile which represents 27 percent of felony arrests. Only 3.7 percent of the total nondrug felony arrests are sentenced to state prison and an additional 1.4 percent to the Youth Authority. An option exists for prosecution of 18-to-21-year-olds either in the juvenile or superior court. The low percentage of commitments to state institutions raises a question as to the deterrent effect of this sentencing possibility especially since the total nondrug felony arrests are less than one-half of the total crimes reported in the seven major offense categories which does not include all felonies.

Data from the Bureau of Criminal Statistics also reflect a dramatic decline in the percentage of felony convictions being sentenced to the Department of Corrections. This percentage has declined from 23.3 percent in 1965 to 9.8 percent in 1969. The decline is due partly to the effect of the probation subsidy program which subsidizes county probation based on reductions in a county's commitment rate to state institutions and to other factors. One other explanation in the change in the percentage of state commitments may be due to changes in the types of crimes being committed. While all crime categories have increased in the past decade, there were greater increases proportionately in possession of marijuana or dangerous drugs for which the courts have tended to grant probation at a greater rate. The disproportionate increases in these crime categories would distort the percentage data relating to total court dispositions.

ANALYSIS AND RECOMMENDATIONS

The total operations of this department and related governmental units and functions consist of General Fund appropriations reflected in Table 1.

Department of Corrections—Continued

Table 1
General Fund Appropriations

Item	Amount
1. Support, Item 216	\$105,577,534
2. Transportation of prisoners, Item 217	120,842
3. Returning fugitives from out-of-state, Item 218	359,275
4. Court costs, Item 219	429,588
Total	\$106,487,239

In addition, the correctional industries operations will utilize \$14,293,320 and inmate welfare programs will expend \$3,543,164 of special revolving funds established for and supported respectively by these separate operations.

The total operation of this department is distributed into seven programs in the 1971-72 Program Budget as reflected in Table 2.

Table 2 indicates that programs are projected to increase approximately 2 to 2.8 percent in 1971-72 over the current year except for the Community Correctional program which has an estimated increase of 12.6 percent. This is largely due to the projected growth in paroles and the inclusion of parole agents in the safety provisions of the state retirement system which requires increased contributions rates by the state and the employee. The increases in the other programs will be discussed in the analysis of each program. The total budget of this department for 1971-72 is estimated at \$124,322,723, an increase of \$3,427,133 or 2.8 percent above the current year. The increase in reimbursements of \$897,689 or 38.1 percent results from increased reimbursements in and will be discussed in the analysis of the institutional and the Community Correctional programs.

Institution and Parole Population Projections

1. *We recommend that the 1917-72 institutional average daily population be reduced by 1,000 inmates and the budget be reduced \$3,012,000 for institutional operations.*

2. *We recommend the projection of parole population be recomputed and any necessary budget increase for paroles be offset against the recommended reduction in institutional care.*

The budget of this department is based on the institutional and parole population to be served. Accuracy of the estimated budget is determined by the correctness of the population projections. The 1971-72 budget is based on population projections made earlier in the current fiscal year which are no longer valid. The budget reflects the average daily institution population at 27,200 inmates for the current year and 27,265 for the budget year. The institution population has declined from 27,141 inmates on July 1, 1970 to 24,744 on December 30, 1970, a decrease of 2,367 inmates or 8.8 percent. The reduction is due to a decrease in commitments, a decline in parole revocations and an increase in the rate of parole grants to the previously existing level. This results in a substantial increase in the number of criminals being supervised in the community by local probation or state parole services.

Table 2
Summary of Program Requirements

Program	Actual 1969-70	Fiscal year estimated 1970-71	Estimated 1971-72	Increase 1971-72 over 1970-71	
				Amount	Percent
I. Precommitment -----	\$318,222	\$330,983	\$337,544	\$8,561	2.0
II. Initial intake and diagnosis -----	1,272,675	1,323,932	1,350,543	26,611	2.0
III. Institutional -----	96,788,343	101,533,302	104,002,649	2,469,347	2.4
IV. Release -----	5,940,016	6,210,042	6,370,458	160,416	2.6
V. Community correctional -----	11,150,987	12,967,084	14,604,461	1,637,377	12.6
VI. Special items of expense -----	945,016	885,195	909,705	24,510	2.8
VII. Administration—distributed to other programs--	(8,320,994)	(8,887,141)	(8,966,235)	(79,094)	0.9
Totals -----	\$116,415,259	\$123,250,538	\$127,575,360	\$4,324,822	3.5
Less reimbursements to be expended -----	2,434,357	2,354,948	3,252,637	897,689	38.1
Net Totals -----	\$113,980,902	\$120,895,590	\$124,322,723	\$3,427,133	2.8
General funds -----	(98,509,635)	(103,929,699)	(106,487,239)	(2,557,540)	2.5
Correctional Industries' Fund -----	(11,954,907)	(13,282,542)	(14,292,320)	(1,009,778)	7.6
Inmate Welfare Fund -----	(3,516,360)	(3,683,349)	(3,543,164)	(-140,185)	-3.8
Personnel man-years -----	6,878.1	6,952.3	6,777.0	(-175.3)	-2.5

Department of Corrections—Continued

The average daily institution population was 25,686 inmates for the first half of the current year which is 1,514 fewer than estimated for this year in the 1971-72 Governor's Budget. To reach the average daily population projected for the current fiscal year would require an increase of 3,028 inmates or 11.8 percent over the first half year average population. Such an increase is extremely unlikely when consideration is given to recent intake and release experience. The institutional population in 1971-72 will be determined by the carryovers from the current year and the net increase or decrease resulting from intake and releases. Since the current year population estimate is significantly overestimated, the budget year population projection is also overstated unless a dramatic reversal of current trends occurred in 1971-72. The institutional population on January 20, 1971 was 2,600 less than the average daily population projected for 1971-72. To reach the average daily population projected for the budget year over the January 20, 1971 institutional population would require an increase of 10.5 percent. The highest annual rate of institutional population increase since 1964-65 was 3.5 percent. Therefore, a reduction of 1,000 in the projected average daily population would leave an estimated average of 26,265 inmates. This provides for an increase of 1,600 inmates or 6.5 percent over the January 20, 1971 total population.

Based on the projected 1971-72 average institutional per capita cost of \$3,012, the reduction in population would justify a budget reduction of approximately \$3,012,000.

That part of the reduction in institution population caused by a more aggressive release policy has increased the parole population substantially. Parole population has also been increased by a reduction in the rate of parole revocations. Therefore, parole population on December 31, 1970 totaled 19,178 which is significantly greater than the estimated budget year average daily parole population of 18,209 on which the budget was based. *We recommend that the department reestimate its 1971-72 parole population based on the more recent experience and any necessary budget increase for paroles be adjusted in the recommended reduction in institutional care.*

PRECOMMITMENT PROGRAM

The superior courts often feel the need for a comprehensive diagnostic evaluation of a convicted offender in order to determine the most appropriate sentence. Many counties do not provide this service to its courts as the workload is not sufficient to warrant program implementation. Therefore, the objectives of this departmental program are to provide to the courts a comprehensive diagnostic evaluation of and recommended sentence for the convicted offenders temporarily committed to the department for diagnosis.

The workload for this program consists of the cases referred by the participating counties which totaled 1,962 in 1969-70 and is estimated to total 2,800 in the current and 2,900 in the budget year. To prepare the necessary reports, the department expended \$318,222 and 24 personnel man-years of effort in 1969-70. The number of referrals is ex-

pected to increase over 1969-70 by 838 cases in 1970-71 and another 100 cases in the budget year. The total program request of \$337,544 for 1971-72 is an increase of \$6,561 or 2.0 percent above the current year and is due to merit salary adjustments and general price increases.

Of the 1,962 cases diagnosed in 1969-70, only 981 were subsequently sentenced to the department. While this may result in a savings in incarceration costs to the state, a better evaluation of the program would be to determine the extent to which the program recommendations are followed by the court. *We recommend that the department determine the degree to which its recommendations are followed by the courts as a means to evaluate program effectiveness. The department should also determine why its recommendations are not followed as a means of improving program output.*

INITIAL INTAKE AND DIAGNOSIS PROGRAM

The persons newly committed to the department from the courts as felons or nonfelon addicts are a largely unknown factor and a need exists to evaluate the individual for rehabilitation program determinations and proper institutional assignment. Institutional assignments are based on a combination of factors such as custody security required (minimum to maximum) and individual and institutional program requirements. The new felon commitments are received at reception centers located adjacent to and operated as part of regular penal institutions for males at Vacaville and Chino, for females at Frontera, for older Youth Authority wards at Tracy, and for nonfelon addicts at Corona and Tehachapi. The evaluations become a part of the inmate record and are utilized throughout the institutional stay for rehabilitation program as well as parole planning purposes.

The department used 97.5 personnel man-years and \$1,272,675 to process 13,928 cases in 1969-70 including 9,827 felons and 4,101 nonfelon addicts. An expected workload of 15,095 cases in the budget year represents an increase of 815 cases or 5.7 percent over the 14,280 cases to be processed in the current year. To perform the required evaluations and diagnoses will necessitate 1971-72 expenditures of \$1,350,543, an increase of \$26,611 or 2.0 percent over the budget year as reflected in Table 2.

The program cost increase is due to merit salary adjustments and price increases.

This program needs to be evaluated on the basis of the utilization made of the inmate program recommendations and the extent to which they are followed. There is little or no value in recommending treatment programs based on individual needs if such recommendations are to be ignored and the institutional program of the inmates be determined primarily for the convenience of institutional operation. The extent to which institutional convenience and other factors overrule the inmates rehabilitation needs should be determined. *We recommend that the department review a representative random sampling of institutional releases to determine the extent to which the original reception center inmate program recommendations were followed and the factors which determined any noncompliance.*

Department of Corrections—Continued

Subsequent to the inmate's transfer to an institution from the reception center and even assuming he is assigned to the institution initially recommended, the institutional classification committee reviews the reception center diagnosis and recommendations and makes an independent program assignment. The subsequent assignment may not necessarily agree with the initial recommendations. This procedure could lead to unnecessary duplication of effort.

INSTITUTIONAL PROGRAM

The state Penal Code requires that persons convicted of certain designated crimes must be and in other convictions may be committed to the Department of Corrections for the period of time denoted for the offense in the Penal Code or criminal provisions of other state codes. The first objective of this program is to protect society by providing secure facilities for the incarceration of and providing the basic human needs of felons and nonfelon addicts committed to state care. The second objective is to provide programs of corrective treatment best suited to the rehabilitation of the various types of commitments to the extent that present knowledge and resources permit.

The department will operate 13 institutions ranging from minimum to maximum security and including medical-psychiatric institution and a treatment center for narcotic addicts under civil commitment. While the department seeks to assign and reassign inmates to institutions on the basis of individual program needs, other factors such as institutional and fiscal necessities also influence determination of institutional assignment.

Major treatment programs common to most all institutions include industrial manufacturing operations to reduce idleness and to teach work habits and job skills, vocational training in various trades and occupations, academic instruction ranging from literacy classes to college correspondence courses, group and individual counseling by professional and nonprofessional counselors. In addition to the major institutions, the department will also operate 26 camps housing 2,064 inmates during the budget year. These camp inmates perform various forest conservation, fire prevention and suppression functions in cooperation with the Division of Forestry.

The institutional program is the major effort of the department in manpower and monetary expenditures. These total expenditures are set forth by program element in Table 3.

The reasons for the significant variations in man-years and monetary expenditures reflected in Table 3 will be discussed in the following analysis of each program element.

Table 3
Institutional Program
Personnel and Monetary Expenditures

Program element	1969-70	Fiscal year 1970-71	1971-72	Increase 1971-72 over 1970-71	
				Amount	Percent
Security					
Man-years -----	3,178.6	3,164.9	3,042.1	-136.8	-4.3
Expenditures -----	\$37,311,747	\$38,805,031	\$39,554,865	\$749,834	1.9
Movement Processing					
Man-years -----	75.1	74.8	72.0	-2.8	-3.7
Expenditures -----	903,253	939,473	958,356	18,883	2.0
Inmate Support					
Man-years -----	849.6	846.3	814.1	-32.2	-3.8
Expenditures -----	29,203,588	30,364,232	30,973,321	609,089	2.0
Treatment					
Man-years -----	704.9	702.0	681.3	-20.7	-2.9
Expenditures -----	12,858,442	13,373,032	13,641,830	268,798	2.0
Inmate Employment					
Man-years -----	277.8	289.9	297.9	8.0	2.8
Expenditures -----	12,994,953	14,368,185	15,331,113	962,928	6.7
Inmate Welfare Fund					
Man-years -----	50.1	50.9	50.6	-0.3	-0.6
Expenditures -----	3,516,360	3,683,349	3,543,164	-140,185	-3.8
Program Totals					
including					
Administration					
Man-years -----	5,136.1	5,128.8	4,958.0	-170.8	-3.3
Expenditures -----	\$96,788,343	\$101,533,302	\$104,002,649	\$2,469,347	2.4
Program Funding					
General Fund -----	(79,266,783)	(82,633,537)	(83,832,985)	(1,199,448)	1.5
Correctional Industries' Revolving Fund -----	(11,954,907)	(13,282,542)	(14,292,320)	(1,009,778)	7.6
Inmate Welfare Fund -----	(3,516,360)	(3,683,349)	(3,543,164)	(-140,185)	-3.8
Reimbursements --	(2,050,293)	(1,933,874)	(2,334,180)	(400,306)	20.7

Security

The security program goals are to protect the public by secure incarceration of the felons committed, to maintain a relatively safe and stable environment for employee and inmate protection and provide a stable setting wherein programs of rehabilitation may be offered.

The department has set the program objective of reducing the number of escapes, attempted escapes and incidents by 20 percent, but no time period for accomplishment was specified. This is a very worthwhile objective to be accomplished within existing program resources.

Security must be provided full-time at 13 institutions and 26 conservation camps housing approximately 27,000 persons. Approximately 5 percent of the inmates are housed in maximum-close custody facilities, 64 percent in medium and 31 percent in minimum custody.

Program resources devoted to this function in the budget year are 3,042.1 personnel man-years and \$39,554,865. This represents a decrease of 136.8 man-years or 4.3 percent, but an increase of \$749,834 or 1.9 percent from the current year. The 136.8 decrease in positions is the net result of 19 additional custody positions approved by the Legisla-

Department of Corrections—Continued

ture for the current year due to increased security problems at two institutions offset by a total reduction of 145.8 positions at six different institutions. The position deletions are primarily the result of the planned closing of facilities during the current and budget years and the elimination of the unitization program at San Quentin. The unitization program is more fully discussed in the analysis of the treatment element of this program.

The closing of the California Men's Colony West Facility in the current year and the additional closing of five conservation camps in the budget year is the result of inmate population decline below previous estimates and the reduction in minimum security inmates both largely attributable to the probation subsidy program and changes in Adult Authority sentencing practices. The operation of these and other contributing factors has resulted in a decline in inmate average daily institutional population from 28,485 in 1968-69 to 25,686 for the first half of the current fiscal year. By January 20, 1971, the inmate population had further declined to 24,665. The department also reports it is receiving fewer inmates who can be classified minimum security and placed in camp settings which, coupled with the overall population decline, results in the proposal to close five conservation camps in the budget year.

The increased cost of this program element is primarily due to merit salary adjustments and staff benefit increases partially offset by the position reductions. Staff benefit increases are the result of increased state contribution rates for social security and to the Public Employees' Retirement System due to the inclusion of security employees (correctional officers) in the safety provisions of that system.

Subsequent evaluation of the number of escapes, real and attempted, and other incidents will determine if the department was able to obtain the stated objective of this program effort. Specific evaluation also needs to be made of the improvement in security resulting from the increased positions authorized for the Correctional Training Facility and the Deuel Vocational Institution during the current and budget year. *We recommend that such evaluation be conducted by the department and reported to the 1972 legislative session and that subsequent authorization of these additional positions be based on program improvement and results attributable to these positions.*

Movement Processing

To manage the population levels of the various institutions, to provide program needs of the inmates and the institution and for other management reasons, it is necessary to transfer inmates to and between the reception centers and the various institutions. Initial movement preparations are made by reception center and institutional staff. To provide departmental control and management to prevent disproportionate institutional populations and transfers not appropriate for proper management and security, each proposed transfer must be approved by department classification specialist. The actual transfers are made by specially equipped departmental buses.

The department completed 32,790 inmate transfers in 1969-70 and expects transfers to total 32,640 in the current and 32,838 in the budget year. To perform this prescribed function, the department estimates it will use 72 man-years and \$958,356 in 1971-72. This represents a decrease of 2.8 man-years and an increase of \$18,883 or 2 percent. The staff reduction is due to facilities being closed. The expenditure increase is due to price and merit salary increases.

Inmate Support

The need for and objectives of this program element is to provide adequate food, clothing, medical and dental care, housekeeping services, and institution maintenance and operation for the felons, nonfelon addicts and others committed to the department.

Total expenditures of 849.6 man-years and \$29,203,588 were devoted to this program element for an average daily population of 27,685 inmates in 1969-70. To provide the same level of program in 1971-72 for an estimated average daily inmate population of 27,265, the department is requesting 814.1 man-years and \$30,973,321 as reflected in Table 3. The budget year request represents a decrease of 32.2 man-years or 3.8 percent and an increase of \$609,089 or 2 percent over the current-year expenditures. This is a continuation of the current level of service adjusted for price increases and staff reductions.

Staff reductions include 10 positions in the feeding operation due to closure of the West Facility and the poor job placement record of the conservation centers' culinary arts programs. The department is also deleting 17 medical-dental and three housekeeping positions due to the closing of the West Facility and the elimination of the unitization experiment at San Quentin.

Program output for medical-dental services provides adequate data on services performed, but is deficient in reflecting hospital inpatient load. A separate departmental report reflects that the average daily inpatient load exclusive of the Medical Facility is 265 inmate patients which is only 30.6 percent of total capacity of 866 beds. It is apparent that hospital capacity is more than adequate for the average inpatient load. In an institutional setting, illness may spread rapidly which does cause temporary utilization of facilities provided.

Evaluation of the various functions in this program element are provided by local institutional and departmental administrative staff specialists in each category. The quality of food served is inspected daily at the institution and menus and nutritional adequacy must meet departmental requirements established on the basis of nationally promulgated standards. Communication is also maintained with the inmate councils relative to food quality and palatability. The medical staff is responsible for sanitation inspections of the institutions.

Treatment

While all inmate-employee relationships including professional and nonprofessional staff have potential rehabilitative effect, the treatment element of the institutional program relates to those structured functions established for rehabilitative purposes. These functions include psychotherapy and counseling, academic and vocational training, rec-

Department of Corrections—Continued

reation, self-help activities and religious counseling, training and services. The need for these activities is based on evaluation of inmate deficiencies and requirements and generally accepted correctional concepts.

Total program expenditures for the treatment element are set forth in Table 3 and reflect proposed utilization of 681.3 man-years and \$13,641,830 in the budget year. This represents a net decrease of 20.7 man-years and an increase of \$268,798 or 2 percent from the current year to provide for a continuation of the existing level of program. The net reduction of 20.7 man-years in the budget year results from administratively establishing 29.3 positions and the deletion of 50 other authorized positions in the budget year. The positions administratively established include academic and psychiatric positions which are to provide services previously provided by contractual services, 3.2 additional work furlough and 10.5 proposed new correctional industries' positions. Staff reductions are discussed in relation to the analysis of each function of this treatment element.

The department is deleting 40 currently authorized positions in the treatment program element in the budget year. The position reductions are due to workload decrease, improved efficiency, closing of the West Facility and the elimination of the unit management project at San Quentin.

The psychotherapy and counseling function includes professional and lay services. The department provided services for 3,464 psychiatric and psychological treatment cases in 1969-70 and projects the 1971-72 caseload at 3,567. These cases are treated primarily at the California Medical Facility which is a psychiatric hospital for approximately 2,000 felons. An outpatient psychiatric unit is operated at San Quentin and less extensive psychiatric and psychological services are provided at all other institutions. The need for this function is based on the number of felons diagnosed as requiring these services. This function will require expenditures of \$6,439,029 in the budget year to maintain the currently approved level of service except as discussed herein.

The unit management project is an experimental treatment approach wherein the institutions involved (San Quentin, Deuel and Chino) are divided into separate treatment units. The institutions were provided additional custody and counseling staff. Each unit operates as a separate entity under its own administrator and the counseling staff is located on the unit as opposed to having offices somewhat remote as previously provided. The purpose of the program change was to increase inmate rehabilitation by improving staff effectiveness and inmate contact.

Evaluation of the rehabilitative impact based on parole outcome is not conclusive. Generally, the parolees are doing as well as would be expected without the unitization project. One group of Chino releasees did better than predicted and the San Quentin parolees generally did worse than expected. The actual parole outcome was compared to out-

come results previously predicted by use of base expectancy scores which is a fairly reliable device to predict parole outcome.

Due to the poor performance of the San Quentin unit as measured by parole failure rates and the expressed difficulty of operating this treatment concept at San Quentin, the department is deleting this part of the project in the budget year. Unitization programs will be continued at Chino and Deuel.

Elimination of the program would result in the reduction of 27 positions for a salary savings of \$330,161. These 27 positions include 13 in this program function, 11 in security and three in inmate support.

Due to the general lack of demonstrated increase in inmate rehabilitation resulting from this experimental project, we believe the planned reduction is justified. The project should be continued at the other two institutions because of the indications of positive inmate improvement reported by the department and to provide more conclusive data as to the rehabilitative effects of this treatment and management concept.

In addition to the professionally provided counseling and treatment, the department also utilizes large and small group counseling as well as individual treatment by caseworkers, correctional officers, and other employees. A total of 11,850 inmates were involved in group counseling in 1969-70 and this is expected to increase to 12,205 inmates in the budget year.

Specific means have not been developed to evaluate the rehabilitative results of these counseling functions. The sole criteria currently available is the rate of recidivism, i.e., return to prison for parole violation, which does not identify specific treatment elements which may affect this rate of return. These counseling services have been justified on the basis of inmate need and the administrators contention that this counseling results in a more stable institutional atmosphere. The group counseling program is a relatively low-cost operation requiring only minor overtime funds and training effort for the lay counselors. The major cost of this program element is in the provision of psychiatric and psychological services primarily at the California Medical Facility.

Academic

The objective of the academic program is to raise the educational achievement of inmates capable of and willing to accept such treatment. The needs are based on the fact that the average inmate tests at the 7.8 grade level. This academic retardation limits the inmates employability in many areas of endeavor and probably contributes to the inability of some inmates to adjust to noncriminal pursuits. No definitive evaluation has ever been presented to the Legislature to demonstrate the impact and rehabilitative effect of the academic or vocational training exclusive of other treatment factors.

The department expended 72.3 man-years of staff and \$3,038,540 in the academic program in 1969-70. This expenditure is projected at 69.3 man-years and \$3,124,474 in the budget year. This total expenditure is necessary to provide the same academic program as previously

Department of Corrections—Continued

authorized less reductions due to closing the West Facility. A reduction of projected population as previously recommended should result in reductions in this and other functions or an increase in program level would result.

All institutions provide academic classes as needed through the 12th grade and higher level correspondence courses. The department estimates that academic enrollment will total 7,461 in the budget year and will result in the awarding of 1,242 elementary and 1,855 high school diplomas, 17 associate in arts degrees, and completion of 1,416 college-level courses.

The goal of the vocational training function is to provide trade training and work skills which may reduce the parole failure rate of the inmate trainees. The budget year objective is to provide training in 43 trade areas to approximately 3,350 inmates.

To provide the proposed level of training will require 132.9 man-years and \$2,867,132 in the budget year. This level of program expenditure will result in issuance of 821 vocational certificates of achievement denoting satisfactory completion of a part of a complete training program and 1,204 vocational certificates of completion of full training programs. These expenditures will maintain the existing level of service except for instructor positions being deleted due to change in training emphasis in the feeding operation, population decline at one institution and the closing of the West Facility.

The Legislature has previously recognized the need for and has directed the department to evaluate the educational improvement of inmates resulting from the academic and vocational programs and the effect of vocational training on job placement and stability on parole. The department has endeavored to respond fully to this directive during the current year, but has experienced substantial data collection problems. Only some preliminary data is expected for the 1971 session with substantially more complete evaluations for the 1972 legislative session. These two functions have total expenditures of \$5,991,606 per annum and more definitive output data are required to evaluate whether this expenditure is justified.

Recreation, self-help activities and religion are budgeted for 65.8 personnel man-years and \$1,211,195 for 1971-72. This continues the existing program level adjusted for closing of the West Facility. These activities are based on the need to provide religious services and constructive recreational and leisure activities.

Inmate Employment

The goals of this program element are to provide for the operation and maintenance of the institutions, provide forest fire prevention and suppression services, and to further rehabilitate the inmate by providing work training and skills and instill proper work habits. The inmate work program is roughly divided into three areas including correctional industries, forest fire prevention and suppression and institutional operation and maintenance.

Correctional Industries will provide employment to an estimated 3,233 inmates or 11.9 percent of the 1971-72 inmate population. This constitutes a continuation of approximately the same level of employment as in 1969-70 and 220 inmates more than the current year. On-the-job training plus limited apprenticeship and classroom training are provided in 41 different trade and agricultural enterprises. Products produced are sold only to tax-supported California state and local governmental agencies. The total production of each product is limited by state law and approval of products to be manufactured and the volume of production within the legal maximum are established by the Correctional Industries Commission.

The Correctional Industries Commission consists of representatives of organized labor, industry, agriculture and the general public. The commission holds public hearings prior to authorizing new products or increasing existing production limitations.

The entire correctional industries program is supported by the Correctional Industries' Revolving Fund and product sales. The department is requesting 14.5 new noninmate employees and a reduction of four for a net increase of 10.5 employees at a salary of \$69,207 for the budget year. Some of these positions are for only part of the year. The position changes are due to workload factors, increasing inmate disciplinary problems and the shifting of certain productive activities between institutions. The position increases and decreases appear to be in line with the requirements of this industrial program.

An interim study of Correctional Industries by the Office of the Auditor General and this office as requested in House Resolution 130, 1970 session resulted in the following conclusions and recommendations:

1. Purchases by Correctional Industries are made almost exclusively by open bidding processes established by law and administered by the Office of Procurement, Department of General Services. Nonbid purchases are authorized by law and must be approved by state purchasing agents.

2. Correctional Industries' supply sources are generally identical to those of private enterprise.

3. Prices paid for material purchases reviewed are generally comparable to prices paid by private enterprise for similar products. These prices are affected by many factors such as the size of orders, possibility of future purchases from same suppliers, time of purchase orders, and the cyclical nature of market prices.

4. There appears to be sufficient competitive bidding to assure state purchases at reasonable prices.

5. Some industrial operations are unprofitable while others operate at a profit.

6. The Correctional Industries program is required to balance the need for profitable operations, automation and improvement in manufacturing processes to assure conformity with current procedures with the need to provide basic work skills and job habits to as many unskilled inmates as can reasonably be accommodated in the program.

Department of Corrections—Continued

7. There has been some dissatisfaction by the state colleges with the requirement that they purchase furnishings from Correctional Industries.

8. Absenteeism among inmate workers must be reduced to achieve greater operating efficiency.

9. Specifications for raw materials should be reviewed to determine whether quality standards could be lowered without diminishing final product quality.

10. Correctional Industries should determine whether inmates can be trained to perform cutting and ripping operations in the wood-working enterprise or, alternatively, consider the feasibility of hiring outside specialists to handle these functions.

11. Correctional Industries management should develop information and procedures to take advantage of fluctuations in prices of raw materials.

12. Correctional Industries should determine the reasons for the higher net profit rate of the federal prison industries as a basis for possible improvements in the state program.

13. Correctional Industries management, in cooperation with school purchasing personnel, should attempt to standardize library and dormitory furniture in the interest of improving operating efficiency.

14. Delivery dates for furniture orders should be established within reasonable limits, and performance should be guaranteed within those limits.

The department estimates its 1971-72 average daily population in camps will total 2,064 inmates, a reduction of 387 inmates below the current year due to the planned closing of five camps. This will also result in a reduction in inmate time devoted to forest fire prevention and other activities. Fire suppression services will be supplied by institutional inmates as required.

Funding for this function is included under the security portion of the program budget except for inmate pay which totals \$778,869 in the budget year. This is a continuation of the currently authorized level of inmate pay.

Inmates are also assigned to various work functions in institutional operation and maintenance. A total of 11,310 inmates are currently employed and this will decrease to 11,000 in the budget year due to the closing of facilities. Of the total employed, 3,732 in the current year and 3,600 in the budget year are designated key assignments and a small hourly wage is paid for these services. Inmate pay is projected at \$259,924 in 1971-72 as compared to \$269,924 in the current year.

Inmate Welfare Fund

This fund was created in 1945 under the authority of Section 5006 of the Penal Code to provide a special trust fund for the benefit, education and welfare of inmates. Revenue to the fund consists of canteen profits from sales to inmates, retention of 10 percent of gross sales of inmate handiwork sold to the public, interest on deposits of inmates personal funds and forfeiture of inmates' earnings as authorized by

the Penal Code, interest on the fund, and donations received. The fund is expected to total \$1,332,180 on June 30, 1971.

The fund is used to operate the inmate canteens as self-supporting enterprises and to purchase recreation and leisure articles for the inmates' benefit. Such purchases including movies, recreational games and equipment, television sets and fiction library books are estimated to total \$396,842 in 1970-71 and \$251,586 in 1971-72.

The department is requesting 4.1 new positions at a salary cost of \$34,399. Three of these positions are currently supported by the General Fund but are working in the handicraft program and are properly a responsibility of this special fund according to the department.

Minor Capital Outlay

The department's minor capital outlay item covers six projects at five institutions at a total cost of \$14,192. These projects include two to improve health and safety deficiencies, three to improve security and one to improve plant operations. The projects are as outlined below. *We recommend approval of all six projects.*

- | | |
|--|---------|
| (a) Correctional institution at Tehachapi—install grease trap at employees building ----- | \$2,146 |
| (b) California Medical Facility, Vacaville—install heating and ventilation, departmental archives "B" basement-- | 2,960 |
| (c) California State Prison, Folsom—construct security tower to replace tower No. 19----- | 2,914 |
| (d) California State Prison, San Quentin—security modifications ----- | 3,000 |
| (e) California State Prison, San Quentin—install security mesh gates for 10 alley gates north block----- | 1,172 |
| (f) Deuel Vocational Institution, Tracy—security modifications ----- | 2,000 |

RELEASE PROGRAM

The release program includes providing the parole boards for male and female felons with sufficient data on the inmate on which to base a parole decision, the activities of the parole boards and preparation for and release of the inmates as required by law.

The program goals include preparation of sufficiently adequate reports for proper decision making, setting and resetting sentences and the granting and revoking of parole in such a manner as to balance the interest of public protection and inmate rehabilitation within limits prescribed by law and the proper preparation of the inmate for successful return to free society. The work-furlough release project is included in this program.

The department is requesting 418.1 personnel man-years and \$6,370,458 for this program in the 1971-72 fiscal year. This is a decrease of 12.4 man-years, but an increase of \$160,416 or 2.6 percent from the current-year program. The department is also requesting two additional work-furlough positions in the budget year which were administratively established during the current year. As these positions are funded by

Department of Corrections—Continued

project reimbursements, they do not increase General Fund expenditures. *This early release project should receive continued support and we recommend approval of the two requested positions.*

The increase in program cost is primarily due to price increases, merit salary adjustments, and increased state contributions for safety retirement coverage partly offset by staff reductions due to closing the West Facility.

Preparation of reports on inmate adjustment and rehabilitative progress for use of the releasing authorities will require 255.6 man-years and \$3,314,416 in 1971-72, as compared to 265.7 man-years and \$3,249,109 in the current year. This will continue the presently authorized level of service adjusted for the factors previously mentioned.

The department estimates 12,131 inmates will be released in the budget year as compared to 12,057 in 1970-71 and 11,842 in 1969-70. The department prepares these inmates for the return to free society by conducting prerelease instruction involving institutional and non-institutional personnel, preparing parole plans, job and residential placement, obtaining necessary licenses, providing necessary clothing and temporary finances and other necessary duties and functions.

The department estimates this program element will use 94.7 man-years and \$1,665,557 in the budget year to continue the existing level of service adjusted on the basis of the aforementioned factors.

Releasing authorities include the Adult Authority, the Women's Board of Terms and Parole and the Narcotic Addict Evaluation Authority. The Adult Authority and the Women's Board are the term-fixing and parole granting and revocating organizations for male and female felons respectively. The Narcotic Addict Evaluation Authority exercises similar duties in relation to nonfelon addicts. The objectives of these boards are to complete the necessary hearings and other functions set forth in Table 4.

Table 4 shows little workload change between the current and budget years due to the relatively stable population projections and the downturn in the rate of commitments.

We recommend that legislative consideration be given to excepting legally authorized methadone treatment from the statutorily prescribed freedom from drug use required for discharge from the nonfelon addict rehabilitation program.

Persons found addicted or in imminent danger of becoming addicted to illegal narcotics may be committed to the state addict rehabilitation program following conviction of and prior to sentencing for any criminal act or involuntarily under prescribed procedures even when no other criminal act is involved. After a period of treatment at the California Rehabilitation Center, the addict may be released to outpatient status. The nonfelon addict cannot be released from the entire program before seven years elapsed time unless he has remained drug-free for a three-year period. The seven years can be extended for an additional three years for a potential total of 10 years.

Table 4
Workload Data
Term-Fixing and Paroling Boards

Organization and function	Workload			Change budget year from current year	
	Actual 1969-70	Estimated 1970-71	Estimated 1971-72	Amount	Percent
Adult Authority					
Institution cases heard.....	25,464	24,740	24,914	174	0.7
Releases granted.....	8,460	8,793	8,362	-431	-0.5
Cases reviewed.....	1,235	1,284	1,220	-64	-5.0
Parole and community services cases heard.....	11,195	11,994	12,127	133	1.1
Paroles suspended.....	3,491	3,742	3,784	42	1.1
Reinstatements.....	620	660	667	7	1.1
Other (mandatory review cases, reaffirmed actions, NTCU releases or place- ments ordered, parole con- tinuations or advances)....	6,170	6,190	6,230	40	0.7
Women's Board of Terms and Parole					
Institution cases heard.....	1,528	1,601	1,645	44	2.8
Releases granted.....	452	501	531	30	6.0
Parole and community services cases heard.....	3,471	3,243	3,186	-57	-1.8
Paroles suspended.....	440	411	405	-6	-1.5
Reinstatements.....	184	172	169	-3	-1.7
Other (routine discipline, gen- eral case discussion, prog- ress reports, transfers)....	2,145	2,078	2,073	-5	-0.2
Narcotic Addict Evaluation Authority					
Institution cases heard.....	4,572	4,862	5,152	290	6.0
Outpatient revocation cases heard.....	5,429	5,583	6,013	480	7.7
Final discharge hearings.....	256	263	284	21	8.0

Methadone maintenance is a program under which addicts voluntarily accepting the treatment are reportedly able to live a relatively normal life without the need or desire for hard narcotics. The treatment consists of prescribed doses of methadone. Continuation may be necessary on a permanent basis as no information is available reflecting successful removal from this treatment.

Methadone is considered a drug within the meaning of the requirement of three years drug abstinence prior to discharge from the non-felon addict program and therefore all persons in the program using methadone cannot be discharged from commitment prior to 7 or 10 years. Due to the demonstrated ability of methadone users to function acceptably within the community, it should be considered a valid treatment unhampered by the present requirement to retain them under jurisdiction for the full seven years. A provision that discharge from the program after successful completion of one year outpatient status without readdiction to illicit drugs would reduce the outpatient case-load, with a reduction in program costs.

Department of Corrections—Continued

The work furlough element of this program provides a method of allowing selected inmates due for release to spend their last two to four months in a furlough status. They work or participate in trade training in the community while residing in a community correctional center operated by the department or in a county jail or state prison. The furloughed inmate pays his own support and is charged for staff supervision. He pays taxes and contributes to his dependents' support. Cash reimbursements to the state support 31 percent of the administrative, supervisory and operating costs of this project.

This program element is budgeted for 18.3 personnel man-years and \$327,127 in the proposed 1971-72 Governor's Budget and includes two proposed new positions administratively established in the current and requested for the budget year. These positions are required due to program expansion from 922 furloughed inmates in 1969-70 to 1,298 in the current and 1,341 in the budget years. These new parole positions are based on approved workload formulas. Two additional man-years of institutional staff are also provided in the current and budget years funded by increased reimbursements and are also related to workload increase.

Community Correctional Program

This community-based program includes regular and specialized parole supervision, short-term institutional treatment, operation of community correctional centers, outpatient psychiatric services, anti-narcotic testing and community resource development. The program goal is to provide community supervision, support and services to achieve parolee rehabilitation.

The total program is budgeted for 785.8 man-years and \$14,604,461 for 1971-72 including \$13,717,751 from the General Fund and \$886,710 in reimbursements to be expended in the program. The budget requests would continue the existing level of service adjusted for workload and price increases as projected by the department. This program is under the direction of the parole division which is subdivided into six regions and 54 parole unit offices, two psychiatric outpatient clinics and branches, four community correctional centers and other services. A normal parole unit consists of a supervising agent, another half-time supervisor who carries one-half of a caseload, six case-carrying agents and clerical assistance. Differences from the norm may be required due to workload requirements.

Conventional Parole Supervision

The objectives of conventional parole supervision are to further parolee rehabilitation through casework services and related support and to provide public protection through surveillance of the parolees' activities and recommending parole revocation and return to custody when deemed necessary.

The average daily parole caseload under conventional supervision is projected by the department to total 8,975 in 1971-72, an increase of 335 parolees over the current-year average. Parole agent positions are provided on an approved workload formula of one position for 55

parolees. The inclusion of supervisory positions in this staffing formula results in the parole agent being responsible for approximately 70 to 80 parolees.

The department is requesting an additional 17.7 personnel man-years based on approved workload formulas for 1971-72. Eleven of these man-years will be administratively established during the current year due to workload increase. Cost for this program element is estimated to total \$3,724,227 for 1971-72, an increase of \$536,100. The cost increase for this and the other parole programs is due largely to workload and price increases and increased state retirement contributions due to including parole agents in the safety provisions of the Public Employees' Retirement System.

Program effectiveness of parole and institutional programs has been evaluated on the basis of fluctuations in the recidivism rate of parolees. The recidivism rate denotes the rate at which parolees are returned to prison for either new felony convictions or violation of other parole conditions. The recidivism rate offered only a broad gauge of program effectiveness when the inmate population, departmental programs, administrative policies and other factors were relatively stable. This situation no longer applies and comparisons of overall recidivism rates with prior years are not valid because the populations being compared are no longer comparable. The probation subsidy program has resulted in a heavier concentration in the institutions of the more serious offenders against persons rather than the property-type offenders according to the department. These more aggressive cases generally do not recidivate to the degree of the property offender. There has also been a substantial reduction in check violation offenders in the prison population in recent years. Check passers had a very high recidivism rate. Another important change has been the introduction of short-term return units. These units provide for short periods of institutional care for parolees without parole revocation. Many of these parolees would have had their parole revoked but for this special program. For these and other reasons, comparisons of gross recidivism rates are no longer valid for evaluation of program effectiveness. Program effectiveness must then be determined by evaluation of like inmate groups based on offense categories, inmate characteristics, or other methods to be developed. *We recommend that the department develop more definitive methods of program evaluation.*

Work Unit Parole

Work unit parole supervision is an experimental low caseload parole management project. The project was initiated in 1964 to increase the time and attention parole agents could devote to parolees with histories of violent and aggressive acts and certain felon addicts. These cases were classified as special and assigned to a parole agent with an average caseload of 35 parolees. These and other work unit parolees were assigned on a weighted unit basis which rated the special cases at 4.8 work units, a regular parolee not representing a particular hazard but requiring regular supervision at three work units and all others as

Department of Corrections—Continued

conditional at one work unit. An agent could have any combination of case types totaling 120 work units. The caseload per agent ranges from 24 to 45 parolees.

Total work unit caseload will average 5,300 parolees in the current and budget years. Total cost of this program element in 1971-72 is estimated to be \$4,871,886, an increase of \$575,410 over the current-year due to price and staff benefit increases along with 5.6 proposed new positions. The department is administratively establishing 3.3 of these new positions during the current year due to anticipated workload increase and on the basis of approved workload formulas. The amount requested will continue the currently approved level of service.

The department's description of this program element claims significant reductions in prison returns have resulted since 1965. This apparently refers to the total parole population and not solely work unit caseloads. From 1945 to 1965, the overall return rate to state prisons for parole violation including new convictions following two years on parole was approximately 45 percent. The latest available data reflects this has declined to 35 percent. The 45-percent rate included 25 percent returned for violating parole rules and 20 percent returned with new convictions. The current 35-percent failure rate includes 23 percent for rules violations and 12 percent with new convictions. Therefore, the 10-percentage-point reduction is almost exclusively due to the reduction in new convictions which may well be due to factors other than more effective parole supervision.

The most recent departmental evaluation report on the work-unit program also claims better parole results for work-unit supervision. The report also stresses the improvement in the total rate of recidivism including conventional parole supervision and is not a cause-effect relationship with this program element. The data offered in this report to support the claimed improvement in the recidivism rate of work unit cases is biased in favor of this special program. The comparison of return rates for parolees in conventional and work-unit caseloads between 1965 and 1968 is invalid because the groups are not comparable. The lack of comparability results from excluding aggressive history cases from conventional caseloads. These cases have low recidivism rates by comparison to check passers and some other property offenders who were included most heavily in the conventional caseloads. The substantial reduction in check offenders since that time has reduced the effect of this factor in post-1968 data. Beginning in 1968, aggressive history cases have been added to conventional parole units. The ratio of such cases in conventional units as compared to work unit caseloads still raises a question of comparability, i.e., 456 in conventional to 1,174 in work unit. The data gathered in the post-1968 period is not sufficient to base a conclusion of program effectiveness.

The return rate after two years parole exposure for inmates released to conventional units between May, 1965 through June, 1968, was 33.8 percent. This is 1.2 percentage points higher than the return rate for work-unit parolees for the same time periods and parole exposure which

is not a significant improvement in relation to the increased costs of work unit. *Further evaluation of this work-unit project is necessary and continuation of the project in the budget year is recommended.*

Nonfelon Addict Parole

A third distinct type of parole supervision is provided the nonfelon addict released to outpatient status from the nonfelon addict rehabilitation program. After an initial period of institutional treatment stressing physical conditioning and group and individual counseling, the nonfelon addict is released to outpatient status. The parole supervision consists of casework services, surveillance and antinarcotic testing to determine use of narcotics. A determination of subsequent illegal drug usage results in a return to the rehabilitation center for additional treatment. Caseloads per parole agent average 32 parolees.

Program expenditures in 1971-72 include 205.2 man-years and \$4,152,000 to continue the currently authorized level of service. The average daily parole population for this program element is estimated to total 4,268 cases in the budget year, an increase of 156 cases over the current-year total. Total personnel effort to be expended is projected to increase 4.4 man-years in 1971-72 over 1970-71.

A nonfelon addict is by law deemed sufficiently rehabilitated to be discharged from the program if he has remained drug-free for three years. The number discharged under this criteria is reflected in the data entitled, "Returned to Court for Discharge" in Tables 5 and 6.

Tables 5 and 6 show declines in the returned-to-court-for-discharge category for both male and female addicts. These data are subject to change especially for 1967 as subsequent discharges are made. For example, 1966 court returns for discharge now total 119 in Table 5 while one year earlier this release group had produced only 16 discharges. Therefore, the 1967 data in these tables is expected to be significantly larger in next year's report and does not represent necessarily a decline in rehabilitative effect.

The number discharged after having been drug-free is a minor part of the total nonfelon addict population. The institution and parole programs for nonfelon addicts have been justified in the past on the need to provide treatment to the individuals committed. While the success rate is not high, it is somewhat better than results reported for other treatment programs for this type parolee.

In an effort to increase this program effectiveness, the department plans to implement a methadone treatment project during the current year. The project is to be located in Los Angeles for a maximum of 200 felon and nonfelon addicts. Felon addicts are parolees from regular penal institutions as opposed to releasees from the nonfelon rehabilitation center program. The methadone program workload and costs will be absorbed within currently budgeted resources and no increases are proposed in the budget year.

Short-Term Return Units

There are 12 short-term return units operated by the department. The units consist of inmate housing in regular institutions segregated from the main prison population and vary in size and staffing accord-

Table 5
Male Civil Narcotic Addicts Released to Outpatient Status
(By Cohort Year of Release)

Status	Year of release to outpatient status											
	1964		1965		1966		1967		1968		1969	
	No.	Percent	No.	Percent	No.	Percent	No.	Percent	No.	Percent	No.	Percent
Number released to outpatient status-----	677	100.0	1,342	100.0	1,247	100.0	2,119	100.0	2,508	100.0	2,768	100.0
<i>Status as of 6-30-70</i>												
Active outpatient status-----	2	0.3	22	1.6	42	3.4	184	8.7	362	14.4	982	35.5
Inactive outpatient status ¹ -----	2	0.3	17	1.3	27	2.2	55	2.6	173	6.9	482	17.4
Returned to CRC-----	509	75.2	1,015	75.6	915	73.4	1,553	73.3	1,717	68.5	1,195	43.2
Died -----	5	0.7	21	1.6	13	1.0	35	1.6	39	1.5	33	1.2
Discharged from civil commitment-----	159	23.5	267	19.9	250	20.0	292	13.8	217	8.7	76	2.7
Returned to court for discharge-----	102	15.1	146	10.9	119	9.5	52	2.4	-	-	-	-
Discharged by the Department-----	9	1.3	24	1.8	27	2.2	19	0.9	22	0.9	18	0.6
Writ (Habeas Corpus)-----	14	2.1	21	1.6	7	0.6	14	0.7	7	0.3	2	0.1
Returned with new felony commitment	21	3.1	46	3.4	39	3.1	65	3.1	66	2.6	32	1.1
Other court order discharge-----	13	1.9	30	2.2	58	4.6	142	6.7	122	4.9	24	0.9

¹ Cases in suspended status, in detention, or whereabouts unknown.
Source: Department of Corrections Research Division.

Table 6
Women Civil Narcotic Addicts Released to Outpatient Status
(By Cohort Year of Release)

Status	Year of release to outpatient status											
	1964		1965		1966		1967		1968		1969	
	No.	Percent	No.	Percent	No.	Percent	No.	Percent	No.	Percent	No.	Percent
Number released to outpatient status.....	181	100.0	235	100.0	250	100.0	372	100.0	374	100.0	471	100.0
Status as of June 30, 1970												
Active outpatient status.....	2	1.1	2	0.9	4	1.6	47	12.6	85	22.7	186	39.5
Inactive outpatient status ¹	-	-	3	1.3	5	2.0	18	4.8	40	10.7	101	21.5
Returned to California Rehabilitation Center	112	61.9	161	68.5	179	71.6	232	62.4	208	55.6	174	37.0
Died	4	2.2	3	1.3	4	1.6	4	1.1	7	1.9	1	0.2
Discharged from civil commitment.....	63	34.8	66	28.0	58	23.2	71	19.1	34	9.1	9	1.8
Returned to court for discharge.....	43	23.7	36	15.3	38	15.2	20	5.4	-	-	-	-
Discharged by Department of Corrections	-	-	9	3.8	2	0.8	9	2.4	5	1.3	4	0.8
Writ (Habeas Corpus).....	9	5.0	9	3.8	1	0.4	6	1.6	3	0.8	1	0.2
Returned to prison with new felony commitment	4	2.2	3	1.3	6	2.4	3	0.8	4	1.1	4	0.8
Other court order discharge.....	7	3.9	9	3.8	11	4.4	33	8.9	22	5.9	-	-

¹ Cases in suspended status, in detention, or whereabouts unknown.
Source: Department of Corrections Research Division.

Department of Corrections—Continued

ing to need. The purpose of the units is to provide short-term reincarceration averaging 4.5 months for parolees requiring such treatment in lieu of parole revocation and return to prison for 15 to 18 months. The program is limited to parolees in danger of violating parole rules and those parolees returned with new convictions are excluded. The department estimates it will place 1,300 parolees in this program during 1971-72. If this number of parolees had their parole revoked, their cost of care for 15 to 18 months would greatly exceed the cost of this program element. This function represents a savings to the extent that it reduces the total incarceration time. Costs of this program element totals \$120,841 and 6.4 man-years for 1971-72, which is relatively the same level of program currently authorized.

The department advises that the parole success rate after a 12-month parole period appears to be relatively the same for releasees from the short-term return units as for those originally confined to prison for a median term of 17 months. The department emphasizes that the comparison is not wholly valid as the two groups are not fully comparable. A more scientific evaluation of program effectiveness would require the establishment of control groups of like parolees who are in similar circumstances relating to possible parole violation, some of whom would be returned to prison for 15 to 18 months, and others left in the community to compare subsequent parole results with the group placed in the short-term units.

The small numbers and program cost do not warrant such an extensive evaluation effort. The program can be reasonably justified on a subjective basis in that it provides the parole agent with an alternative approach at less state cost than prison return for an extended period. However, if the subsequent recidivism rate of the short-term return unit releasees is not improved over that of parolees not sent to these units, the end result could be an increase in total institution time included in the total period of the individual's term of sentence, i.e., the 4.5 months under this special program plus the 15 to 18 months for the subsequent parole violation.

The department is currently considering expansion of this program to include approximately 75 percent of the parolees now returned to prison for parole violations other than commitments for new criminal offenses. This program expansion would require additional initial funding, but the department anticipates that the added costs would be offset eventually by savings in institutional costs due to the shorter period of incarceration. The need for additional programs is based on the reported attitude of the Adult Authority that such program enrichment is necessary. This is a judgmental factor not supported by definitive data reflecting that increased programming results in parole improvement. There is an additional value to the reduction in the total period of incarceration in that some would return sooner to employment and support of themselves and family. A disadvantage would result if the program did not result in improved parole performance in relation to the commission of additional crimes. The parolee would be released to commit subsequent crime or crimes approximately 12 months

earlier than if he had been incarcerated for the 15- to 18-month period. As this short-term return program is limited to nonfelon addicts and violators of parole rules other than for the conviction of new offenses, this may not be a significant factor.

We recommend that the department and the paroling authorities give active consideration to expansion of this program for selected parolees so that public protection will be provided while additional savings in incarceration time are made. We further recommend that the Adult Authority permit short-term reincarceration without increased programming for a representative sample of parolees to test whether the enriched program is needed.

Community Correctional Centers

The department operates four community correctional centers for a total average daily population of 207 nonaddicted felons and nonfelon addicts. The centers provide residential care and rehabilitation services to parolees lacking adequate financial or family resources or who are in need of assistance in the transition from an institutional setting to free society.

Parole agents are located at the center and provide supervision and assistance to the parolee during and subsequent to his residence in the center. The center programs include all available community resources to assist in the parolees' adjustment. The centers are also used to house felons released on the work-furlough program. The department advises that the availability of the centers results in earlier release from prison of some parolees.

The 1971-72 budget will authorize total expenditures of \$838,779 and 44.5 man-years for these four centers to continue the existing program level. The cost increase of \$84,704 over the current-year estimated expenditures is due to price increases, merit salary adjustments and increased retirement contributions.

These centers have been provided as an additional program resource and definitive research of program effectiveness using control groups of like parolees not in the center program is not being conducted. Definitive research of this nature would be required to show any rehabilitative effect of this program. The centers have been established on the claimed need for the type facilities for the parolees served rather than the program's rehabilitative effect. The department should compare the parole outcome of parolees in this program with similar parolees not afforded this treatment. *We recommend that the department implement a research effort for this purpose.*

Parolee Psychiatric Outpatient Services

Psychiatric outpatient clinics are operated in Los Angeles and San Francisco. They provide professional psychotherapy on a followup basis to parolees with aggravated assaultive and sexual offense convictions as well as to parolees with emotional problems. They make emergency psychiatric evaluations of parolees, consult with parole agents on crucial case decisions, and participate in the training of new agents. Over

Department of Corrections—Continued

90 percent of the parolees attending these clinics are paroled by the Adult Authority with the mandatory order for psychiatric attention during their parole.

The department estimates total expenditures for this service in 1971-72 of \$462,039 and 24.5 man-years to maintain the currently authorized level of service. The workload accomplished in the past year and estimated for the current and budget years is reflected in Table 7.

Table 7
Psychiatric Outpatient Workload

	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Estimated</i> 1971-72
Number of patients beginning of fiscal year----	782	1,091	1,206
Number of parolees admitted to clinics-----	847	790	775
Number of parolees terminated from program--	538	675	780
Number of patients end of fiscal year-----	1,091	1,206	1,201

Antinarcotic Testing

The department provides for nalline tests and urinalyses to determine if paroled narcotic addicts are using narcotics. The objectives are to deter readdiction to narcotics and to permit early discovery of narcotics reuse. The return to narcotic usage results in reincarceration for further treatment.

The department will provide tests for 6,700 parolees in the budget year, an increase of 200 over the current year. Based on prior experience, an estimated 56,000 regularly scheduled and surprise tests will be made, of which approximately 2,820 or 5 percent will be positive, denoting drug usage.

Community Resource Development

This program element includes utilization of persons indigenous to the disadvantaged community as parole aides and the services of selected parole agents employed in community service centers. The parole aides help to bridge the communication and relationship gap that tends to separate the parole agent from the parolee and his community. The multiservice center program provides a central location for combined governmental services in various local communities of large metropolitan areas.

The proposed budget for 1971-72 provides 31 man-years and \$199,032 to continue the currently authorized program level. The 31 man-years includes 26 parole aides employed in various areas of the state and five correctional consultants employed in the multiservice centers. The cost of the correctional consultants is reimbursed by the Department of Human Resources Development.

Special Items of Expense

These special items provide reimbursements to the counties for expenses relating to transportation of prisoners and parole violators, returning fugitives from justice from without the state, and court cost and other charges related to trials of inmates and related matters.

These reimbursements are made by the State Controller on the basis of claims filed in accordance with law. Actual and estimated expenditures for these special items are reflected in Table 8.

Table 8
Special Items of Expense

Transportation of prisoners and parole violators -----	\$112,936	\$117,453	\$120,842
Returning fugitives -----	335,487	350,202	359,275
Court costs -----	496,593	417,540	429,588
Totals -----	\$945,016	\$885,195	\$909,705

ADMINISTRATION

The administration program includes centralized administration at the departmental level and administration of each institution and parole region. The administrative head of the department is the director who consults with and secures the advice of the three paroling bodies. The departmental administration provides program coordination and support services to the institutional and parole operations. Each institution is headed by a warden or superintendent and its own administrative staff as necessary. Institutional operations are divided into custody and treatment functions each headed by a deputy warden or deputy superintendent.

The parole operation is administratively headed by a deputy director assisted by centralized headquarters staff. The state is divided into six parole regions, each directed by a parole administrator. The parole function is subdivided into districts and parole units which consist of a supervising agent, a one-half time assistant supervisor who carries one-half a caseload and six case carrying parole agents.

Total expenditures for administration are estimated at 498.7 man-years and \$8,966,235 for the budget year. This is a reduction of 20 man-years under the current year but an increase of \$79,094 or 0.9 percent. The reduction in man-years is due to workload decrease, increased efficiency and the closing of an institution.

The total cost of administration is also prorated to the other programs except Special Items of Expense. The cost increase is due to merit salary adjustments, general price increases, and increased retirement contributions.

DEPARTMENT OF THE YOUTH AUTHORITY

Items 220 through 227 from the General

Fund

Vol. III p. 139 Budget p. 190

Requested 1971-72 -----	\$70,739,648
Estimated 1970-71 -----	68,747,738
Actual 1969-70 -----	62,528,380
Requested increase \$1,991,910 (2.9 percent)	
Total recommended reduction -----	\$702,200

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. We recommend that if a rate increase is authorized by the Legislature for the probation subsidy it be based on the increase in the California Consumer Price Index until a more equitable adjustment factor can be developed by the Departments of the Youth Authority and Finance. 527

2. We recommend that the department survey a representative sample of cases to determine to what extent clinic recommended programs are being followed by the institutions. This survey should also determine the reasons for and the need to conduct reevaluations and reprogramings at the institutions. 535

3. We recommend that the department reduce its 1971-72 population projection by 200 wards resulting in an estimated budget reduction totaling \$697,200. 536

4. We recommend deletion of the lighting improvement project at Pine Grove Camp for a savings of \$5,000. 537

GENERAL PROGRAM STATEMENT

The Department of the Youth Authority and the Youth Authority Board were created by the Youth Authority Act adopted in 1941, and codified in Chapter 2.5 commencing with Section 1700 of the Welfare and Institutions Code. The purpose of these two units is "... to protect society more effectively by substituting for retributive punishment methods of training and treatment directed toward the correction and rehabilitation of young persons found guilty of public offenses."

The department and the board have attempted to carry out the legislative mandate in institutional programming by eliminating corporal punishment and by providing prevocational and vocational training programs, academic instruction, increased counseling and casework services, and specialized treatment programs for problem cases. Community-based programs include regular and low-caseload parole programs for state wards, and subsidies to local government to encourage substitution of locally operated programs for commitment to state programs. These subsidies are founded on the assumption that more effective rehabilitation can be provided in the community or at least it is generally more desirable to treat the offender in the community than to incarcerate him in a state institution removed from his family and other favorable influences. While there are exceptions in which removal

from the community is clearly the preferred treatment, the state encourages local treatment by subsidizing construction and operation of county juvenile homes, ranches, and camps, enriched probation services, and delinquency prevention activities. Local treatment programs include incarceration in juvenile halls for short periods, longer term commitment to county camps, day-care centers, and community supervision with foster home or in-home placement and probation supervision. State subsidies to these local programs total \$19,837,340 under the proposed Budget for 1971-72.

The state-operated program consists of eight institutions, three reception centers, and four forestry camps that will house an estimated average daily population of 5,384 wards, plus a community parole program for a projected daily average population of 13,369 wards in 1971-72. The department estimates it will handle 10 fewer institutional and 169 fewer parole wards in 1971-72 than in 1970-71.

The wards to be handled in state programs represent a relatively small portion of the total delinquency problem. Those persons committed to the Youth Authority are the results of a filtering system that commences with the initial arrest. Law enforcement makes the primary determination as to referral to probation or direct release without charge. Probation then determines whether those referred will be released, referred to another agency such as the Department of Mental Hygiene or another jurisdiction, placed on informal probation or a petition filed with the juvenile court. Informal probation is limited to no more than six months and must be with the consent of the parent or guardian. The juvenile court may dispose of the petition by transferring jurisdiction to another county, by dismissal, granting probation, remanding the case to the Adult Court, or by committing the ward to the Youth Authority.

This filtering process is illustrated by the latest available full-year data, i.e., 1969. There were 389,394 juvenile arrests reported and 44.3 percent were released by the arresting authority or released to another jurisdiction and 55.7 percent were referred to probation. Of the 158,335 referrals reported by probation departments, 49.2 percent were closed without further action or referred to another agency, 14.2 percent were placed on informal probation, and 57,978 or 36.6 percent were taken to juvenile court for determination. The Youth Authority received 2,876 juvenile court and 1,618 superior court commitments in 1969. The result of this filtering process is the commitment to the state of the more severe cases. These data also point to the possibility that state incarceration is used so sparingly in relation to total delinquency that there is no discernible deterrent effect to this procedure.

Juvenile Arrest Data

Since 1960, there has been a continuing increase in the rate of juvenile arrests and placements on probation, but a decrease since 1965 in the rate of commitments to the Youth Authority as reflected in Table 1.

Table 1 reflects that while the arrest rate per 100,000 juvenile population has increased 47.2 percent since 1960 and the rate of probation

Department of the Youth Authority—Continued

grants has increased 25.9 percent, the rate of commitment to the Youth Authority has declined 42.4 percent. This decline has occurred primarily since 1965 when the probation subsidy program was authorized. This program has been instrumental in the reported decline, but has not been the sole cause as will be discussed more fully in relation to the analysis of the probation subsidy program.

Table 1
Juvenile Arrests, Probation and Youth Authority First Commitments
(Rate per 100,000 population aged 10 to 17 years)

Year	Total arrests	Probation granted	First commitments to Youth Authority ¹
1960	8,631	918	158
1965	10,144	937	169
1966	10,745	931	146
1967	11,057	968	122
1968	12,248	1,021	106
1969	12,702	1,156	91
<i>Percent rate change</i>			
1969 over 1960	47.2	25.9	-42.4
1969 over 1968	3.7	13.2	-14.2

¹ First commitment on particular offense, not necessarily the first time committed to the Youth Authority.

While the overall arrest rate has increased 47.2 percent over 1960, the "major offense" category, i.e., crimes that would be classed as felonies if committed by adults, has increased 106.1 percent during that time as opposed to 18.3 percent for minor offenses, and 38.9 percent for delinquent tendency cases.

The primary cause of the increase in major offenses is the increase in drug offenses. Total juvenile drug arrests have increased 2,125.9 percent between 1960 and 1969. The 36,719 arrests of juveniles for drug violations in 1969 represented 36.7 percent of the 100,161 juvenile arrests for major (generally felony type) offenses for that year. When expressed in arrest rates per 100,000 juvenile population 10 to 17 years of age, the major offense arrest rate including drugs increased 106.1 percent from 1960 to 1969 while the arrest rate per 100,000 of major offenses less drugs increased only 35.6 percent.

When consideration is given to the number of other crimes which are perpetrated to support or are a result of drug usage, the magnitude of the drug problem becomes clearer. It has been suggested that the exposure of increasing numbers of juveniles to drugs and drug-related illicit activities and our criminal justice system is breeding a disrespect for the criminal laws and criminal justice system regardless of the validity of those laws and the system. These attitudinal changes may contribute to even greater increases in delinquent behavior.

Ward Characteristics

The general characteristics of juveniles committed to the Youth Authority reflect that they are often from below average in economic status (34 percent welfare, 66 percent self-supporting families), 58 percent come from broken homes, and neither parent had completed high school in 61 percent of the wards. However, fathers or father substitutes had

no criminal records for 71 percent of the wards. The wards generally have a negative or indifferent attitude toward school (79 percent), are generally in grades 10 to 12 (64 percent), of normal I.Q., have no serious psychological disorder (69 percent), but generally had delinquent oriented associates (86 percent). The wards' delinquent behavior reflected they had had three or more delinquent contacts with authorities prior to Youth Authority commitment (85 percent), and generally had a prior institutional commitment of some level (55 percent).

The Youth Authority program for these wards includes initial diagnosis and classification at the three reception centers, institutional treatment consisting of academic, prevocational and vocational training, counseling and social casework, and work programs followed by after-care counseling and supervision on parole. In addition, there are specialized programs for direct release from reception centers, thus bypassing the normal institutional stay, as well as other experimental programs.

The programs in the Department of the Youth Authority are supported by the following Budget Bill items in the amounts and for the purposes indicated.

Item 220—Departmental support	\$50,501,933
Item 221—Transportation of persons committed	43,540
Item 222—Maintenance and operation of juvenile homes and camps.....	3,337,340
Item 223—Construction of juvenile homes and camps	600,000
Item 224—State's share—control of juveniles at the international border	129,635
Item 225—County delinquency prevention commissions.....	27,200
Item 226—County delinquency prevention commissions—research and training grants	200,000
Item 227—Special probation supervision programs	15,900,000
TOTAL	\$70,739,648

ANALYSIS AND RECOMMENDATION

The departmental programs, as proposed in the Governor's Budget, will cost \$72,424,075 and expend 3,511.1 man-years of effort as shown in Table 2.

Table 2 points up that while the total number of employees is decreasing by 3.7 percent and ward population is relatively constant, the total program cost is increasing by 3.4 percent. This is due to salary and staff benefit increases exceeding the savings resulting from manpower reductions coupled with operating expense price increases. For instance, in 1969-70, salary cost for 3,521.6 positions totaled \$35,450,902 as compared to \$37,644,823 for 3,511.1 employees in 1971-72. Therefore, salary costs due to salary adjustments in 1970-71 and merit salary increases for 1971-72 will total \$2,193,921 while the number of employees will be 10.5 less in 1971-72 than in 1969-70. The \$2,061,955 increase in staff benefits in 1971-72 over 1970-71 is primarily due to increased social security contribution rates and the inclusion of certain institution and parole staff in the safety category of the Public Employees' Retirement System. This second factor necessitated an increase in state contributions over that for regular employees. Table 2 also reflects a substantial increase in reimbursements (27.7 percent)

Youth Authority

Items 220-227

Department of the Youth Authority—Continued

and a decrease in federal funds of \$192,855 or 10.3 percent. The fiscal adjustments in the 1971-72 budget will be discussed more fully in the analysis of each separate program.

Table 2
Proposed Program Expenditures

Program	Actual 1969-70	Estimated 1970-71	Proposed 1971-72	Increase 1971-72 over 1970-71	
				Amount	Per- cent
I. Community Services					
Personnel					
(man-years) -----	29.2	34.9	30.0	-4.9	-14.0
Expenditures -----	\$17,819,462	\$20,623,085	\$21,022,807	\$999,722	4.9
II. Rehabilitation					
Personnel					
(man-years) -----	3,299.7	3,411.5	3,289.2	-122.3	-3.6
Expenditures -----	47,184,814	51,556,800	53,170,255	1,613,455	3.1
III. Research and Evaluation					
Personnel					
(man-years) -----	50.6	52.7	43.2	-9.5	-18.0
Expenditures -----	639,261	708,602	591,882	-116,720	-16.5
IV. Administration— distributed to other programs					
Personnel					
(man-years) -----	142.1	147.9	148.7	0.8	0.5
Expenditures -----	(2,453,450)	(2,681,498)	(2,807,870)	(126,372)	4.7
V. Administration— undistributed					
Personnel					
(man-years) -----					
Expenditures -----	247,448	256,037	256,896	859	0.3
Program Totals					
Man-years -----	3,521.6	3,647.0	3,511.1	-135.9	-3.7
Expenditures -----	\$65,890,985	\$73,144,524	\$75,641,840	\$2,497,316	3.4
Less Reimbursements -----	-1,944,547	-2,519,504	-3,217,765	-698,261	27.7
Net Program Totals	\$63,946,438	\$70,625,020	\$72,424,075	\$1,799,055	2.6
General Fund ---	62,528,380	68,747,738	70,739,648	1,991,910	2.9
Federal Funds --	1,418,058	1,877,282	1,684,427	-192,855	-10.3

COMMUNITY SERVICES

The community services program is divided into direct services by staff to local public and private agencies and by grants of state funds to subsidize certain local programs relating to delinquency and rehabilitation. Direct staff services include standard setting, inspections, training, consultation, and technical assistance for local entities. State subsidies administered under this program, provide for state-local sharing, by prescribed formulas, of the cost of construction and maintenance of juvenile homes, ranches, and camps, of enriched probation services and for delinquency prevention programs. The reduction of delinquency to the greatest extent possible is the ultimate goal of this program, but there are lesser goals and objectives related to each element of the program discussed herein.

The total program effort for the past actual, current and budget years is shown in Table 3.

Table 3
Community Services Personnel and Costs

Category	Fiscal Year			Increase 1971-72 Over 1970-71	
	1969-70	1970-71	1971-72	Amount	Percent
Personnel man-years	29.2	34.9	30.0	-4.9	-14.0
Expenditures -----	\$17,819,462	\$20,623,085	\$21,622,807	\$999,722	4.9
General Fund ----	(17,517,490)	(20,249,214)	(21,470,238)	(1,221,024)	6.0
Federal funds ---	(122,007)	(125,000)	--	(-125,000)	(-100.0)
Reimbursements -	(179,965)	(248,871)	(152,569)	(-96,302)	(-33.7)

Table 3 indicates that this program will be reduced by 4.9 personnel man-years and increased by \$999,722 between the current and budget years. The staff reduction is due to five positions authorized administratively for the current year and supported by federal funds, which positions will not be utilized in the budget year unless the contract with the California Council on Criminal Justice is renewed. These positions provide a variety of services to local communities and provide planning services to the juvenile delinquency task force of the Council on Criminal Justice.

The program cost increase of \$999,722 is due to a proposed increase in the probation subsidy of \$1,187,500 partially offset by reductions in other program elements. The program staff is directed by the Deputy Director, Community Services, assisted by an assistant director, a deputy chief, 17 consultants and 10.6 clerical positions. The consultants specialize in the various services provided throughout the state.

Services to Public and Private Agencies

Probation services are provided to approximately 180,000 individuals by local agencies in all 58 counties, two of which have separate juvenile and adult departments. The counties also operate juvenile halls, ranches, camps, and homes, incarcerate juveniles in some jails and provide enriched probation services under the probation subsidy program. The department is required by law to establish minimum standards of operation and make compliance inspections of these local facilities and programs except for regular nonsubsidized probation services in which instance the state standards are not mandatory.

The department is also authorized by law to assist in improvement of local juvenile enforcement, rehabilitation, and delinquency prevention programs by providing training and consultation services to local agencies.

The department proposes to expend 13.5 personnel man-years and \$288,307 for these services in 1971-72 as compared to 16 man-years and \$324,129 in 1970-71, and 13.1 man-years and \$259,218 actually expended in 1969-70. The man-year reduction in the budget year under the current-year program relates to the federally funded positions previously mentioned. The budget request is justified and will provide

Department of the Youth Authority—Continued

training in residential courses and one-day institutes for 3,770 law enforcement, probation, and delinquency prevention personnel and lay persons. This compares favorably with the estimated 3,646 trainees in the current year and the 3,019 persons trained utilizing 4,200 Youth Authority staff hours in 1969-70.

Consultation services will be supplied to 887 separate local agencies in 1971-72 as compared to 907 in the current year and 906 in the past year. The reduction in contacts for this service relates to the reduction in camp construction from 20 projects in the current year to an estimated seven in 1971-72. Consulting services to local agencies are utilized to disseminate information, explain standards and assist in upgrading local programs and activities.

Annual compliance inspections totaled 213 in 1969-70, and are estimated to total 234 in 1970-71, and 264 in 1971-72. Except for county camps, ranches, and homes which are inspected by personnel of other counties, the inspections are made by state personnel who devoted 3,000 man-hours to inspections in 1969-70.

The facilities and functions inspected generally are at standard and any deficiencies noted are brought up to standard. Juvenile halls were first inspected by the Youth Authority in 1969-70 as authorized by recently enacted legislation.

Financial Assistance

The state, under the administration of this department, provides assistance to local government with subsidies for construction and operation of ranches, camps, and homes for delinquents, enriched probation programs, delinquency prevention commissions and programs, and a border check station at San Diego. State support is intended to and has encouraged the development of these local programs and is based on the belief that local treatment of delinquents, if not more effective, is more desirable than incarceration in state facilities. Treatment in the community or in locally operated institutions retains the ward in his normal home and community environment or at least closer to such influences than may be the case with incarceration in state facilities. The degree of correctness of this theory and the extent of its application have not been scientifically established, but the concept is generally accepted among those working in juvenile rehabilitation. It is also generally recognized that removal from the community or at least from the natural home situation as it exists is necessary in some cases.

The department expects to devote 11.4 man-years to these subsidy programs which is basically the same level as the 11.1 and 11.3 man-years for 1969-70 and 1970-71 respectively. Two additional man-years are being utilized during the current year and funded by federal sources. As previously mentioned, these positions will be continued in 1971-72 if the federally funded contract is subsequently approved.

The total subsidy expenditures are shown in Table 4.

Table 4
Financial Assistance to Locally Operated Programs

Activity subsidized	1969-70	1970-71	1971-72	Increase 1971-72 over 1970-71	
				Amount	Percent
1. Construction of juvenile homes, etc. -----	\$84,000	\$600,000	\$600,000	--	--
2. Maintenance of juvenile homes, etc. -----	3,186,019	3,316,340	3,337,340	\$21,000	0.6
3. Special probation supervision -----	12,731,557	14,712,500	15,900,000	1,187,500	8.1
4. Border check station -----	104,560	219,635	129,635	--90,000	--41.0
5. Delinquency prevention -----	227,613	127,200	227,200	100,000	78.6
6. Youth service bureaus -----	221,179	175,000	--	--175,000	--100.0
Total Subsidies	\$18,554,928	\$19,150,875	\$20,194,175	\$1,043,500	5.4
General Fund - (16,432,921)		(19,025,675)	(20,194,175)	--	--
Federal funds --- (122,007)		(125,000)	--	--	--
Staff, operating, and pro-rated administrative costs -----	906,528	1,025,006	1,030,424	5,418	0.5
Total cost ----	\$17,461,456	\$20,175,681	\$21,224,599	\$1,048,918	5.3

Construction and Maintenance Subsidies

Table 4 shows that the construction subsidy is to be budgeted at the same level as the current year. The amount requested is based on the counties' expressed intentions to construct additional facilities less an estimated savings based on recent experience of counties not being able to fund construction programs as planned. The amount requested, therefore, appears reasonable.

This subsidy was authorized in 1957 to encourage counties to provide more local facilities for juvenile rehabilitation. The counties must conform to standards prescribed by the Youth Authority to participate in the program. The state reimburses the counties for one-half the construction costs, but not to exceed \$3,000 per bed unit. The counties had 27 facilities for approximately 1,503 wards when the program was commenced, as compared to an anticipated 72 facilities with capacity for 4,022 juveniles in 1971-72. The state benefits from the fact that many of these juveniles would have been committed to the state where their cost of care would have been a state burden except for the \$25 per month per commitment contributed by the county of commitment.

The subsidy for maintenance of juvenile homes, etc., is scheduled to increase \$21,000 or 0.6 percent. This reflects the lack of growth in the camp and home program in recent years due to construction funding problems as well as a significant vacancy factor in some of the local programs.

Department of the Youth Authority—Continued

The maintenance subsidy was established to encourage local treatment programs in preference to state institutional incarceration. It is limited to reimbursement of one-half the ward's cost of care, but not to exceed \$95 per ward per month. The operating cost of these county facilities for 1971-72 has been estimated at \$27,133,058, of which the counties will provide \$23,795,718 and the state \$3,337,340.

Both of these subsidies are General Fund items and are not expected to expand significantly in the budget year. These two programs could become more effective by an increase in construction at the county level and possibly by an increase in the state's participation in operating costs. This latter proposition is debatable from the standpoint that the program has been curtailed due to the lack of construction funds rather than the size of state participation in operating costs.

Probation Subsidy

The probation subsidy program will total \$15,900,000 in 1971-72 as shown in Table 4. This is an increase of \$1,187,500 or 8.1 percent over the \$14,712,500 estimated for expenditure in 1970-71. This subsidy was established in 1965 to share with the counties savings resulting to the state from a reduction in commitments of juveniles and adults to state institutions. To participate, the counties must make earnings based on a prescribed formula set forth in the code. The county earnings are achieved by reducing its commitments below a base commitment rate previously established. The county is then reimbursed up to the amount of earnings for the actual cost of providing enriched probation programs meeting minimum standards established by the Youth Authority.

The \$15,900,000 is entirely from the General Fund and is to provide for county claims of the last quarter of 1970-71 and for the first three quarters of 1971-72. The department projects 4,000 commitment reductions to state-operated adult and juvenile institutions below what would have been received under the base commitment rates of the counties prior to this subsidy. The even split is based on prior experience. For example, the 3,557 reduction in commitments to state facilities in 1969-70 included 1,773 juveniles and 1,784 adults. This subsidy program is probably the primary cause of the commitment reduction, but other factors have also contributed. Commitments from counties not participating in the program have been reduced but to a lesser degree. Commitments also declined in 1965 and 1966 in several other states, but took an upturn in 1967. Statistics subsequent to 1967 are not now readily available, and whether later data would reflect an increase or decrease is not now known.

Forty-eight counties representing 95 percent of the state's population are expected to participate in the program in 1971-72. This is a decrease of one county and three percentage points in population coverage since 1969-70, the net effect of one county joining and two counties dropping out of the program. These two counties could not make sufficient earnings, due to initially low base commitment rates, to pay for their enriched programs. The most recent data reflects that on

September 30, 1970, there were 152,792 persons on probation and 17,129 or 11.2 percent were in special probation programs supported by this subsidy.

Code provisions establishing this subsidy permit the annual adjustment of the payment rate based on increases in state costs of maintaining persons committed to the Departments of Corrections and Youth Authority. The payment rate has not been increased in spite of county and state cost increases, especially in relation to salaries paid.

Legislation has been introduced at the 1971 session to require the annual adjustment of the reimbursement rate on the same basis as originally computed. A task force representing the Departments of Finance and Youth Authority and county probation departments studied this matter in 1970. The task force recognized that state institutional and parole costs may increase disproportionately to county cost increases due to the more serious nature of the inmates being committed to state institutions which might require lengthier terms and more costly programming. The task force considered various methods of computing the rate increase and determined that the method most equitable to state and county interests would be utilization of the California Consumer Price Index. To adjust the formula on the basis of this index would require a 14-percent increase totaling \$1,458,450. In addition to maintaining the same relative sharing basis as originally established, an increase in rate would forestall more counties from dropping out of the program. Whether defections from the program would be widespread without a rate adjustment is debatable due to the substantial subsidy being paid under the existing payment schedule. The department believes failure to increase the rate may cause serious defections. The \$4,000 per noncommitment presently paid the counties is sufficient to provide enriched probation services to a number of probationers. The increase can be justified on the basis of county cost increases if the Legislature desires to retain the relatively same dollar value of payment as originally authorized. The increasing of the reimbursement rate is, therefore, a policy issue for the Legislature. *We recommend that if a rate increase is to be authorized, it be based on the increase in California Consumer Price Index until a more equitable adjustment factor can be developed.*

Need for Research

We recommend that the department with representation from the participating counties develop an evaluation program and alternative bases for funding such program for presentation to the Legislature.

The enriched programs under the probation subsidy are primarily based on reduction of caseload size. Various casework and other experimental concepts are then applied in these low caseload situations. While it is understood that little treatment can be performed on regular probation caseloads exceeding 100 to 200 cases per officer, research in the correctional field to date has shown that caseload reduction alone is not sufficient to increase rehabilitative results. There is a need to provide ongoing research to evaluate the effectiveness of the special supervision programs. The county probation departments generally

Department of the Youth Authority—Continued

agree on the need to evaluate the rehabilitative effect of the methods being utilized and by this means it can be determined how best to utilize the funds made available under the program. For instance, there are special programs with caseloads of less than 25 probationers per officer. This may be too low for many cases and too high for others, or perhaps the funds could be used in some other more effective manner. Until an evaluation program is established, determinations of how best to expend the funds available cannot be made. All parties concerned appear to agree on the need, but cannot agree on how to provide funds to pay for this research. Alternatives include direct support from the General Fund or indirectly by setting aside part of the subsidy funds for this purpose. The counties oppose this latter alternative as it would reduce the amount of program funds available. We support the concept that the subsidy program should support the research effort, as more effective use of the funds developed by the evaluation effort would benefit all counties participating.

In an effort to initiate at least basic data collection, we recommended to the 1970 Legislature that the department commence data collection for an annual report to the Legislature on the number of cases handled and the probation outcome of cases in the special supervision programs. The Legislature endorsed this recommendation and provided that no more than \$50,000 of the subsidy funds could be used to gather statistics and provide related research and evaluation of the program. With the funds provided, the department contracted with the Bureau of Criminal Statistics to provide these data. The bureau will also be able to provide these same kinds of data on all other probationers which represents an added benefit at no additional cost. There still remains a need to evaluate the effectiveness of individual county programs so that the most efficient use can be made of the funds available for these special programs.

Delinquency Prevention Subsidy

The fourth subsidy reflected in Table 4 consists of two related functions. One provides for state sharing of operating costs of local delinquency prevention commissions and the other provides funds to establish delinquency prevention programs.

Delinquency prevention commissions of not less than seven members may be established in each county by ordinance to coordinate the work of the public and private agencies engaged in delinquency prevention activities. The commissions are authorized by Section 1752.5, Welfare and Institutions Code, to receive funds from governmental and non-governmental sources and to hire an executive secretary and necessary staff.

To encourage creation of such commissions, the Legislature has provided that a subsidy of not more than \$1,000 per annum may be made to each commission to help defray operating expenses. This subsidy was enacted in 1965 and the number of commissions receiving subsidy has increased from 13 in 1966-67 to an estimated 32 in 1971-72. In addition, there are an additional 12 commissions not subsidized. The

44 commissions are operative in counties containing 90 percent of the state's population. Most of the commissions not subsidized are in the smaller counties and have not requested state assistance as they have not had significant operating expenses. Some might request assistance as they become more active in this program.

Since \$200,000 in state support for local delinquency prevention programs supplemented by \$600,000 in federal funds was provided, the commissions have increased their activities in relation to the establishment of delinquency prevention programs. Projects were funded for 11 public and private agencies in 1969-70. This program was budgeted for \$100,000 in 1970-71 which, coupled with carryover funds from 1969-70, was to maintain the authorized expenditure level and shift from a calendar to fiscal year basis. The request for 1971-72 is for \$200,000 which continues the previously authorized expenditure level.

Delinquency prevention has generally been treated as a local government problem except for the contribution made by the state-operated rehabilitation programs for delinquents. With the implementation of the delinquency prevention and probation subsidy programs, the state is becoming more directly involved in delinquency prevention.

The greatest need in delinquency prevention is to determine the causes of and seek to obtain cures for delinquent activities. For that reason, we recommend in the 1970-71 Analysis of the Budget Bill that the Youth Authority, being the custodian of a sizeable portion of delinquents and being staffed to provide diagnostic and counseling services, should use those resources to determine the causes of delinquency. The department is currently developing methods to obtain this information.

Local prevention programs funded by this subsidy may also provide information on causes and prevention methods. Many Youth Authority wards, for example, are deficient in academic skills and are school dropouts, but all dropouts and academic failures do not become delinquents. It has been hypothesized that the constant frustration of academic failure may result in school dropouts and delinquent behavior. Research on the basis of controlled pilot studies would be the least expensive method of obtaining basic information. The resources of this department plus any research effort available at our state-supported academic institutions should be used for this purpose. Research on crime and delinquency by various public and private agencies is currently being funded by numerous federal grants of fairly recent authorization. The subsequent results of such research effort may answer some of these basic questions.

San Diego Border Check Station

The City of San Diego operates a check station at the Mexico-United States border near the Tijuana point of entry to deny passage into Mexico to juveniles not escorted by adults or without proper parental consent. There were 18,228 juveniles stopped and interviewed during 1969-70, and 5,597 were denied entry into Mexico. An estimated 22,650 juveniles will be interviewed and 7,927 refused crossing privileges during 1971-72.

Department of the Youth Authority—Continued

The cost of this check station is prorated between the state and the City of San Diego on the proportion of city and non-city residents turned away from the border. The \$129,635 requested for 1971-72 is the same level, exclusive of \$90,000 in construction funds, as authorized for the current year. The requested amount is approximately \$25,000 more than the actual 1969-70 expenditure and appears generally in line with program needs. The City of San Diego has estimated the state's share of operating costs at \$150,000 for 1971-72.

We recommend approval.

Youth Service Bureaus

This program element was authorized by the 1968 Legislature as a three-year experimental project to terminate on the 61st day following the 1971 legislative session. No funds are provided for this function in the 1971-72 budget.

The authorizing legislation declared that delinquency prevention efforts must be concentrated at the local level to be meaningful and effective and that sufficient services and resources already existed in the communities to combat delinquency, but such services needed coordination. The Legislature authorized the establishment of four service bureaus to provide a wide range of services and continuity of treatment and to eliminate duplication of delinquency prevention efforts in the community. It was also required that annual evaluation reports be submitted to the Legislature. The first annual report was submitted in January 1970, and the second was not received as of this writing. The four service bureaus were opened in the early months of 1969 following establishment of managing boards and hiring of a coordinator for each as authorized by law. The department also obtained federal funds on a matching basis to establish five additional service bureaus and to provide a research unit to measure the effectiveness of the program. Failure to continue the state effort may result in elimination of the federal project.

The legislation emphasized the need for coordination of existing and sometimes duplicating services, but also authorized implementing treatment services deemed necessary. Reports to date reflect a greater emphasis on the provision of services than on coordinating local activities. These reports have not been very enlightening on the nature and extent of local prevention services available. Knowledge of such services appears to be primarily limited to the span of information of those directly working in this activity in the particular community.

The nine service bureaus furnished direct services, generally of a counseling nature, to 1,000 juveniles during the first six months of 1970 as reflected in a progress report issued in August 1970. Referrals have come to the bureaus from a variety of sources, but only a few of the bureaus have received a substantial number of referrals from law enforcement. In some bureaus, law enforcement referrals are in the process of being developed. Some law enforcement agencies are reluctant to make referrals because of uncertainty that adequate services will be available. This inadequacy is due to the failure to receive

promised services by other local agencies. These findings, based on the first 18 months of operation, are not sufficient to support a recommendation to continue this program. There appears to be a need to provide some services in the nature of these service bureaus. Whether there can be effective coordination of local activities also needs to be determined.

Coordination of local prevention activities is, by law, a function of the county delinquency prevention commissions. An alternative to this experimental program would be to urge greater activity and participation by delinquency prevention commissions and their operation of service bureaus. This may be accomplished by appointing commissions with active interests in the establishment of prevention programs. These service bureaus could be supported by state and federal delinquency prevention funds on an experimental basis and by county funds and voluntary contributions of funds and services.

We are withholding recommendation as to continuation or abandonment of state support for this program pending review of the second annual report.

Delinquency Prevention Assistance

The department provides staff services to disseminate information on delinquency and its possible causes, to encourage support of citizens, local governments, and private agencies to implement and maintain delinquency prevention and rehabilitation programs, and to conduct studies of local probation departments.

The department devoted five personnel man-years and \$98,788 to these functions in 1969-70, and plans to use 5.1 man-years and \$109,901 on these activities in 1971-72, which continues the previously authorized level of service for this function adjusted for price and merit salary increases.

During 1969-70, the staff consulted with 215 private and public groups in an effort to encourage new community-based delinquency prevention programs. As a result of these contacts and the availability of state and federal funds, 117 proposals requesting funding assistance were received. The program budget does not contain information on the general nature of these proposals, the number actually funded and implemented, and methods established to evaluate the results. Such information is necessary to an evaluation of the effectiveness of this function and should be included in budget presentations. We have requested the department to furnish this information for review.

The staff also conducted surveys of two probation departments at the request of the local boards of supervisors. The surveys resulted in reorganization of the departments in line with current correctional practices. This unit also produced four pamphlets relating to delinquency and drug abuse as a part of its continuing public education effort.

Department of the Youth Authority—Continued

REHABILITATIVE SERVICES

The rehabilitative services program includes those functions that directly affect the projected 5,384 wards in state-operated institutions for delinquent juveniles and 13,369 parolees under supervision in the community. The program goals include immediate public protection by incarceration and future public protection and benefit to the offender by his rehabilitation.

The program workload results from the commitment of approximately 4,500 juvenile offenders to the state who have been adjudged by the courts as too severely delinquent for treatment in the local community. The majority of these commitments had a number of previous contacts with the local juvenile rehabilitation programs such as juvenile hall, camp and home placement, informal and formal probation supervision. The 18,753 juveniles estimated to be in state juvenile correctional institutions and on parole in 1971-72 are a small portion of our total youth population.

Recent trends in Youth Authority population reflect an increase in minority group representation, 49 percent compared to 44 percent in 1962; more extensive delinquency background, 3 percent with no prior record in 1969 as compared to 6 percent in 1960; and 26.3 percent committed for offenses against persons as opposed to 16.1 percent in 1960. The wards are generally older and a greater proportion are criminal court rather than juvenile court commitments, i.e., 79.6 percent juvenile court commitments in 1956 and 61.8 percent in 1969. These changes are primarily a result of the probation subsidy program wherein the younger, less severely delinquent ward is being retained in the community. This was one of the original goals of the probation subsidy concept because it was evident that many counties were committing juveniles who could be and in some counties were retained in the community. These changes in ward characteristics have necessitated some program changes which will be discussed hereafter.

Organization

The department is headed by a director who is assisted in overall operation by a central administrative staff located in Sacramento. The Rehabilitation Services Program is administered by a deputy director and supporting staff, also in Sacramento. The program is geographically divided on a north-south regional basis. Each region in turn is directed by a regional administrator who is administratively responsible for all institutional and parole functions within his region. This is a new organizational structure first approved for the current fiscal year and established as a means of providing a better coordinated continuum of treatment and to remove artificial barriers created by separate and distinct institution and parole functions. The organizational change effectuated this year does not provide sufficient experience on which to evaluate its effectiveness.

Each institution is headed by a superintendent and is divided into functional units devoted to administration, treatment, and support

services. Parole services are organized on a regional and unit basis extending from the basic unit, i.e., 1.5 supervisory agents to 6.5 agents, 3 to 6 units per region, and 10 regions divided on a north-south geographic basis. The number of units varies because of the geographic extent of the region and other administrative factors.

The Rehabilitative Services Program is divided into three major elements: diagnosis, care and control, and treatment. Manpower and monetary expenditures by program elements are set forth in Table 5.

Table 5
Rehabilitation Services Personnel Man-Years and Expenditures

Program requirements	1969-70	1970-71	1971-72	Increase 1971-72 over 1970-71	
				Amount	Percent
Diagnosis					
Personnel -----	587.1	592.2	572.4	—19.8	—3.3
Expenditures ---	\$8,220,451	\$8,964,810	\$9,517,693	\$552,883	6.2
Care and control					
Personnel -----	1,564.0	1,720.9	1,673.9	—47.0	—2.7
Expenditures ---	\$21,884,909	\$23,732,464	\$24,601,753	\$869,289	3.7
Treatment					
Personnel -----	1,148.6	1,098.4	1,042.9	—55.5	—5.1
Expenditures ---	\$17,129,454	\$18,859,526	\$19,050,809	\$191,283	1.0
Totals					
Personnel -----	3,299.7	3,411.5	3,289.2	—122.3	—3.6
Expenditures ---	\$47,184,814	\$51,556,800	\$53,170,255	\$1,613,455	3.1
Funding sources					
General Fund---	\$44,443,728	\$47,881,109	\$48,619,520	\$738,411	1.5
Federal funds---	1,118,996	1,544,238	1,487,475	—56,763	—3.7
Reimbursements -	1,627,090	2,131,453	3,063,260	931,807	43.7

Table 5 points up that while the ward population is projected to remain rather constant and there will be a net reduction of 122.3 personnel man-years, the total program costs are projected to increase \$1,613,455 or 3.1 percent over the current year. The increase is largely due to price and staff cost increases, the latter caused by merit salary adjustments and providing safety member retirement benefits to eligible institution and parole staff. This benefit change required increased state contributions of \$2,000,000 for retirement purposes budgeted for this department.

The staff reduction is due to the planned closing of the Fricot Ranch School for Boys and other program reductions discussed herein.

Part of the 210-bed capacity lost by closing this institution will be provided by opening two living units for boys at Ventura and Los Guilucos Schools for Girls and an additional cottage at the Fred C. Nelles School for Boys. The housing of male wards in girls' schools is being implemented on an experimental basis during the current year. While new to the Youth Authority, similar ward housing arrangements for delinquents have been successfully operated by other public and private entities. The total staff reductions are partially offset by proposed new positions to be discussed herein.

Department of the Youth Authority—Continued
Diagnosis

The objectives of this program element are:

1. Initially to receive and compile a clinical evaluation of the estimated 5,186 juveniles to be committed in 1971-72 by the juvenile courts or returned by parole as violators of parole conditions.
2. To provide presentence clinical evaluations for juvenile courts for an estimated 573 juveniles to be referred by contracting counties.
3. To recommend a program of institutional or community treatment (direct release in lieu of institutional care) based on ward needs and department resources.
4. To review periodically the ward's program and progress at the institutional level.
5. In the parole function, to evaluate the ward's progress and readiness for discharge from Youth Authority treatment and control.

To accomplish these objectives, the department operates three reception centers and provides diagnostic and case evaluation services in the institutions and on parole. The department estimates it will use 572.4 personnel man-years for this program element in 1971-72 and monetary expenditures of \$9,517,693, an increase of \$552,883 or 6.2 percent. The total reduction of 19.8 personnel man-years proposed for 1971-72 will be partially offset by proposed new temporary help positions for the clinics totaling 1.2 positions at a salary cost of \$8,206. These temporary help positions are requested due to workload increases related to increased in-service training and transportation time and normal vacation relief for teachers. In addition to completing the 5,759 clinic evaluations, the reception centers will recommend, and the Youth Authority Board will order, institutional treatment for 83.9 percent and direct release on parole for 16.1 percent of the wards evaluated. Statistical data are not readily available on the output of the various evaluation and counseling services provided in the institutions and on parole. Parole time studies currently being conducted will reflect parole output in greater detail in the future. Diagnostic services within the institutions are provided by a combination of professional and lay counselors and other staff working on a team basis and holding regularly scheduled conferences and unscheduled meetings as required. The counseling workload consists of an estimated 5,384 average daily institution population and an estimated average daily parole caseload of 13,369.

Need for Evaluation of Clinic Recommendations

The average stay in the reception centers is 28 days at which time the majority of the wards are committed to the institutions with a recommended program. When the ward is received at the institution, a classification committee reviews his clinical diagnosis, all other available information, and an appropriate treatment program is developed. This appears to be an unnecessary duplication of effort unless good reason exists for the two separate diagnoses. The explanation often given is that institution programs may not fit the ward's needs or the institution classification committee is responsible for fitting the clinic diagnosis into the institution's program which requires a separate re-

view of the ward's needs as well as the clinic report. *We recommend that the department survey a representative sample of cases to determine to what extent clinic recommended programs are being followed by the institutions and determine the reasons for and the need to conduct reevaluations and reprogrammings at the institution.* The clinic recommendations should be of such nature that a reevaluation of ward needs would not necessitate the development of a new program at the institutional level. If clinic reports are not applicable to the institution of assignment, then the clinic process should be corrected. Such an evaluation as recommended would be useful in determining the effectiveness of the clinic recommendations, which is not now available.

Care and Control

The care and control program includes residential care in camps and institutions providing the basic human needs for housing, feeding, clothing, medical and dental services and also surveillance and control in the community through parole supervision. The program objectives are to provide these basic needs in a safe and secure setting for individual and general public protection and to provide community supervision and control.

This program is conducted in the institutional and parole organizational patterns previously described. Both institutional and parole staff have control and treatment functions. As cost accounting has not been introduced in these programs, the proration of man-years and expenditures to care and control as opposed to treatment are based on departmental estimates.

The wards are housed in facilities ranging in inmate capacity from 80 ward camps to the Youth Training School with a capacity of 1,224 wards. The usual institutions range from 250 to 560 capacity. Housing units for girls have a capacity of 40 to 50 girls in individual rooms. Male housing units are generally 50-boy capacity open dormitories but individual rooms are provided at the Youth Training School.

Feeding facilities are either centralized mess halls at the older facilities or decentralized dining rooms attached to the living units with centralized food preparation at the newer institutions. Custody and control during the nonsleeping portion of the day is provided by youth counselors who also double as treatment personnel in relation to ward counseling, classification and other treatment team activities. Control during the sleeping hours and for the institution perimeter is provided by group supervisors who are not assigned treatment functions. Community surveillance and control is provided by parole agents who also have treatment responsibilities.

Specialized employees are provided for food preparation and distribution, clothing and housing care and maintenance, and medical and dental needs.

The department estimates it will spend \$24,601,753 on this program in 1971-72, an increase of \$869,289 or 3.7 percent over the 1970-71 program level. Personnel man-years will decrease 47 from 1,720.9 in 1970-71 to 1,673.9 in 1971-72.

Department of the Youth Authority—Continued

The expenditure increase is primarily due to price increases and increased retirement costs of custody and parole personnel. The staff reduction is largely due to the closure of the Fricot Ranch School.

We recommend approval of the proposed increase in ward pay. The department operates four forestry camps of 80 wards each. The wards are employed in the state and national forests for fire prevention and suppression as well as other conservation work. The wards are currently paid 50 cents per day without overtime pay. The department proposes to increase the daily rate to 75 cents and to pay overtime at the rate of 30 cents per hour for fire suppression duties after the first eight hours per day. This overtime factor is identical with benefits provided adult inmates performing the same tasks. This will increase ward pay \$21,740 or 50 percent for the budget year.

The workload for this program is the average daily institution and parole population. The average daily institution population is projected at 5,384 for 1971-72, a decrease of 10 or 0.2 percent under 1970-71. Parole population is also projected to decrease from an average of 13,538 in 1970-71 to 13,369 in 1971-72, a decrease of 169 parolees or 1.2 percent.

While personnel man-years are scheduled to decline by a net total of 47 man-years, the department is requesting a total of 11.6 proposed new positions for this program. A total of 6.6 positions are temporary help adjustments for workload increases relating to inservice training, increased transportation requirements, teacher vacation relief and increased overtime for escapes and emergencies. The 6.6 positions are based on increases from 0.1 to 0.6 positions at various institutions, some of which were transferred from a like category due to the closing of Fricot. The department is also requesting five group supervisor positions to provide an additional fence patrol position on a three-shift, seven-day-a-week basis due to the escape problem at the Preston School of Industry. These five positions were established during the current year and coupled with increased treatment and control staff inside the institution, resulted in a 61 percent decrease in escapes from 41 in 1969 to 16 in 1970. Prior to implementation of this additional coverage, escapes had become an increasingly serious problem at this institution. All 11.6 proposed new positions are offset by reductions in other previously authorized positions and therefore do not represent an increase in the total budget.

Population Projections

We recommend that the department reduce its 1971-72 population projection by 200 wards resulting in total estimated budget reduction of \$697,200.

The budget of this department is predicated on the number of wards for which it will provide services. Overprojection of population results in budgeting this department at a higher level than necessary. It could result in the closing of a small institution like Fricot when the actual population reduction might justify closing a larger institution. In prior years, we pointed out that this department has overestimated

its population projections for the budget. This budget projects the average daily institutional population at 5,394 wards in 1970-71. The population has actually averaged 4,987 during the first half of the 1970-71 fiscal year. To reach the projected average for the year would require an average daily population of 5,801 wards in the second half of the fiscal year or approximately 800 wards or 16 percent more than in these institutions during January, 1971. It is extremely unlikely that the average population will increase to such an extent. The previous high annual percentage increase was 11.1 percent in 1962-63 that was prior to the probation subsidy program which caused a downturn in commitments. Total referrals for 1970 were 17.4 percent below 1969, and this rate of decline increased to 21 percent when only the last six months of each of those years are compared. The tendency to overproject population is partly due to the fact that the department's budget is developed on a population projection made more than six months prior to presentation of the budget.

To average the population projected for the budget year would require an average population increase of approximately 400 wards or 8 percent over the average daily population of the first half of the current year. Based on the decline in commitments for the past two years, even though there have been aggravating factors such as increasing crime and unemployment, a projected increase in the nature of 200 wards or 4 percent over the first half of the current fiscal year for an average daily population of 5,184 for 1971-72 would appear more realistic. Furthermore, from 1964-65 to 1968-69, there has not been a yearly average daily population variance exceeding 130 wards or 2.5 percent. This would represent a reduction of 200 wards below the presently projected population, and would result in a budget reduction totaling \$697,200.

Fricot Closing

The department plans to close the Fricot Ranch School for Boys due to overall population decline and the disproportionate per capita cost of operating this institution because of its size and location. The department is opening housing units at two girls' schools and one other boys' facility for a capacity of 139 to provide housing for population totals equivalent to that housed at Fricot. This closure will result in a net annual savings of \$905,000, including a reduction of 71.6 authorized positions with total salary savings of \$769,946, according to the department. If population totals are adjusted as previously recommended, then there would not be a need to open all of these additional housing units.

Minor Capital Outlay

We recommend deletion of this project.

The department's budget request for minor capital outlay covers one project at \$5,000. This is for the installation of overhead mercury vapor light fixtures at the Pine Grove Youth Conservation Camp, to illuminate the paved recreation area in front of the barracks building.

The need for this project is for the most part to satisfy outdoor,

Department of the Youth Authority—Continued

night recreational requirements. Since the forestry camps are basically work program oriented, the use of outdoor recreational facilities is limited to after work hours, weekends and holidays. This camp, however, is located in an area where, for the portion of the year when the daylight hours are short, inclement weather often necessitates the use of existing indoor recreational facilities. This project does not increase the camp capacity, and in view of the fact that adequate outdoor and indoor recreational facilities are available we recommend the item be deleted.

Treatment

The treatment element of the Rehabilitative Services Program includes counseling, religious services, recreation, psychiatric services, education and after-care treatment in the community. These treatment services are designed to meet the needs of the wards committed as an aid to their future rehabilitation.

The wards generally come from broken homes, below average economic status and substandard residential areas. They are usually academically retarded, lack educational motivation, have poor work and study habits, and have few employable skills. Over half are four to six grade levels below age level on standardized tests, especially in reading comprehension, vocabulary, arithmetic and spelling.

An increasing number of wards are being paroled to out-of-home placements due to unsuitability of their home environment for treatment purposes. Out-of-home placements now total 36 percent of the parolees.

The goal of the treatment program is the rehabilitation of the wards committed. The immediate objectives are to provide those services which are deemed by modern correctional practice to be conducive to such rehabilitation. Academic instruction is a major ingredient of the treatment program as most of the wards are of school age and lack academic achievement. Vocational training is also provided at the institutions housing older wards.

The wards are generally afflicted with psychiatric, psychological, or at least character disorders requiring varying levels of counseling. For these reasons, psychiatric and psychological evaluations, testings, treatment, and counseling are provided. Counseling by teachers, living unit staff, and other personnel is also provided. Guidance and assistance in community adjustment plus surveillance and control is provided by the parole agent.

This element of the program will require 1,042.9 man-years of effort and \$19,050,809 in 1971-72 as compared to 1,098.4 man-years and \$18,859,526 in 1970-71. This is a decrease of 55.5 man-years or 5.1 percent and an increase of \$191,283 and 1.0 percent in costs between the current and budget years. The cost increase is primarily due to merit salary adjustments and increased retirement contributions from the state due to providing "safety employee" retirement benefits to a substantial number of employees in this program element plus price in-

creases on necessary operating expenses and equipment, all partially offset by staff reductions.

The general workload for this program element consists of the estimated 5,384 average daily institution population and 13,369 average daily parole population.

Staff Reductions

Staff reductions in this program element include academic teachers, parole aides, correctional program assistants and temporary help positions totaling 58.7 positions at an annual salary cost of \$475,907. This is not all savings as some position reductions are trade-offs for proposed new positions. Also a psychiatrist position is being deleted from the Preston School to be substituted by operating funds of the same amount to provide these services on a contractual basis. The major reductions will be discussed separately.

The department budgets academic teaching positions on the basis of one teacher for each 15 wards. In computing teacher needs, the ward population total has previously been reduced by 6 percent to represent the average number of wards absent from class. The 15-to-1 ratio was then applied to the net figure. Based on a recent survey of academic classes by the Department of Finance, the Youth Authority agreed to increase this absence factor to 12 percent to conform to more recent actual experience. This results in the deletion of 18.4 academic positions at an annual savings of \$234,000. We are in accord with this staff reduction.

The seven parole aides and 19 correctional program assistants which are being deleted for a total annual salary savings of \$170,396 is an experimental program to provide employment to minority group youths and also provided them an opportunity to continue their educational programs. The program was commenced in 1968-69 with federal funds. The total program cost for the current year was budgeted at \$118,290 in state General Funds and \$50,574 in federal funds. This program is not included in the proposed 1971-72 Governor's Budget.

We have requested the department for detailed justification for elimination of this program so recently authorized by the Legislature. We are withholding a recommendation pending review of the information when it is submitted.

The remainder of the budget request for this program element appears to be in line with program needs.

Program Evaluation

Evaluation of the treatment element is determined primarily by the effect on ward rehabilitation. Measurement of the rehabilitative effect of the total institutional and parole program is determined by the subsequent behavior of wards on parole. The rate of return (recidivism rate) is a gross measurement of total program effect. The recidivism rate remains relatively constant at approximately 45 percent of releases after 15 months on parole and approximately 63 percent four years after release. No significant improvement has been made in the recidivism rate after 15 months parole from 1960 through 1968.

Department of the Youth Authority—Continued

Output and program effectiveness measurements more specific than the gross recidivism rate need to be developed.

The Educational function consists of academic, prevocational and vocation instruction. The department is in the process of developing measurements of the effectiveness of these functions. Sample testings of academic improvement for reading and arithmetic at four institutions reflect achievement rates of one-fourth to two and three-fourths months improvement for each month of instruction. There were significant differences in test results between institutions which may provide an indication of where improvement is needed. In another test of reading improvement in special enriched remedial reading programs supported by federal funds, the experimental subjects gained 1.88 months improvement per month exposure as compared to 1.07 months gain per month for a comparison group consisting of wards in the regular school program. Data as to the comparability of these two groups was not set forth in the program budget.

The department recognizes the need for and is developing testing programs to measure results of the academic and vocational programs. A further test of the effectiveness of vocational instruction is job success on parole which data is also being developed by the department.

RESEARCH

The research program was initially authorized in the 1957-58 budget to develop a continuing evaluation of the effectiveness of the Youth Authority programs. The fact that evaluation criteria has not been established for all program elements and functions reflects that the original goal has not been attained. This original goal was immediately expanded to include basic research and experimentation to increase knowledge as to the cause, correction and control of delinquent behavior and to use this knowledge in program planning and to increase effectiveness of the department's rehabilitation programs.

The department proposes monetary expenditures of \$591,882 and the utilization of 43.2 personnel man-years of effort for this program during 1971-72. This is a continuation of the previously authorized level of programs supported by state funds. The reduction of 9.5 positions is due to budgeting practices which do not permit the reflection of these positions in the proposed program because a new contract authorization for project continuance was not received prior to submission of the department's budget. If these projects are continued, they will be reflected in the 1972-73 budget as 1971-72 expenditures. These particular projects are currently funded by the California Council on Criminal Justice and the American Justice Institute, a nonprofit private corporation, both receiving these funds originally from federal sources.

This program provides all of the statistical data utilized by the department in the management and evaluation of its program units serving approximately 20,000 wards in institutions and on parole. A total of 14.8 positions and \$202,281 are requested in the budget for this function in 1971-72. The research and evaluation function of this program will utilize 28.4 man-years and \$389,601 in 1971-72. This

represents a decrease of 9.7 man-years and \$115,134 or 22.8 percent in total funds. This is caused by not including programs funded by other agencies which will be continued if subsequent contracts are executed. The amount requested will continue the state-supported portion of this program element.

The department is continuing to develop and refine methods to accurately determine program output by implementation of a time utilization reporting system. Until this system is perfected, the output must be measured in projects completed, underway and planned as reflected in Table 6.

Table 6
Research Output

Reports and Projects	Fiscal year		
	1969-70	1970-71	1971-72
Progress reports -----	14	17	16
Final reports -----	10	19	13
Special and recurring reports -----	30	29	31
Projects initiated -----	10	7	7
Projects completed -----	8	8	6

There is a need to develop more adequate information on causes, prevention and correction of delinquent activities, which the department is endeavoring to meet within its current resources including state, federal, and occasionally private funding sources. The research activities of the department should provide information which can be used by state and local governments to combat and correct illicit juvenile activities.

The need is particularly urgent in relation to drug abuse which is the most rapidly growing juvenile offense, but one handled largely at the local level and which does not enter state-supported programs in relation to its magnitude. State research and rehabilitation efforts are primarily concerned with that portion of the total delinquency problem which is committed to the state for institutional care. The state has authorized utilization of probation subsidy funds for services to predelinquents exhibiting delinquent propensities, but little use has been made of this provision. We have previously recommended that the department examine the wards committed to the state with a view to determining the causes of their delinquent activities. Hopefully, this information would point to potential programs of correction of causes and rehabilitation of delinquents to a greater degree than at present. The department is endeavoring to develop a research system for this purpose.

Experimental Programs

Experimental parole programs being conducted on a research basis include the Community Treatment Project, the Guided Group Interaction Program, Community Parole Centers Program and the Ventura Integrated Treatment Project. These are all state supported programs except for the cost of research staff and related expenses in the Community Treatment Project which costs are supported by a federal grant. In addition, a federally supported study is being made comparing different treatment methods utilized by two separate but similar institutional populations at the Northern California Youth Center.

Department of the Youth Authority—Continued
The Community Treatment Project

This experimental program was commenced September 1, 1961, as a federal-state cost sharing research project. The state provides for the operation of the program but is reimbursed by the federal government for the cost related to research personnel. The project has completed a three-year phase and a five-year second phase was completed in September, 1969. The Department of the Youth Authority received federal financing of the research costs and state financing of operating costs of a third phase 5-year experiment which began in October, 1969.

Phases I and II of this program were low-caseload (10 parolees per parole agent) research projects. These two phases established that *selected parolees* could be released from reception centers to intensive parole without an intervening institutional stay then averaging 9.5 months. Phase I and II research reflected a greater parole success rate for parolees in the program resulting in a parole failure rate of 31 percent for experimental program cases as opposed to 51 percent for a control group having regular institution and parole care after 15 months on parole, and 39 percent as compared to 61 percent after 24 months on parole. A total of 498 experimental cases were included in the 15-month study.

Phases I and II were restricted as to intake so that these findings would not be applicable to the total parole population. Further doubt as to the validity of the total difference in failure rate is raised due to the problem of differential decisionmaking in which the experimental caseload ward's parole is not revoked to the same extent as wards in the control group for the relatively same offense. Under such circumstances, the determination to continue an offender in the program on the basis that the program can provide the needed service adds one more potentially favorable opportunity to prove the effectiveness of the program, instead of violating the parole as would be the situation with a nonspecial program parolee committing the same offense. Thus the potential success of the program is enhanced by case decisions made on the basis that the program is providing needed services.

The purpose of Phase III is to:

a. Incorporate a 24-hour residence program for some wards initially entering the program but also for short term reincarceration of parolees for disciplinary purposes.

b. Ascertain whether wards can be validly diagnosed as best requiring institutional care or immediate release on parole and the effects of this decision on parole outcome.

c. Continue to collect data relating to effects of low parole caseloads, and the ability to match parole agent treatment styles to parolee treatment needs.

d. Provide a residential community program which because of location can involve other family members.

e. Expand the ward classification to include many of those excluded from the existing program.

f. Attempt to provide treatment to match the individual needs of the wards.

g. Compare this type of residential treatment program to contemporary Youth Authority programs.

The effectiveness of an integrated residential and parole program located within the community from which the wards are committed is now being tested at the Northern California Reception Center and Clinic.

The integrated residential and parole program contains virtually all of the treatment concepts currently in use in the Youth Authority programs such as large and small group and individual counseling, school and work programs, recreational activities, off-institution cultural enrichment trips, family counseling, out of home placement, etc.

With the incorporation of the residence treatment concept and the merging of institution and parole staff to work as a team in the handling of wards selected, we believe this experimental program is worth continued support. It may not be possible to identify which of these program components is responsible for improving the parole performance of the wards if such result is obtained, due to the interrelation and complexity of the overall program. Success or failure will have to be determined by the total program effect on the participants.

This program is now in the second year of the five-year program. Program plans for the budget year are to continue data collection and development of experimented treatment approaches. State support to this experimental program in 1971-72 includes 34.1 positions and operating expenses and equipment for a total cost of \$470,502. The 10 research positions funded by the federal government total \$167,374 in salary costs for 1971-72.

Community Parole Center Program

The Community Parole Center Program (CPCP) provides intensive, community-based rehabilitative services to parolees who reside in urban areas where there is a high rate of delinquency. Throughout the state there are seven centers: four are located in the greater Los Angeles area, one in San Francisco, one in Oakland and one in Stockton.

A major goal of the Community Parole Center Program is that the center become an integral part of the community in which it is located. Consequently, a parole center serves all commitments to the Youth Authority (both juvenile and criminal court first admissions and readmissions) who reside within its geographical area, which range in size from 6 to 10 square miles. The average caseload of a center is 180 parolees and their families. Of these, about 125 are on parole and 55 are in CYA institutions.

Another major goal of the parole center program is to develop a continuity of treatment model, integrating institutional programs with parole services. Through interaction of parole-institutions staff, it is hoped that the centers can begin to bridge the gap between life in the urban ghetto community and the controlled environment of the institution, thus making a total treatment program that will be relevant to the individual needs and problems of each parolee.

The parole center program originated in 1966 with a pilot unit located in south central Los Angeles. On July 1, 1969, four Community

Department of the Youth Authority—Continued

Delinquency Control Project (CDCP) units and two Community Treatment Project (CTP) units were converted to parole centers.

Although the parole center concept precludes the use of a rigorous experimental design, comparison groups are being developed for a comparative analysis of parole performance of parolees in the CPC and traditional CYA parole programs. By 1971 there should be sufficient numbers of comparison parolees to do a preliminary analysis of parole outcome for the two kinds of programs.

The Community Parole Center (CPC) is a parole unit that serves all CYA commitments residing within a small geographical area in high delinquency urban communities. Intensive parole supervision, community involvement and continuity of treatment between institutions and parole are basic concepts of the center program.

A CPC unit is staffed with six parole agents I, one parole agent II, one parole agent III, one full-time high school teacher, one full-time (or two part-time) group supervisors I and three clerical personnel. Caseloads per agent are reduced to an average of 20 on parole and eight in institutions. Each of the CPC units is housed in a center facility which has group rooms, a classroom, a recreation room and individual offices.

This treatment program includes individual, group and family counseling, academic assistance, recreation and cultural enrichment activities and other services as required.

Total cost for this experimental program in 1971-72 will be \$1,729,765 to provide the previously authorized level of service.

The Guided Group interaction project is another low caseload parole treatment experiment emphasizing group dynamics in altering delinquent behavior. This project will utilize 9.5 employees and project costs will total \$168,049. Program results to date have not been conclusive, but are of a sufficiently positive nature to warrant continuation.

Ventura Integrated Treatment Project

This project was started at the Ventura School for Girls in November, 1967, and is restricted to girls aged 17 years and over. Wards are subjected to intensive specialized work experience, group and individual counseling, and preparation for release to the community. Each girl is assigned to a special parole agent at the time she is received into the institutional program. Both institutional counselors and parole agents work with their assigned charges throughout the entire program. A special parole unit was formed to receive study wards on parole, with each parole caseload established at approximately 25 wards. Provisions are made for the short-term recommitment of girls who, in the opinion of the parole agent, are in danger of parole violation, but who might benefit by action less severe than parole revocation. This experimental project is to be continued in the budget year at a cost of \$183,532 which will continue the previously authorized level of service. The experimental project is of too recent origin to provide definitive results but warrants continued support during the budget year.

Northern Youth Center Research Project

The Youth Center Research Project is a four-year study that has been underway since April, 1968. Funded by a grant from the National Institute of Mental Health to the American Justice Institute, the project staff is comparing the effectiveness of two different treatment methods based on theories widely accepted as potentially powerful approaches to the treatment of delinquents. The two theories reflect major and basic differences of opinion about human nature, and the means by which behavior can best be changed. At the O. H. Close School, the treatment strategy is based on psychodynamic principles, specifically those of transactional analysis as developed by Eric Berne. At the Karl Holton School, the treatment program is based upon the principles of behavior modification. The study is expected to help resolve questions regarding the applicability of the two approaches as well as helping to determine their effectiveness in modifying delinquent behavior.

The project is located at the two most recently opened California Youth Authority institutions: the O. H. Close School for Boys and the Karl Holton School for Boys. These institutions, located immediately adjacent to one another at the Northern California Youth Center, Stockton, California, are similar in their organizational structure, staffing patterns, and physical layout. A unique feature of the research design has been the introduction of random assignment procedures. All wards aged 15 to 17 who arrive at the Northern California Youth Center are assigned randomly to one or the other institution.

Behavior modification, the approach used at Karl Holton, is a general term that refers to the application of experimentally and scientifically established learning principles to the treatment of maladaptive behavior. The essential principle states that all persons need to do to manage behavior is to reinforce the desired behavior and to recognize and reinforce approximations to this behavior. Thus, the principle is simple; the task of applying the principle, however, is not. After the first two years of operation, techniques have been developed that appear to be functional in an institutional setting with a low staff-to-boy ratio.

The same challenge applies to the adaptation of transactional analysis to the treatment of delinquents. Although transactional analysis and other similar psychotherapeutic techniques have been widely used with voluntary clients who are seeking help and are desirous of making changes, the method has not been extensively used with nonvoluntary, relatively unmotivated delinquents. The basic vehicle of this treatment is the small group, where the treater's main task is to help his clients become aware of their autonomy by analyzing their transactions with others.

There are no additional state costs to this project. The research costs are borne by the American Justice Institute.

ADMINISTRATION

The administrative program includes three elements: executive, Youth Authority Board, and support services. The executive element includes overall executive leadership and administrative direction of the department. The Youth Authority Board is the term-setting and

Department of the Youth Authority—Continued

paroling authority for the wards committed to the department. Support services includes the remainder of the central administration utilized to provide statewide administrative, business and other necessary services to the entire department.

The budget for this program totals \$3,064,766 and includes \$2,822,766 in General Funds and \$242,000 in reimbursements also to be expended. The program expenditures are distributed \$2,822,766 or 92.1 percent to the other programs and \$242,000 or 7.9 percent to this program. This proration is made on a subjective basis as cost accounting methods have not been implemented. Personnel man-years are to remain relatively constant at 148.7, but includes one proposed position of career opportunity coordinator and temporary help increases for accounting and personnel totaling 1.4 positions and \$7,804. The career opportunity coordinator position will review the operations of the department to determine employment opportunities for potential employment of minority group members. The position cost will be reimbursed by the Personnel Board which is conducting the study of this and other departments under a federal grant.

The 1.4 temporary help positions are to provide funds for overtime payment of existing staff and are required due to the increased overtime required to prepare budgets and implementation of a program to computerize personnel records which will increase program efficiency. These overtime funds are justified due to workload increase.

The Youth Authority Board consists of eight members including the director of the department as chairman. It is assisted in holding sentencing and parole hearings by seven board representatives. A total of 2.5 clerical employees complete the staffing for this program element. The board members and representatives meet in two-man panels at the institutions to accept wards referred for Youth Authority treatment and to grant and revoke paroles. An estimated 5,186 new admissions and parolees being returned for parole violation will require hearings in 1971-72. A similar number of institutional wards will be given parole hearings during the budget year.

Increased Reimbursement

Reimbursements from other than federal sources are scheduled to increase \$994,201 in the budget year. This results from the transfer of county payments for care of wards (\$25 per ward per month) from revenue to the General Fund to reimbursements. The estimated county payment totaling \$1,100,100 in 1971-72 will be treated as a reimbursement and reduce the departments total budget request by a like amount.

DEPARTMENT OF HEALTH CARE SERVICES

Item 228 from the
Health Care Deposit Fund

Vol. III p. 221 Budget p. 202

Requested 1971-72	\$17,402,395
Estimated 1970-71	17,643,245
Actual 1969-70	6,207,675
Requested decrease \$240,850 (1.4 percent)	
Total recommended reduction	Pending

The analysis of this item is found in our discussion of Items 229 and 230, the Department of Health Care Services—Local Assistance.

CALIFORNIA MEDICAL ASSISTANCE PROGRAM

Items 229 and 230
from the General Fund

Vol. III p. 207 Budget p. 196

Requested 1971-72 Item 229	\$445,120,692
Item 230	144,000,000
Total	\$589,128,692
Estimated 1970-71	484,691,859
Actual 1969-70	387,621,942
Requested increase \$104,428,833 (21.5 percent)	
Total recommended reduction (partial)	-
with balance pending	\$451,636

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. We withhold recommendation pending (1) the presentation to the Legislature of the proposed Average Citizen Plan and the California Health Insurance Plan (CHIP) and (2) the spring 1971 update of caseload and cost estimates. 549

2. We withhold recommendation on the funding of the fiscal intermediaries pending additional information from the department. 566

3. We recommend deletion of five medical social review team positions for a General Fund savings of \$26,000. 566

4. We recommend medical-social review team funds be reduced by \$281,600 in the General Fund share and that the function be transferred to the Department of Public Health. 566

5. We recommend the reduction of 50 positions for a General Fund savings of \$144,036 budgeted for the certification processing of the medically needy II caseload. 569

California Medical Assistance Program--Continued

Analysis
page

6. We withhold recommendation on the Medi-Cal consultant function of the administration of the program pending a review of the department's proposed Average Citizen and CHIP programs.

GENERAL PROGRAM STATEMENT

The California Medical Assistance Program (Med-Cal) was initiated on March 1, 1966, as enacted in the Second Extraordinary Session of the 1965 Legislature. The program superseded the Public Assistance Medical Care (PAMC) and Medical Assistance for the Aged (MAA) programs.

What is Medi-Cal?

Medi-Cal is the state's medical assistance program to provide health care services to eligible people who cannot pay the full cost of medical care. It is not to be confused with the Medicare program which is the federal program for medical and hospital insurance under social security for persons 65 years of age and over. Even though covered under Medicare, people may also be covered under Medi-Cal.

The Medi-Cal program provides medical assistance to families with dependent children, to the aged, blind, and permanently and totally disabled individuals whose income and resources are either insufficient to meet the cost of necessary medical services or are so limited that their application toward the cost of such care would jeopardize the person or family's future minimum self-maintenance and security.

Under both state and federal law, the goal is to provide all necessary health care services to the medically indigent by July 1, 1977. The concept behind this objective is to quickly restore the ill or injured to self-sufficiency so as to reduce additional outlay of public funds in their behalf.

The California medical assistance program has three component parts: (1) Title XIX services which is the basic Medi-Cal program, (2) the County Option program, and (3) program administration. Services under Title XIX are provided by physicians, dentists, hospitals, nursing homes, etc., to recipients of public assistance and the medically indigent. The County Option program consists of hospital costs which are paid by both the state and the counties for provision of medical care to county indigent patients in county hospitals. Administration is the cost of administering the program which is carried out by the state, the counties and fiscal intermediaries. The fiscal intermediaries, Blue Cross North, Blue Cross South, and Blue Shield, process and pay claims for payment submitted by providers of services.

Funding of Title XIX services and administrative costs is provided by the federal government in the amount of approximately 50 percent of the total cost of care. The state and county governments share the remainder in the amounts computed under the various provisions of the Welfare and Institutions Code. Funding of the County Option program is shared by the state and counties.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation pending (1) the presentation to the Legislature of the proposed Average Citizen Plan and California Health Insurance Plan (CHIP) and (2) the spring 1971 update of caseload and cost estimates.

The budget proposes two appropriations amounting to \$589,120,692 (\$445,120,692 from Item 229 and \$144,000,000 from Item 230) for the 1971-72 fiscal year from the General Fund to the Health Care Deposit Fund. This is an increase of \$104,428,833, or 21.3 percent, over that estimated to be expended during the current fiscal year. The funds appropriated by Item 229 (\$445.1 million) represent the state's share of cost for the Medi-Cal Title XIX program, County Option program and administration. The County Option program guarantees state participation in the cost of care for medically indigent persons who are not otherwise covered by the basic Medi-Cal program or other repayment programs. All state and county funds which are appropriated for the Medi-Cal program are transferred into the Health Care Deposit Fund. In addition to the \$589,120,692 in proposed appropriations mentioned above, \$6,514,650 in General Fund money will be transferred from the Department of Mental Hygiene budget to the Health Care Deposit Fund making the total General Fund money appropriated to the Health Care Deposit Fund \$595,635,342. The budget document is confusing in this regard since Item 244, Department of Mental Hygiene, Local Assistance has an amount of \$8 million for this purpose.

The estimated total program cost from all sources for care and administrative expenses for the 1971-72 fiscal year is \$1,335,976,278, an increase of \$78,089,611, or 6.2 percent over the current fiscal year.

This increase is misleading because the budget does not show any federal funds matching the "Special Item of Expense", Item 230 for \$144 million from the General Fund. Table 1 shows the source of funds proposed for the 1971-72 fiscal year Medi-Cal program compared to the current year estimates.

Table 1
Source of Funds, Medi-Cal Program
1969-70 through 1971-72

Source of funds	1969-70	1970-71	1971-72	Percent increase or (decrease) 1971-72 over 1970-71
State -----	\$392.9	\$488.7	\$595.6	21.8%
County -----	216.3	217.6	217.8	--
Federal -----	509.8	551.6	522.5	(4.1)
Total -----	\$1,119.0	\$1,257.9	\$1,335.9	6.2%

The department estimates that an average of 2,731,500 individuals will be eligible to receive care under the Medi-Cal program during 1971-72 fiscal year, an increase of 328,600, or 13.7 percent, over the current fiscal year. The cash grant caseload was based on May 1970 actual and June 1970 preliminary caseload data and the medical needy only (MNO) caseload projection was based on August and September 1970 actual data. We disagree with this estimate and discuss this disagreement under the marginal heading of caseloads and cost of care below.

California Medical Assistance Program—Continued

TITLE XIX SERVICES
(BASIC MEDI-CAL PROGRAM)

Eligible Groups for Medi-Cal Benefits

There are three groups of beneficiaries in the Medi-Cal program. These include public assistance recipients, Medically Needy Only (MNO) group I beneficiaries, and Medically Needy Only (MNO) group II beneficiaries.

Public assistance beneficiaries are those who receive money payments through county welfare departments and fall into four major federally aided welfare categories. These include persons receiving money payments under the aid programs for the aged (65 years of age and older) blind, disabled, or families with dependent children.

Medically Needy Only group I beneficiaries are former public assistance recipients now placed in long-term care facilities or persons or families who qualify for a public assistance categorical aid program but do not wish to apply for cash aid. Because the facility provides for his subsistence needs, the medically needy group I beneficiary's cash grant is terminated beginning the third month of this long-term care placement.

Medically Needy Only group II beneficiaries are residents of California whose income and resources are more than that which would qualify them to receive cash aid payments but who are unable to pay for all of their medical care. These persons are linkable to the categorical aid programs because they are either 65 years of age and over, blind, disabled, or families with a child or children under age 21.

Public assistance and medically needy group I beneficiaries are entitled to receive all benefits provided under the Medi-Cal program. Group II beneficiaries are eligible to receive all benefits provided under the Medi-Cal program after their share of cost for their medical care has been met. Medi-Cal provides for the following services in whole or in part: physicians' services—both in and out of the hospital; hospital services; dental services; optometric services; podiatry services; services of physical, occupational and speech therapist, audiologists and psychologists; laboratory, X-ray and radiology services; prescription drugs and medical supplies as listed in the state drug formulary; prescribed braces and other medical appliances; eyeglasses, and other eye appliances; hearing aids prescribed by a physician; assistive devices and sickroom supplies; ambulance services; blood and blood substitutes; inpatient and outpatient rehabilitation center services; organized hospital outpatient services; nursing home and convalescent home services; home health care services; chiropractic services and certain other legally recognized services. Some services cannot be provided unless prior authorization is granted by state employed consultants who are termed Medi-Cal consultants. The consultants are professional in the areas in which they are asked to give prior authorization approval.

Caseload and Cost of Care

Table 2 shows total expenditure by type of services for the past, current and budget fiscal years as presented by the department.

Table 2
Expenditure by Type of Service

Type of service	Service year		
	1969-70 actual	1970-71 estimated	1971-72 requested
Professional services ¹ -----			\$253,787,600
Physicians' services -----	\$179,818,787	\$202,696,200	--
Prescription drugs -----	72,787,931	78,981,000	80,698,700
Dental care -----	47,813,020	35,733,000	10,076,400
Hospitals ² -----			417,190,800
County hospitals -----	143,809,712	144,320,500	--
Community hospitals -----	195,661,278	248,174,300	--
State hospitals -----	46,626,269	49,417,000	--
Nursing homes -----	215,699,747	211,497,300	152,578,600
Other services -----	58,047,421	60,108,700	34,236,500
Title XVIII (B) buy-in -----	18,292,296	27,349,300	29,950,700
Totals, Title XIX Services -----	\$987,556,461	\$1,058,277,300	\$978,519,300
Special item of expense -----			144,000,000
Administration -----	36,464,934	52,997,205	59,387,978
County Option program -----	144,007,848	146,612,162	143,800,000
Modified accrual adjustments -----	--27,661,452	--	10,269,000
Audit adjustments -----	--12,863,132	--	--
Cost of carrying out program -----	\$1,119,004,659	\$1,257,886,667	\$1,335,976,278

¹ Includes services previously classified as physicians' services and a portion of other services.

² Includes all hospitals previously classified as county hospitals, community hospitals and state hospitals.

Table 3 shows the actual Medi-Cal caseload for 1969-70 and the department's estimated caseload for fiscal years 1970-71 and 1971-72.

Table 3
Actual and Departmental Estimates Medi-Cal Caseloads

Group and linkage factor	1969-70 actual	1970-71 estimated	1971-72 estimated
Cash Grant			
Old Age Security -----	317,946	328,000	335,900
Aid to the Blind -----	13,560	14,400	15,100
Aid to the Totally Disabled -----	167,776	211,900	247,400
Aid to Families with Dependent Children -----	1,223,929	1,561,200	1,819,700
Total Cash Grant -----	1,723,211	2,115,500	2,418,100
Medically Needy I			
Aged -----	33,282	41,700	43,700
Blind -----	638	800	900
Disabled -----	4,857	6,700	7,200
Families -----	28,236	38,600	42,400
Total Medically Needy I -----	67,013	41,700	43,700
Medically Needy II			
Aged -----	28,520	32,600	35,200
Blind -----	353	400	500
Disabled -----	12,377	16,700	18,400
Families -----	119,706	149,900	165,100
Total Medically Needy II -----	160,956	199,600	219,200
Total Medi-Cal -----	1,951,180	2,402,900	2,713,500

California Medical Assistance Program—Continued
1969-70 Fiscal Year Program

The 1969-70 Medi-Cal budget as proposed and as revised in the 1970-71 budget estimated Title XIX services to be \$873.9 million. The 1971-72 budget shows that the actual Title XIX expenditures for the 1969-70 fiscal year were \$978.6 million, an increase of \$104.7 million. The Department of Health Care Services did not have to come to the Legislature for additional General Fund money at the end of the 1969-70 fiscal year when it became apparent that expenditures were exceeding the budgeted program amount. This was due to the fact the department went to a modified accrual accounting system in the County Option program and also applied prior year audit recovery funds to the 1969-70 fiscal year. Although \$35 million was budgeted for the County Option program, a total of only \$7,298,930 was reported as being expended for the program. Almost all of the balance, \$27,661,452, was then used as the General Fund match for federal funds to pay Title XIX bills. Approximately \$17 million in General Fund money which came from March 1, 1966 to June 30, 1967 audit recoveries from the counties was also matched with federal money to pay Title XIX bills. Approximately \$5.5 million of both state and federal money which had been budgeted for administrative expenses but not expended was apparently used to pay Title XIX bills and finally \$5 million in Mental Hygiene hospital bills were carried over to the next fiscal year.

In summary, General Fund money which had been budgeted for other purposes was used to match federal money and thus precluded the necessity for a General Fund augmentation for the 1969-70 fiscal year to meet a program overrun.

1970-71 Fiscal Year Program

The 1970-71 budget, as introduced, provided for \$1,006,145,000 in Title XIX services. In June 1970 the Department of Health Care Services stated that revised welfare caseload increases resulted in the 1970-71 fiscal year budget being \$60 million short (\$30 million General Fund). The Legislature augmented the budget by the proposed amounts. After adjustments the 1971-72 budget document shows the 1970-71 estimated Title XIX services to be \$1,058,277,300.

On December 1, 1970 the Director of the Department of Health Care Services announced the funds for the Title XIX program were \$142.1 million short on the following basis.

Caseload increase	\$98.9 million
Increase in caseload and rate in state hospitals	13.9 million
Increase in rates—other hospitals	9.6 million
Delays in implementation of program controls	19.7 million
(Implementation of intermediate care, hospital outpatient Schedules of Maximum Allowances, hospital utilization-length of stay, medically needy eligibility regulations revision)	
Total shortage	\$142.1 million

As can be noted above, \$98.9 million of the \$142.1 million shortage was stated to be based on caseload increases. Table 4 breaks down the projected caseload increase by category.

Table 4
Caseload Change As Estimated by Department of
Health Care Services—December 4, 1970

	<i>Previously projected caseload (April)</i>	<i>December, 1970 projected caseload</i>	<i>Difference</i>
AFDC -----	1,509,200	1,561,200	52,000
OAS -----	329,600	328,000	—1,600
ATD -----	202,900	211,900	9,000
AB -----	14,500	14,400	—100
MNOI -----	66,900	87,800	20,900
MNOII -----	171,400	199,600	28,200
			<hr/> 108,400

On the basis of his projected deficit the director adopted emergency regulations which were designed to cut back the program by \$140 million. The cutback consisted of a 10-percent reduction in all provider fees except hospitals (prohibited by federal law) and a postponement in elective services.

At the time the caseload reestimate was presented we questioned the premise used in making the estimates. We could not identify the factors in the existing caseload to warrant the specific projected changes. In the case of the AFDC caseload, the reestimate considerably understates what was in fact happening. It appeared that the ATD estimate overstates what has been happening.

The areas where we have the greatest difficulty in attempting to reconcile the department's figures are in the medically needy I and II caseload projections.

Since the announcement of the anticipated deficit there has been considerable controversy as to its extent or magnitude, and it now appears that the department has changed the basis for its estimate by dropping the caseload factor and shifting to a payment trend concept. The present reporting system of the Department of Health Care Services in any case is not adequate for purposes of informing the Legislature of the fiscal status of the Medi-Cal program. The latest monthly report of scheduled payments submitted to the Joint Legislative Budget Committee pursuant to Section 14120 of the Welfare and Institutions Code showed that \$520.0 million was scheduled to be paid through December 1970 and that \$497.1 had been paid. Thus it appeared that payments were within \$22.9 million of the scheduled amount.

The department states the monthly report does not accurately reflect actual costs or the potential deficit of the program. It appears to us that if that is the case, then a report should be developed which does.

The department states that although actual caseload data may not be developing as it had indicated in Table 4, an analysis of payment experience and claims flow indicates that had the December 15 cuts not been instituted, the total program would have reached \$1,200 millions for a deficit of \$140 million. At the time of the preparation of this analysis, we are still attempting to ascertain the validity of the department's statements.

California Medical Assistance Program—Continued

1971-72 Fiscal Year

The caseload estimates for the 1971-72 fiscal year in the budget are not valid. The estimates for the AFDC cash grant caseload considerably understate the current trend and do not appear to take into consideration the current and projected unemployment problems. The ATD caseload estimate on the other hand, appears to be very high. The cash grant estimates which were prepared by the Department of Social Welfare and turned over to the Department of Health Care Services were prepared in August 1970 using actual May and preliminary June 1970 data. The estimates do not reflect actual experience for the summer and fall of 1970.

The Medical Needy Only (MNO) group I and II caseload estimates are prepared by the Department of Health Care Services. The estimates in the budget were prepared in November 1970 using actual August and preliminary September 1970 caseload data. These estimates have very little validity because regulations which were adopted effective August 1, 1970 have resulted in caseload reductions. The impact of the regulations could not be determined on the basis of only one month of experience, particularly since Los Angeles County did not implement the regulations until October 1, 1970.

Average Citizen Plan

The budget proposes what is called an average citizen plan which is designed to restore the balance of medical services between that received by the present Medi-Cal patient and that received by self-supporting individuals. In addition to the average citizen plan which is budgeted at a total program figure of \$978,519,300, a supplemental amount of \$144 million in General Fund money is added to the budget.

The budget states on page 196, line 81, that "The Average Citizen Budget proposes (1) the average cost of health care received by Americans, (2) to provide for supplementation based on the special characteristics of the recipient group and (3) to establish a schedule of services with appropriate controls which will bring the Medi-Cal recipient closer to his neighbor in health care services." The budget goes on to state that no single service or provider group is eliminated under the program.

We have not received or seen the proposed Average Citizen Plan or the California Hospital Insurance Plan (CHIP), thus we are not able to make any recommendations at this time. We would urge caution in using the term "average citizen plan" as it applies to the particular group of persons who are eligible for Medi-Cal benefits. They can hardly be described as average. In addition to having very limited resources for the payment of medical bills, over 500,000 are either over age 65 or are permanently disabled. It is commonly known that the medical needs of the aged and disabled are in excess of the "average citizen."

We agree with some of the concepts of CHIP, as briefly outlined on page 198 of the budget, particularly the one in which token payment would be required for medical services where resources are available.

However, for the welfare recipient who receives all his income from public funds and such income represents only a minimum sufficient for his minimum needs for food, clothing and shelter, then there is obviously no logical basis for charging him for medical care.

Because the average citizen plan limits rather than expands medical benefits to the poor, we question the extent of federal participation in the cost of the plan. Expected limitations on medical coverage in the average citizen plan are due to the scope of benefits being actuarially determined rather than meeting full coverage as is the case under current Medi-Cal.

Hospital services provide an example of how medical coverage could be limited under the average citizen plan. Subject to prior authorization, current Medi-Cal hospital inpatient benefits provide 365 days of hospitalization in full, related only to medical needs. Under the average citizen plan the days of coverage would be actuarially determined. We estimate that the proposed program, on the basis of the funds in the budget, would provide approximately 75 days hospitalization for the average citizen. For a patient in a state hospital, this could mean a need to be covered for the remaining 290 days under the \$144 million special item of expense for additional coverage assuming no federal participation will be available for the special item of expense. There could be a loss of federal funds at the minimum of \$8 million and potential of \$16.4 million due to the anticipated limitation of hospital care in state mental institutions.

Revision of Medi-Cal Program

Although the budget gives no specific details of the proposed revision of the Medi-Cal program, it is clear that a major revision of the program is to be presented to the Legislature by the administration.

It is our understanding that other organizations will also be proposing major revisions to the present program. The County Supervisors Association of California has announced a proposal to create a new single system for meeting the health care needs of medically needy Californians. The details of the proposal are also not specific.

We agree that abuses by recipients and providers should be eliminated in the Medi-Cal program. However, when revision is considered, the uniqueness of the target population must be kept in mind. The medical needs of that group and its ability to pay differ from the total California population. They are not "average" citizens particularly with respect to their needs or their resources for medical care.

We are convinced that many of the problems which plague the program will be solved when the Medi-Cal Management System (MMS) is fully implemented. The examples of recipient over utilization and provider abuse which the department has publicly stated are the reasons to overhaul the program would be greatly reduced if not eliminated, under a single management system. The department stated this last year when the Legislature funded the proposal. It is on the basis that MMS would provide a single review of program utilization and strong program control that we have supported the system. As we discuss later, two counties, San Diego and Santa Clara will begin processing claims under MMS on January 1, 1972.

California Medical Assistance Program—Continued

Criteria to Follow Under Revision of Medi-Cal Program

The three principal variables in estimating funds for a program such as Medi-Cal are (1) caseload, (2) cost-of-care and (3) utilization of services. For three years, the department has been conducting pilot projects on various prepayment or capitation methods of financing Medi-Cal. We believe that a prepayment method is the only way, at this time, that expenditure controls can be obtained.

During the legislative deliberations on any revision of Medi-Cal we recommend that the following criteria be considered.

1. A health care delivery system in which services are prepaid with incentives for the physicians and other providers to economize in prescribing treatment.

2. A copayment on the part of the patient where resources are available such copayment to be reasonably related to his resources, even if the payment is very small. Entirely free service should be avoided wherever possible. A copayment from a person who subsists on only a public assistance grant without any outside income does not appear realistic.

3. More "low-cost" facilities such as are envisioned in the development of the Intermediate Care Facility Programs. Unfortunately, this program has been exceedingly slow in developing due to various pressures from the counties, provider groups, and local comprehensive health planning organizations.

4. Stronger county hospital services based on a new sharing formula between the state and counties.

5. Stronger peer review of services. Sacramento County's medical society has developed a Certified Hospital Admission Program (CHAP) which has reduced hospital costs significantly. This program "audits" the length of stay of patients during the hospitalization period rather than after the fact. It strengthens the hand of the physician in moving patients out of costly hospital service into appropriate but less costly status.

6. In the development of any insurance type program, consideration should be given to including initially only the family-type recipients. The inclusion of the aged and disabled and their unique medical needs would distort any attempt to make actuarial comparisons of costs with "average citizens."

MEDI-CAL PREPAYMENT PILOT PROJECTS

The Department of Health Care Services has contracted with several organizations on a pilot project basis to provide health care. Of the various projects in progress, the following appear the most promising.

Tricounty Prepayment Medi-Cal Project

The Tricounty Prepayment Medi-Cal project implemented in the counties of Sonoma, Lake and Mendocino, on October 1, 1969, is a three-year experiment designed to test the effectiveness of prepayment of the full scope of Medi-Cal benefits and local claims administration in controlling program costs.

The project is underwritten by an insurance company which is also supplying data processing support and technical expertise for the claim processing system.

Administration of the project is carried out by the Sonoma, Mendocino and Lake Counties Medical Foundation at a central claims office in Santa Rosa. The foundation supervises the claim processing activities as well as local peer review and provider appeals. The plan provides a guaranteed rate for benefit costs for approximately 18,000 Medi-Cal beneficiaries. Benefit costs for medical needy only eligibles are covered on a cost reimbursement basis, rather than on a guaranteed rate basis.

Table 5
Capitation Premium Rates and Statewide Averages
Public Assistance and Medically Needy by Aid Category
October 1969-September 1970

Aid category	Premium rates ¹			Statewide averages ²
	10/1/69 through 12/31/69 ³	1/1/70 through 6/31/70 ³	7/1/70 through 9/31/70 ³	
<i>Public Assistance</i>				<i>Fiscal year 1969-70</i>
OAS -----	\$30.85	\$31.01	\$27.01	\$28.63
ATD -----	87.35	87.66	87.66	95.94
AB -----	65.12	65.33	65.33	55.30
AFDC -----	21.98	22.13	22.13	21.96
<i>Medically Needy</i>				
OAS -----	\$173.71	\$173.75	\$173.75	\$265.65
ATD -----	226.72	226.75	226.75	309.25
AB -----	374.70	374.78	374.78	314.23
AFDC -----	23.67	23.71	23.71	27.23

¹ Benefit costs only—Cost of administration, risk and profit and premium taxes excluded.

² Does not include state hospital costs or trilocounty costs.

³ Premium rates were adjusted to reflect changes in payment levels allowed under Medi-Cal or changes in coverage under the contract.

Family Health Program (FHP)

Under the Family Health Program (FHP) Medi-Cal Demonstration Project the Department of Health Care Services has contracted to provide comprehensive services to OAS, AFDC, ATD, AB and MN I patients.

Under this demonstration program, a patient can go to one medical center for all clinical services. In addition, patients will be hospitalized in local community hospitals by the same physician who has seen them as an outpatient. Also, the health centers are open in the evening and on the weekend, provide transportation to and from the center and provide child care for mothers while at the center. These last two features plus free drugs are benefits not ordinarily included in health plans.

The two centers are located in the downtown and northeast areas of Long Beach.

The project is to demonstrate a different method of providing health care services, and to emphasize methods of utilization, review and preventive care. It is also to provide incentives for using the most economical level of care. Capitation monthly premium rates prior to the December Medi-Cal cuts were \$15 for each OAS enrollee and \$15.61 for

California Medical Assistance Program—Continued

each AFDC enrollee. This compared to a monthly fee for service charge for the same services statewide of approximately \$15.51 for OAS patients and \$18.49 for each AFDC patient in 1969-70. Los Angeles County service charges were \$17.37 for OAS patients and \$21.37 for AFDC patients. FHP charges were 19 percent lower for OAS patients and 27 percent lower for AFDC patients than in neighboring Los Angeles. ATD and AB Medi-Cal patients were added to FHP effective January 1, 1971.

Services through these centers include multiple examination rooms, X-ray and laboratory facilities, EKG, physical medicine facilities, emergency care, specialist consultation, pharmacy, and transportation. Local Long Beach hospitals used are Community Hospital, St. Mary's and Los Altos Community Hospital.

The Family Health Program serves a membership in excess of 15,000 (5,300 Medi-Cal) individuals enrolled both on an individual basis and through government and employer groups, plus an unknown number of private patients. Some of the family health groups include: Long Beach City Employees; Long Beach Unified School District; Compton Union High School District; federal and state employees in the Long Beach and Orange County area, and the Medi-Cal pilot project discussed here.

The director of the program uses a simple method of determining the premium to be charged members. Initially, he used existing rates charged state employees under existing insurance plans. After his own cost data was determined, he adjusted the rates from time to time as necessary.

The Director of FHP has installed the following control devices in an effort to provide quality care at the least cost:

- (1) To reduce hospital cost, the group estimates the date of the patient's discharge based on data which is maintained on previous patients with similar problems. This is similar to the CHAP program discussed later. If the patient has not developed complications and this does not seem likely, the physician begins planning for that patient's discharge two or three days in advance. In this way, the discharge can be expedited. The Director of FHP estimates that hospital costs run 40 percent less under FHP than other plans. Although this may help to hold down unnecessary hospital care it will not cut down unnecessary cost while the patient is in the hospital.

- (2) Another technique used by the Director of FHP is the day-to-day utilization of reporting by doctors rather than a monthly review of previous action. Reports are submitted on all patients in hospitals or convalescent homes daily. The idea is for each patient to stay only as long as necessary, creating proper utilization and reducing the cost.

- (3) Several other evaluation techniques are used to control the quality of care. The first is the physician's rating schedule, which is used to rate FHP physicians regarding their performance and the second is the chart review schedule which is used to regularly review all physicians' charts in the clinic. The Director of FHP estimates that FHP fees are 35 percent less than the normal fee for service charges.

The State Department of Health Care Services indicates that to test the objectives of this study, a control group of recipients residing in the test area using fee-for-service health care has been established. In addition, direct interviews with the enrolled group have been conducted. A preliminary report to the Legislature has been made and a new contract has been signed which runs from January 1, 1971 to the end of the year. The preliminary report is neither favorable or unfavorable. An evaluation of the program is currently being completed at UCLA, the results of which hopefully will be available prior to May 1971.

In summary, one of the key features of the success of FHP would be the director's close supervision of the program and program staff. The director demands close cooperation and coordination between units of his organization and is cost conscious. He also makes sure all physicians in the plan are cost conscious through various evaluation forms as well as staff meetings. He is actively involved in the program and runs all aspects of the program. He personally reviews the hospital's admission and discharge reports and if a patient is in the hospital for a period that appears too long, he will review the patient's chart. We think that FHP is a fiscally sound program which could be used as a model for small and medium sized groups designed to practice this type of medicine. We are not qualified to comment on the quality of care under FHP but are not aware of any major problems as of this writing.

Certified Hospital Admission Program (CHAP)

The Medical Care Foundation (MCF) of Sacramento, which is a non-profit corporate organization of the Sacramento County Medical Society has the copyright on its Certified Hospital Administration Program (CHAP) publication. MCF's first printing of the publication was in May 1970, the second printing was in July 1970.

The chief function of MCF has been the establishment and approval of minimum standards for the health insurance program underwritten by commercial carriers. The organization not only recommends a minimum of benefits standards, but also administers MCF approved health plans by direct payment of claims since it receives and processes all claims and provides the review mechanism for disputed physician and other provider services. In addition, MCF under a subcontract with the Department of Health Care Services and California Blue Shield, has the responsibility for certifying the necessity and duration of hospitalization for Medi-Cal eligible persons admitted to hospitals within Sacramento and El Dorado Counties.

CHAP is designed to control excessive hospital costs through pre-hospitalization certification on elective admissions and current evaluations of emergency cases. Certification is made regarding medical necessity for hospital admission and for length of stay. Extension of hospital authorization is granted for appropriate medical reasons stated by the attending physician. The idea is to provide the level of care necessary, but not a higher or more expensive level of care than is medically necessary. MCF indicates that a reduction of approximately 20 percent in the average hospital stay for Medi-Cal eligibles was

California Medical Assistance Program—Continued

achieved under the CHAP program. In addition, MCF indicates that there has been a drop in the average daily medical census in those hospitals where census records had been kept prior to the institution of the CHAP control system for Medi-Cal patients in Sacramento County on April 13, 1970. MCF reported that one major hospital had experienced a drop in average daily Medi-Cal patient census from 50 to 36.

COUNTY OPTION PROGRAM

When the Medi-Cal program was proposed in 1965, an increase in cost of care in the county hospitals was anticipated. To protect the counties, amendments to the basic Medi-Cal proposal were made which would allow the counties the option to receive a guarantee from the state that their future medical cost would not exceed that of the 1964-65 fiscal year as adjusted for population increases. County cost of care exceeding the adjusted 1964-65 level was to be met by the General Fund for those counties electing this optional method of cost sharing.

Under the *basic* county contribution (as distinguished from the option) the counties pay an amount equal to 90 percent of the county cost of health care uncompensated from any source in 1964-65 for all categorical aid recipients and those linked to categorical aid programs. In addition to that 1964-65 amount, each county pays an amount specified in Section 14150 of the Welfare and Institutions Code which is increased each year by an amount proportionate to the increase in population. The effect of this basic contribution is that the total county contribution to Medi-Cal increases slightly as cost increases and the population increases if their indigent population increases.

The optional method of payment provides that counties can pay 100 percent of the uncompensated 1964-65 cost for all county indigents increased only by population, and the state would pay for other cost increases above the 1964-65 base, subject to budget limitations.

As a general rule, it was to the advantage of the larger counties to select the option because cost would and did increase. Approximately 85 percent of the cost of county hospital care is under the option program.

It was to the advantage of a county not to use the option if their uncompensated costs were going to go below the 1964-65 level. This could result when a county had many less persons who would be in the "uncompensated" category. This proved true with many small counties.

The law provided that such selection to have the share of cost computed under the optional method was irrevocable until June 30, 1970. Three San Joaquin Valley counties did switch from the option method to the basic contribution method after that date.

Due to budgetary limitations, the department proposes \$35 million as the state share of the county option program for the 1971-72 fiscal year. If the state share of the option program were to be fully funded, we estimate the cost would be approximately \$65 million for the budget year. The \$35 million is the same as is estimated to be expended during

the current fiscal year. Although the same amount was budgeted for the 1969-70 fiscal year the budget shows that \$7,338,548 was expended on the program and \$27,661,452 in option bills were carried over into the current year when the department converted to a modified accrual accounting system for the option program. With the new accounting method there will have to be a carryover each year hereafter.

INTERMEDIATE CARE FACILITIES (ICF)

Chapter 1399, Statutes of 1968, amended the Welfare and Institutions Code, relating to in-home and out-of-home nonmedical care services for public assistance recipients.

The act stated that the purpose of the law was to provide a coordinated, comprehensive approach to providing out of home and intermediate care assistance and services for recipients of public assistance who qualify for aid under Old Age Security, Aid to the Blind, Aid to the Potentially Self-Supporting Blind or Aid to the Needy Disabled.

The Chapter authorized establishment of programs for out-of-home care, or intermediate care, for recipients of public assistance for whom care in their own homes is impractical, but who may not need nursing home care.

The Health and Welfare Agency was directed to establish standards for specialized out-of-home care and submit an annual report to the Legislature by March 1 of each year setting forth pertinent facts on the operation of the program established by this chapter and its significance in relation to the out-of-home care services of the Medi-Cal program.

Finally, the chapter provided that "The provisions of this act shall be operative under a developmental plan established by the Administrator of the Health and Welfare Agency and approved by the State Department of Finance. The purpose of this plan shall be to provide an orderly development of the service on a county-by-county basis to prevent an interruption in the existing services and to provide a means whereby the cost implications in terms of shifting of caseload from nursing homes to nonmedical care homes and in terms of any possible impact on increasing the rate structure for nonmedical care facilities without affecting such transfer can be clearly observed and reported to the Legislature for corrective legislative action."

Human Relations Agency Cost Implication Study

In the fall of 1969, the Human Relations Agency undertook a study in an effort to make a detailed in-depth study of the cost implications of the proposed intermediate care program. To determine the potential cost or savings of implementing an intermediate care program, the secretary of the agency appointed a task force.

According to the Task Force's Survey approximately one-half of those recipients resident in skilled nursing homes were considered to need a *lower* level of care than that which skilled nursing homes provide. By way of contrast, only a single person out of the sample of 100 patients was found to need a higher level of care (hospitalization).

California Medical Assistance Program—Continued

Forty-eight percent of the patients surveyed receiving skilled nursing facility care could appropriately receive lesser care. Thirty-five percent of those surveyed had need for intermediate care services not then available. Thirteen percent of the skilled nursing facility sample could receive the existing level of care to be found in residential care homes.

Three-fourths of those examined in Residential Care Group II were found to be "misplaced." Sixty-six percent of the sample were judged to need less care than is implied by the Residential Care Group II designation while 9 percent required greater care than Group II care (i.e., needed some medical component added to their care which they were not receiving). The findings of the survey indicate that a rather sizeable downward shift of patients is medically sound and that the state would realize considerable savings if an intermediate care category was created.

On the basis of field surveys we conducted in several counties, it appeared that the number of patients placed in greater than necessary care situations was considerably less than indicated in the agency survey. Subsequent examination by Department of Health Care Services Medical-Social Review teams indicates that the number of nursing home patients in need of lesser facilities is between 25 and 30 percent.

Departmental Responsibilities

The Department of Health Care Services (DHCS) is to work jointly with the State Department of Social Welfare (SDSW) to develop operating standards, guides, procedures, instructions, and other interpretive and promotional materials necessary to implement an Intermediate Care Program. DHCS is also to process claims for payment from operators of Intermediate Care Facilities and submit audited schedules in final form to the SDSW for submission to the Controller for payment.

In addition, DHCS provides medical review teams which make periodic inspections of all mental institutions, skilled nursing homes, and intermediate care facilities. The aim of these inspections is three-fold. First, the care given to all Medi-Cal eligible patients is reviewed. Second, with respect to each of the patients receiving such care, the necessity and desirability of continued placement of such patients in such facilities is evaluated. Third, the feasibility of using alternative institutional or noninstitutional services is evaluated.

The two departments have agreed to implement an ICF program designed to provide supportive, restorative, and preventive health services for public assistance recipients.

The Department of Public Health has the responsibility for licensing ICF institutions under Chapter 1451, Statutes of 1969 and the department adopted regulations effective July 21, 1970 relating to ICF institutions. Before a license can be provided an applicant, the proposal must be reviewed and approved by an area comprehensive health planning agency.

Problems with Implementing ICF Program

Chapter 1399, Statutes of 1968, gave the Human Relations Agency power to promulgate regulations in establishing the ICF program. Based on this authority, the agency finally filed emergency regulations on December 11, 1970 which allowed nursing homes and private institutions to be "certified" as providers of intermediate care without going through the licensure procedure involving Comprehensive Health Planning as well as a substantial licensure fee.

The only stipulation was that such facilities must designate a "distinct part" of the facility for intermediate care if they wished to operate as a dual facility.

Chapter 1451, Statutes of 1969, required that all providers of intermediate care be licensed under a procedure outlined in the bill. Applications must be reviewed and approved by areawide Comprehensive Health Planning groups, and licensure is to be performed by the Department of Public Health. Thus, Chapter 1399, which provides authority for certification without licensure appears to be in conflict with Chapter 1451.

When the certification regulations were filed in December 1970, legal questions were raised and the certification process was suspended. As a result, no facilities have been certified.

The Department of Public Health and DHCS asked for an opinion from the Attorney General to resolve the conflict between Chapter 1399 and Chapter 1451. According to the Department of Public Health, the Attorney General gave two "verbal opinions" that the department could certify, license or both. The department says it is not anticipating a written opinion from the Attorney General. On the other hand, the Department of Health Care Services says it is waiting for the written opinion of the Attorney General.

In an attempt to clarify the issue, House Resolution 18 was introduced in the Assembly on January 27, 1971, requesting a delay in the emergency regulations allowing for certification until the matter could be reviewed by an appropriate legislative committee.

As of February 15, 1971, only four ICF facilities had been licensed with a total of 143 beds. One more facility is to be licensed effective March 1, 1971. The present and anticipated bed capacity by location is shown below.

Number of Intermediate Care Facilities licensed:

<i>Location</i>	<i>Bed capacity</i>
Sacramento County (1) -----	16
Yolo County (2) -----	87
San Diego County (1) -----	40
Total -----	143
One facility to be licensed on March 1, 1971	
San Diego (1) -----	65
Total -----	208

California Medical Assistance Program—Continued
Fiscal Implications

Intermediate care will be funded through the public assistance titles of the Social Security Act (Titles I, X and XIV).

The maximum nursing home reimbursement rate since December 15, 1970 is \$390 per month compared to \$305 maximum for intermediate care facilities.

Initially, it was estimated that by conversion to an ICF program, there would be a net program savings of \$11.2 million during the fiscal year 1970-71 of which \$6.4 million would be General Fund money. However, due to the slowness in developing the program it appears that only \$284,000 total program money will be saved.

The Governor's Budget proposes an appropriation of \$7,606,500 for support of intermediate care during 1971-72. Total program cost is estimated to be \$17,659,500 shared as follows:

(1) State -----	\$7,606,500
(2) County -----	1,300,600
(3) Federal -----	8,752,400
Total -----	\$17,659,500

It is estimated that implementation of the ICF program will result in total program savings of \$3,045,000. Of that amount the state will save \$2,748,000, the federal government will save \$1,597,000 and the counties will have to pay \$1,300,000. Although the ICF results in savings to the state, it results in a cost increase to the counties since they participate in the funding of ICF programs but do not realize any savings in Medi-Cal cost reductions.

ADMINISTRATION

Under the supervision of the Secretary for Human Relations the State Department of Health Care Services is the single state agency responsible for administration of the Medi-Cal program. County welfare or public health departments acting as agents of county boards of supervisors subject to the supervision and regulations of the Department of Health Care Services are responsible for receiving and processing applications for Medi-Cal.

The fiscal intermediaries, Blue Cross North, Blue Cross South and Blue Shield, process and pay all the claims for payment submitted by providers of care after the eligibility has been determined by the counties. These fiscal intermediaries are under contract with the State Department of Health Care Services.

Administration consists of benefits planning, program cost control, program utilization control, eligibility certification, services payments, and support administration. These activities are carried out by three groups of organizations. The state organizations include the Department of Health Care Services as well as contracts with the Departments of Social Welfare, Mental Hygiene and Public Health. The county organizations include either the county departments of welfare or public health. The fiscal intermediary group includes contract employees of California Blue Shield, the Hospital Services of California (Blue Cross

North) and the Hospital Services of Southern California (Blue Cross South).

Table 6 shows the total estimated cost incurred by administration in fiscal years 1969-70, 1970-71, and 1971-72.

Table 6
Estimated Medi-Cal Cost for Administration
1969-70 through 1971-72

<i>Administrative category</i>	<i>1969-70</i>	<i>1970-71</i>	<i>1971-72</i>	<i>Percent increase since 1969-70</i>
State support	\$6,207,675	\$17,643,245	\$17,402,395	180%
Fiscal intermediary ..	\$22,958,329	\$21,798,000	\$28,512,613	24%
County operations ---	\$7,298,930	\$13,555,960	\$13,472,970	85%
Total	\$36,464,934	\$52,997,205	\$59,387,978	63%

The administrative costs come out of the Health Care Deposit Fund and are paid approximately 50 percent by the General Fund and 50 percent by the federal government.

Medi-Cal Management System

The 1968 Legislature authorized an amount of \$250,000 for a study of the existing Medi-Cal eligibility process, claim payment process and management system. A private contractor was awarded the contract to conduct the study. It completed and submitted a report in March 1969 with extensive recommendations. The department adopted the report in the late summer of 1969 and asked for bids from potential contractors for the development and implementation of the system proposed on a prototype basis, that is, in two counties to test and perfect the procedures.

The report basically recommends the establishment of a single management claims processing control system to provide positive eligibility verification, and local claims processing linked to a centralized data processing unit. The present system can at best be described as fragmented and totally unresponsive to the needs of the state, providers of care, and recipients of service.

In early 1970, the department executed a contract with a joint venture of insurance companies and a computer services corporation called Health Care Systems Administrators (HCSA) to implement a Medi-Cal management system on a prototype basis in two counties.

The project will be implemented in three phases at a total cost of \$5.77 million: design, scheduled to last seven months and estimated to cost \$1.24 million; development, scheduled to last seven months and cost \$2.87 million; and implementation, scheduled to take six months and cost \$1.66 million. The department and the contractor initiated the design phase on July 1, 1970. The budget contains \$2,411,000 to complete the total project.

The present schedule for MMS development indicates that starting in January 1972, workload for San Diego and Santa Clara Counties will be processed on the prototype system instead of by the fiscal intermediaries.

California Medical Assistance Program—Continued
Fiscal Intermediaries

We withhold recommendation on the funding of the fiscal intermediaries pending receipt of more information from the department.

For the 1971-72 fiscal year the expenditures for the fiscal intermediaries are budgeted at \$28,512,613, an increase of \$6,714,613, or 30.8 percent over the current fiscal year. We are not able to reconcile this considerable increase in the cost of claim processing with the fact that the budget proposes a reduction in Medi-Cal Title XIX services.

What role the intermediaries will have in the Average Citizen and CHIP programs is not explained. The Budget Supplement goes into considerable detail as to the role of the intermediaries regarding the payment of services as the program is currently structured but is silent in regard to the proposed program.

In addition, the budget states that workload adjustments for payment of services are not necessary for the 1971-72 fiscal year yet it proposes a 30.8 percent increase in funding.

Medical-Social Review Teams

We recommend deletion of five medical review team positions requested for review of residential care facilities for a total savings of \$65,000 in salary and wages plus related operating expenses (\$26,000 General Fund, \$39,000 federal funds).

In addition, we recommend that the remaining medical-social review funds be reduced by 50 percent and be transferred to the Department of Public Health for a net reduction of \$704,000 (\$281,600 General Fund, \$422,400 federal funds).

The Social Security Act of 1967 requires periodic inspections to be made in all skilled nursing homes and mental institutions within the state by one or more medical review teams (composed of physicians and other appropriate social service personnel). The aim of these inspections is threefold. First, the care being given to all eligible patients is to be generally inspected. Second, with respect to each of the patients receiving such care, the necessity and desirability of the continued placement of such patients in such facilities is to be evaluated. Third, the feasibility of meeting nursing home patients' health care needs through alternative institutional or noninstitutional services is to be evaluated. The review of the various facilities is discussed below.

Residential Care Facilities Review

It is desirable to evaluate the care provided by intermediate care facilities and the level of care required for individual patients in such facilities as proposed in the budget. However, we do not see the necessity for the state to make these types of evaluations for residential care facilities. Licensing of residential care facilities is administered by the State Department of Social Welfare directly and by county welfare departments accredited to act for the state under the State Department of Social Welfare's authority. The State Department of Social Welfare develops and maintains standards covering the establishment and op-

eration of facilities subject to licensure, and either directly or through accredited county welfare departments, inspects and counsels with the facilities in light of these standards, issues annual licenses to them when they meet the standards, and denies or revokes licenses when standards are not met. The objective of the licensing activity is to provide assurance to the general public and to the persons living in such facilities that the agencies and facilities offering nonmedical out-of-home residential care meet standards compatible with the needs and circumstances of the persons being served. In addition to the licensure of the homes, county social workers provide social services to the welfare and Medi-Cal residents of such homes.

County social welfare staff periodically interview each welfare and Medi-Cal resident of such facilities with the purpose of reaffirming the individual's eligibility and to determine if the person's needs are being met. If a more appropriate placement is needed, Social Welfare is responsible for such placement.

Residential care facilities are nonmedical family-type homes for six or less persons. There are two groups, or types, of residential care facilities with the following differing level of care:

Group I—minimum care and supervision.

A person living in this type of facility needs a protective environment but limited personal service. He may be able to go out by himself, take care of his own room and assume responsibility for his own medication. However, he may need some assistance taking medication because of forgetfulness, poor eyesight, or shakiness.

Group II—extensive personal care and supervision.

A resident is generally in need of a combination of such services as help with dressing and personal hygiene, extra care because of incontinence, or help with eating. Personal supervision away from home is necessary due to feebleness and extra care may be necessary because the person may be nonambulatory.

We think that the proposed medical-social review of residential care facilities by the Department of Health Care Services would duplicate many of the activities presently being performed by Social Welfare staff and is therefore unnecessary. If any additional review of residential care facilities is justifiable, we feel that the same administrative organizations that are currently supervising residential care facilities and the individual welfare Medi-Cal residents in such facilities should perform such review.

Nursing Home and Intermediate Care Facilities Review

The State Department of Public Health provides licensing and supervision of nursing homes and intermediate care facilities in addition to other health facilities. Licensing and certification of nursing homes and intermediate care facilities involves development, review and revision of qualified standards, evaluation of facilities and services. Nursing homes and intermediate care facilities are evaluated several times annually. Certification surveys or investigations of complaints are in addition to these visits. Licensing requires about 35 percent of staff time and is paid for out of the General Fund. Certification for Medicare

California Medical Assistance Program—Continued

requires about 50 percent of staff time and is reimbursed 100 percent by federal funds. Certification for Medi-Cal requires about 15 percent of staff time and federal funds pay 75 percent of the costs. Our recommendation will provide a greater federal sharing mix.

In addition to evaluations of the degree of compliance of licensing standards the quality of care is also observed by employees of the Department of Public Health. Areas of need for professional assistance are identified and arrangements made for followup on request of a facility or from the field staff. Where the educational approach fails to obtain compliance, disciplinary action is taken through injunction, formal hearing, license revocation or decertification or denial of an application.

Review of reports of the Departments of Public Health and Health Care Services indicates that both departments review the same facilities and obtain duplicative information as follows:

(1) Employees of both departments review the patient's medical records including:

- (a) Nursing care plans.
- (b) Physicians' orders.
- (c) Physical examinations.
- (d) Medication sheets.

(2) Quality of care is also reviewed by staff of both departments. However, it appears that Department of Health Care Services' staff emphasizes individual medical deficiencies while the Department of Public Health staff emphasizes such items as the building, equipment and diets.

(3) Staff of both departments provide social assessments regarding social activities sponsored by the facility. However, it appears as though personnel from the Department of Health Care Services spend a greater part of their time doing social reviews than the Department of Public Health personnel.

(4) Both departments inspect the physical environment of the facilities and report on such things as chandeliers, refrigerators, and number of beds in the facility.

Although staff from each department reviews these facilities for basically different purposes, they nevertheless are duplicating each other's efforts. We think that at least 50 percent of the medical review team staff could be eliminated if this function were transferred into the licensing bureau of the Department of Public Health. This would result in a total savings of \$704,000 (\$281,600 General Fund, \$422,400 in federal funds) plus related operating expenses.

The Department of Health Care Services presently has 128 positions assigned to the medical-social review function. These are proposed for continuance in 1971-72 at an expected total expenditure of \$1,517,310 in salaries and wages plus related operating expenses. The federal government's share in the cost of this activity is 75 percent for professional staff and 50 percent for administrative and clerical staff. The medical-social review teams consist of 0.5 physician, two public health

or registered nurses, two social workers, and one clerk. Because of the heavy emphasis on professional staff, we assume that the governmental participation in the cost of this activity would be approximately 60 percent federal, 40 percent state.

Governmental Multiple Reviews

Most convalescent hospitals are inspected and audited by a variety of agencies. For example, one Los Angeles convalescent hospital was recently inspected by numerous agencies as follows: a three-member team from the Department of Public Health regarding licensure; State Department of Public Health personnel doing a survey of level of care needed by the patients; a three-week audit by Blue Cross; a Medicare audit by an independent auditing firm; a Medi-Cal audit by an independent audit firm; a review by personnel from the Department of Health, Education and Welfare; AETNA review of medical records for Medicare patients; and the medical-review team from the Department of Health Care Services. It would seem that the various governmental agencies involved could combine their resources and provide one administrative review and audit of such facilities at less governmental expense and less inconvenience to the facility being audited.

Certification Process for the Medically Needy II Caseload

We recommend the reduction of 50 positions for a total savings of \$288,071 (\$144,036 General Fund and \$144,035 federal funds) for salaries and wages plus related operating expenses for the certification process for the medically needy II caseload.

To operate a new certification process for the medically needy II caseload, the department established 50 temporary help positions in the medically needy operation bureau in 1970-71. These positions are to review forms which compute the medically needy only liability and which document the meeting of this liability. The department requests that the 50 positions be authorized on a permanent basis for 1971-72.

This new certification process is a control technique to assure that persons who can afford to pay a share of their medical cost have paid this share prior to the payment of Medi-Cal funds. Like prior authorization and other controls in the present Medi-Cal system, this process is cumbersome and creates additional paperwork. Nevertheless, we think that it has been effective as a control device. At the present time, caseloads are decreasing in the medically needy only category. We think the decrease can be directly attributed to the August 1, 1970 restrictions implemented by the department. In those restrictions, the department not only reduced the amount of resources that could be held by a Medi-Cal recipient but implemented the certification process discussed here.

As long as the present Medi-Cal system is in effect, we recommend the continuance of a certification control technique. However, we think that the procedure would be more efficient if totally completed at the local level. At the present, much of the work that is done in the counties is duplicated by certification staff of the Department of Health Care Services. The following is a summary of the present certification process.

California Medical Assistance Program—Continued

Prior to August 1, 1970, there was no verification of liability. After August 1, 1970, the applicant was required to substantiate that he has satisfied his liability prior to certification. A new standard form MC 177, Record of Health Care Services, was developed to facilitate this procedure. This form requires a declaration from the applicant that he has assumed full legal responsibility for payment of the services listed and a signed declaration from each provider of service that he will not bill the Medi-Cal program for the services listed. When the applicant completes the form (satisfies his entire liability) it is returned to the county welfare department where it is reviewed by court personnel. If the applicant returns the form without satisfying his liability, county personnel note on the form "liability not met" and the date, and retain the form in the case record. If the county confirms the validity of the statement, the form (MC 177) along with the initial liability computation form (MC 176) is mailed to a central unit of the Department of Health Care Services.

The Department of Health Care Services audits the forms and verifies that liability has been met. If both forms are in order, the department prepares the first identification card and mails it to the county together with one copy of the approved forms. The county then mails the card to the applicant and prepares any future cards required for the remainder of the period covered by certification.

We think the department's review after the county has reviewed the forms is duplicatory and unnecessary.

Prior Authorization—Medi-Cal Consultants

We withhold recommendation on the Medi-Cal consultant function of the program pending a review of the department's proposed Average Citizen and CHIP programs.

Prior authorization is a control technique to keep utilization of Medi-Cal services to a minimum. Under this technique, each service under prior authorization must receive authorization by Medi-Cal consultants prior to payment for the service. It is inherently a cumbersome and bureaucratic method of utilization control. It creates a paper blizzard but is, nevertheless, required in the present system which cannot be otherwise effectively controlled. There are no built-in incentives to hold down overutilizations in the current Medi-Cal system.

Peer review by medical societies and other provider groups were not effective against overutilization in the early days of the Medi-Cal program. Thus, prior authorization was started early in 1967. Nursing home and hospital utilization was slowed considerably after prior authorization was implemented. Initially, nursing home stays, noncounty hospital stays of longer than eight days, and some dental services required prior authorization. Now because of the anticipated 1970-71 deficit the following additional services have been limited through prior authorization.

1. More than two physician visits per month.
2. More than one outpatient psychiatric service within a six-month period, except for defined emergency services.

3. All eye refractions.
4. Services for cosmetic purposes.
5. Nonemergency dental, chiropractic and pediatric services beyond the first visit in a six-month period.
6. All nonemergency optometric services.
7. All outpatient physical therapy, occupational therapy, speech therapy and audiology services except for the first outpatient visit in a six-month period.
8. Psychology inpatient services.
9. Hearing aids.
10. Over eight hospital inpatient days.
11. Nonemergency hospitalization.
12. Nursing homes.
13. Home health care services for more than one agency visit within a six-month period.

Prior authorization, in addition to denying some requests (most are approved), has an inhibitory effect upon services which would be provided if authorization were not required. Part of this effect is because of the "red tape" involved, part because the service is not considered essential by the provider of care.

The 1970-71 budget as approved by the Legislature specifically provided for the Medi-Cal consultant function to be directly administered by the state in 19 counties and administered by the counties in the remaining 39. In the beginning of the fiscal year, the department decided to take over the entire consultant function. Thus, \$2,768,069 was transferred from the allocation for county administration to the state operations budget and 314.8 positions were established administratively in the Field Services Bureau to implement statewide assumption of the consultant function.

In 1971-72, an additional 80.2 positions will be required for the Medi-Cal consultant function due to caseload increases. The 1971-72 request would bring the total number of employees to 464.8 (457.8 in field offices and seven in the central office). Total expenditures for salaries and wages are expected to be \$5,188,799 for field office personnel and \$88,392 for central office staff in 1971-72. Federal participation in costs varies from 75 percent for physicians to 50 percent for clerical and central office personnel.

We are withholding recommendation on this function pending the department's Average Citizen and CHIP proposals. Any system incorporating a prepayment procedure would greatly reduce or eliminate a prior authorization procedure.

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT

Items 231, 232, 233, and 234, from the General Fund and Item 235 from the Department of Human Resources Development Contingent Fund and Items 236 and 237 from the Unemployment Fund and Unemployment Compensation Disability Fund, respectively

Vol. III p. 228 Budget p. 204

Requested 1971-72	-----	\$24,286,651
Estimated 1970-71	-----	24,261,629
Actual 1969-70	-----	22,432,344
Requested increase \$25,022 (0.1 percent)		
Increase to improve level of service \$25,912		
Total recommended reduction	-----	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. We recommend the department include in future budget presentations statistically based enrollment and completion data for its training programs as well as projections for the budget year. 577

2. We withhold recommendation on support for Office of Economic Opportunity pending further review of reports relating to local projects. 587

GENERAL PROGRAM STATEMENT

The department has been organized with four major divisions and four minor units. The major units are the divisions of Job Training Development and Placement, Tax Collections and Insurance Payments, Farm and Migratory Labor Services and Management Services. The minor units are the State Office of Economic Opportunity, the Commission on Aging, the Job Training and Development Services Advisory Board and the California Unemployment Insurance Appeals Board. The Appeals Board is autonomous, while all others receive their administrative and policy guidance from the Director. Each division or unit is organized to carry out the programs appropriate to its functional title.

The resources of the department are concentrated on improving the employability of the economically disadvantaged, making unemployment and disability insurance benefit payments to eligibles and obtaining meaningful employment as mandated under the Human Resources Act (Chapter 1460, Statutes of 1968). The major share of the support of the departmental programs directed to these problems is derived from federal grants.

There are eight departmental programs. These are the Job Training Program, the Job Development and Placement Program, the Farm Labor Program, the Migrant Services Program, the Tax Collections

and Insurance Payments Program, the O.E.O. Technical Assistance Review, Coordination and Innovative Anti-Poverty Program, the Commission on Aging Program and the Administration and Management Program. This latter program provides the management, policy guidance, leadership and ancillary staff services of personnel, accounting, etc., necessary to the proper functioning of the department as a whole. The cost of this program is charged back to the seven operational programs in proportion to the services rendered to them.

The primary long-range goal of the first three named programs is the training or retraining and meaningful employment of the estimated 734,000 economically disadvantaged persons who are unemployed or underemployed. To accomplish this goal the programs provide, in addition to training, access to such additional services (health, education, etc.) as may be required to make the individual "job ready." The objectives of the programs are to insure that these persons, so trained and placed in employment, will be in a truly competitive position in the state's labor market.

The remaining departmental programs also contribute to the achievement of the long-range goal and the program objective, but to a lesser degree. These programs serve the unemployed "job ready" individuals and their potential employers in industry, provide unemployment and disability (due to injury or illness, not job related) benefit payments to eligible recipients. The programs also provide technical assistance for local antipoverty agencies and local senior citizens programs.

The department proposes a total expenditure program of \$1,187,020,013 of which \$1,035,814,000 is unemployment insurance and disability benefit payments and training allowances to Manpower Development and Training Act (MDTA) eligibles. This proposed expenditure is \$53,862,838, or 4.3 percent, below that estimated for the current year. The reduction is due entirely to a \$70,800,000 decrease in projected unemployment insurance benefits based upon U.S. Department of Labor's criteria, standards and requirements as used in the 1971-72 departmental budget submitted to that federal agency for approval.

Funding Sources—Department of Human Resources Development

The funding sources of the department budget request for fiscal year 1971-72 are summarized in Table 1.

Capital Outlay

The department has requested no funds for capital outlay in 1971-72. It states it will recover a total of \$542,373 of prior capital outlay expenditures from the Contingent Fund (\$155,003) and the Unemployment Fund (Reed Act—\$387,370).

Related Programs, Budgetary Significance

The future budgetary significance of the programs administered by the California Job Development Corporation Law Executive Board, the objectives of which are closely related to the primary objective of this department, is discussed on page 589 of this analysis. The board's activities through the budget year are funded by balances available from:

Table 1

**Department of Human Resources Development State Appropriations and Federal Grants
Proposed Expenditures Support, Benefits and Grants 1971-72**

Appropriations from the General Fund (Support)			Federal Grants	
Item 231 Matching Funds (Work Incentive element—20%)	\$5,717,742		Work Incentive Grants	\$22,870,968
Item 232 Service Center Element (Includes \$75,980 from Contingent Fund)	3,748,893		Service Center element	133,500
Commission on Aging (minimum to qualify for administrative grant of \$100,000)	\$25,000		Older American Act	520,054
Matching Funds (O.E.O.—20% including in kind)	69,889		O.E.O. Technical Asst.	919,738
Matching Funds (Migrant Programs—maintenance of effort)	8,973		O.E.O. Migrant Services	177,822
Item 233	108,862			
Item 234 Migrant Master Plan (maintenance housing during off season)	373,194		Migrant Master Plan	2,378,968
Total General Funds	\$9,862,711			\$27,001,048
Appropriations from the Departmental Contingent Fund (Support)			Allocations from Unemployment Administration Fund Grant	
Job Training Program	181,764		Administrative support	13,566,561
Job Development and Placement Program	155,798		Administrative support	19,263,158
Benefits Payment Program	279,138		Administrative support	49,006,613
Farm Labor Service Program	32,459		Administrative support	4,329,678
Item 235 Total DHRD Contingent Fund	649,159			86,106,005
Appropriation under the Employment Security Act for Support of State Audit (Reed Act Funds)				
Job Training Program	11,857			
Job Development and Placement	10,164			
Benefits Payment Program	18,207			
Farm Labor Services Program	2,116			
Item 236	42,344			
Appropriations from the Unemployment Compensation Disability Fund (Support)				
Item 237 Tax Collection and Insurance Payment Program	13,656,457			
Total State Appropriations in Budget Bill	24,286,651			
State Funds Continuously Appropriated:			From the Unemployment Fund	
Tax Collection and Insurance Payment Program			Benefit Payments	678,700,000
Unemployment Compensation Disability Fund Benefits Payments	337,114,000			
Reimbursements for Services Rendered to Community Action Agencies	3,757,738		From Other Federal Grants	
Total, State Funds	\$365,158,389		MDTA Training Allowances	16,000,000
			MDTA (Support)	12,437,458
			MDTA (Support)	492,660
			Job Corps (Support)	18,093
			FWEDA (Support)	585,260
			Service Employment Redevelopment	521,110
			NAB—JOBS	
				14,054,571
			Total, Federal Funds	\$821,861,624

prior year appropriations and thus do not appear as a budget item. However, new funding will be required to continue its program in fiscal year 1972-73. This board's two programs provide for services (loans, management and technical assistance) to minority business enterprises located in economically disadvantaged areas.

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following: Items 231, 232, 233, and 234 from the General Fund; Item 235 from the Department of Human Resources Development Contingent Fund; Item 237 from the Unemployment Compensation Disability Fund, and Item 236 from the Unemployment Fund under the provisions of the Reed Act.

JOB TRAINING, DEVELOPMENT AND PLACEMENT DIVISION

The Division of Job Training, Development and Placement administers two programs within the department. These are (1) Job Training Program and (2) Job Development and Placement Program. Table 2 shows the proposed level of funding for these programs.

Table 2
Job Training and Job Development and Placement Programs
Proposed Funding by Source and Staff

	Man- years	Job training	Man- years	Job develop- ment and placement
<i>State-appropriated funds</i>				
General Fund				
Work Incentive	500.0	\$4,402,662	149.3	\$1,315,080
HRD and Service Centers	105.0	1,640,413	151.0	2,027,500
Contingent Fund				
Service Centers		212,915		200,627
Reed Act funds				
Department finance audit		11,857		10,164
Federal grants				
Work Incentive		17,610,645		5,260,323
Manpower Development and Training Act	595.3	12,003,750	21.0	433,708
Job Corps	31.8	364,561	11.2	128,089
Public Works Economic Development Act	0.9	7,780	1.1	10,313
Unemployment Administration Fund	944.9	13,566,561	1,359.6	19,203,153
Service Center, Supportive Services	20.0	133,500	--	--
Service Employment Redevelopment Job Opportunities in the Business Sector		--		585,260
		--	38.5	521,110
		49,944,644		29,695,327
Reimbursements Service Centers ---		110,538		159,067
Concentrated Employment Program ..	317.8	3,348,608	13.2	139,525
	2,515.7	\$53,413,790	1,744.9	\$29,993,919
Administration management program costs prorated back to programs --		(\$3,002,936)		(\$2,429,206)

JOB TRAINING PROGRAM

The Job Training Program proposed expenditure of \$53,413,790 is \$519,283, or 1 percent, above current year levels. This increase is the result of an increase in federal grant funds of \$627,734. Despite

Department of Human Resources Development—Continued

this increase the level of program has been decreased by 26.1 man-years in the budget year.

The goal of this program is to prepare and equip all employable and potentially employable persons with the skills and abilities to insure them a competitive position in the state's labor market. Achievement is to be met by providing these persons training and other related services according to their individual needs. A major concentration of the program's efforts are directed by statutes to improve the plight of the economically disadvantaged. Services to accomplish this are provided through 29 field offices in statutorily defined economically disadvantaged areas. In addition to the 29 centers which have 23 branch offices, there are seven Youth Authority Centers and 45 Work Incentive Offices. The department states that a minimum of 65 percent of the division's staff resources will be used in the implementation of its statutory responsibility to the economically disadvantaged.

Training Components

The Work Incentive program (WIN) component is directed specifically to the adult welfare recipients in the Aid to Families with Dependent Children (AFDC) caseload at the county level. The component operates in 27 counties and requires a high degree of cooperation between the Department of Human Resources Development (DHRD), the State Department of Social Welfare (SDSW), and the welfare and social services agencies at the county level. This component has 45 contact or service points within the 27 counties. The DHRD portion of WIN is funded by a 20 percent state appropriation and 80 percent federal grant and proposes to support 17,600 training slots in the budget year. Participants of WIN receive a \$30 per month stipend. This is in addition to their welfare grant plus allowances from the county for additional funds necessitated by enrollment in WIN.

The Manpower Development Training Act (MDTA) component is available for training the hard-core unemployed and it administers and provides the funds for the on-the-job training portion of MDTA. The State Department of Education funds and coordinates the institutional training with may be required as a prerequisite to or a part of the preparation of the individual to a "job ready" status.

The Job Corps funding represents the services rendered to that federal program in recruitment of potential trainees.

The Concentrated Employment program (CEP) funding represents reimbursement for the services and assistance given to five local Community Action agencies by the Job Training program.

The budget states that 49,000 persons in the current year "will receive training as part of the process to increase their employability." We understand this to mean persons who have completed training and are "job ready." No estimate is made for the budget year. A statement is made that an additional 1,400 hard-core welfare recipients will be training in the Work Incentive program in 1971-72 as the result of an increase of 800 training slots in that program. These additional

slots were gained by increasing the state matching funds by \$200,000. This amount plus the federal matching of \$800,000 added \$1 million to the WIN component.

Overstatement of Numbers Trained

We recommend the department include in future budget presentations statistically based enrollment and completion data for its training programs as well as projections for the budget year.

We cannot reconcile the department's statement as to the numbers of individuals who will complete training in the current year. The department states that some 21,000 will complete training under the WIN program. We estimate, based upon new enrollments in the program, that the average total annual enrollment in the program will approximate 14,000 individuals. Further, based upon recent departmental reports, we estimate a total of 50 percent of these trainees will drop out of the program or be terminated prior to completion of training, leaving 50 percent annually completing training or approximately 7,000 individuals. This completion rate fails to meet the 70 percent completion rate established as an objective of this program.

Additional information should be presented in the budget showing the effect of completed training upon welfare cost. Divisional records indicate that for calendar year 1970, 1,772 persons were removed from the welfare rolls and 895 received reduced welfare grants, on completion of their training. The total welfare savings for the year was \$3,246,610, assuming no persons returned to the rolls and that the reduced grants remained static. If this same experience was applied to the group of WIN graduates an estimated welfare savings of \$8,816,098 would result in a 24-month period.

The MDTA component appears to have dropout or termination problems similar to WIN. Records of the 1968-69 fiscal year show 32,093 were enrolled and 15,624, or 48.7 percent completed training. There was improvement in the 1969-70 fiscal year when 20,128 were enrolled and 13,368 or 66.4 percent completed training. All those completing training in both years were placed in employment. No estimates are available for the anticipated completions in the budget year.

JOB DEVELOPMENT AND PLACEMENT PROGRAM

The Job Development and Placement Program's proposed expenditure of \$29,993,919 is one percent or \$335,702 below the estimated current year expenditure level. The decrease reflects a reduction of \$314,584 in allocation from the General Fund appropriation coupled with a slight reduction in federal grant funds. A reduction of 48.6 in man-years of employment parallels the reduction in funding.

This program has within it the employment service function of referral and placement of the "job ready" unemployed. It also provides the unemployed who lack skills or have other problems with counseling and testing services prior to referral. As a result of such tests and counseling, the applicant may be directed to one of the training programs of the department to improve the marketability of his services. In addition, this program, through its employer relations activities, pro-

Department of Human Resources Development—Continued

vides services and labor market information to employers on which to base future planning. Included in this element is the job development activity which endeavors to gain more job openings by restructuring entry level positions in both public and private employment.

The workload of the program is directly related to the prevailing economic conditions and thus when unemployment is high the emphasis shifts from placements to job development.

Computerized Job Openings and Qualification Matching

To provide better and more timely services to both the employer and the job seeker, the Department of Labor has sponsored two computerized types of "job openings—job applicant" matching systems in this program, the Job Bank and LINCS. Both are what may be considered as pilot programs to determine their feasibility on a cost benefit basis. Computerized services of this nature are quite expensive and a brief description of both systems follows.

Job Bank

The Job Bank system has been in operation in San Diego County since December 1969 and will be extended to six other labor market areas in the current and budget year. This system essentially stores information on all job openings received from employers in the labor market area. The information is made available by printouts to all employment service offices in the area. Nonprofit agencies handling job applicants in the area are provided copies of the job listings by messenger service. The available job openings are updated on a daily basis.

Labor Inventory Communications System

The Labor Inventory Communications System (LINCS) is a system to match a job-qualified person with a job and is currently operating in San Francisco and Los Angeles. It is applied at present only to the professional occupations in those labor market areas. The Department of Labor has sponsored other similar systems in four other states to cover other occupations. It is understood that each system has approached the job-person match in a different manner and the final system for nationwide use (if found feasible) will be a combination of the better aspects of those which have the best potential. The objective of this system is to provide a means of matching an individual's experience, education and such other requirements to the job opening specifications submitted by an employer.

Office of Manpower Utilization

Within the division and not readily identifiable by program is the Office of Manpower Utilization. This office has a staff of 12 and although authorized by Chapter 1068, Statutes of 1969, it was not established until September 1970. The office's activities for the budget year have not yet been clearly and firmly stated. It is understood the office's primary efforts will be to convince public employers to review the qualifications for their entry level positions. The ultimate objective

will be to assist employers in restructuring positions so as to provide opportunities for disadvantaged persons to gain entry to public employment. Such restructuring would include other adjustments of positions in the promotional ladder above the entry level to provide training to insure an equal opportunity for advancement to those entering public employment. The office is cooperating closely with the Fair Employment Practices Commission and the State Personnel Board in order to prevent duplication of effort and avoid criticism for harassment.

Another program mentioned only in the Governor's Budget document, with no information in the program budget, concerns the establishment of intensive job development projects for displaced workers, especially those from aerospace industries and scientific personnel. It is understood that these projects are to be carried out by contract with outside agencies. The total funding for this program is estimated to be \$9 million.

TAX COLLECTION AND INSURANCE PAYMENTS DIVISION AND PROGRAM

The Tax Collection and Insurance Payments program proposes a support expenditure of \$62,960,415, a reduction of \$1,125,629 from that estimated for the current year. The reduction is reflected in the loss of 283.7 man-years, all of which (291.7) is due to a projected reduced workload in the unemployment insurance benefit payments element.

This division administers the Tax Collections and Insurance Payments program. This program operates under the federal-state law in the case of unemployment insurance and state law alone in the case of disability (not job related) insurance.

The objective of the program is to ease or alleviate economic hardship of the eligible worker who is unemployed or cannot work due to illness or injury not due to his employment through benefit payments. Eligibility is gained by working in covered "employment" as defined in the Unemployment Insurance Code. In the case of disability insurance, employment may be covered either under the state plan or a voluntary plan. Voluntary plans under state law are employer sponsored.

The unemployment benefits and the administrative cost thereof are funded by employer contributions and taxes. The disability benefits and the associated administrative cost are funded by a one-percent contribution on the first \$7,400 earned by the employee.

Budgetary Implications of Recently Enacted Federal Legislation

The 91st Congress passed and the President signed into law the Employment Security Amendments of 1970 (PL 91-373) which will require substantial amendment of state law to bring it into conformity. The department will offer such legislation at the current session. The mandatory (January 1, 1972) unemployment insurance coverage of all employees of the state institutions of higher education and the state hospitals will not effect the budgetary requirements of these agencies in fiscal year 1971-72. The department estimates that the earliest funding requirement for unemployment insurance benefits paid to former employees of these state agencies would occur in November 1972.

Human Resources Development

Items 231-237

Department of Human Resources Development—Continued Program Funding

Table 3 indicates the sources of the funding for the program and the staffing requested to carry it out.

Table 3		
Tax Collection and Benefit Payments Program		
Funding by Source, Staffing and Distribution		
State Appropriated Funds for Support		
Unemployment Compensation Disability Fund		
Revenue Collection		\$2,410,602
Benefit Payment Administration		10,975,762
Voluntary Plans Review		270,093
Item 237		\$13,656,457
DHRD Contingent Fund (support)		279,138
Reed Act Funds (support)		18,207
Total State Fund Support		\$13,953,802
Federal Support Funds (grants)		
Unemployment Administration Fund		\$48,513,963
MDTA Grant (support)		492,650
Total Federal Support		\$49,006,613
Total Support all funds		\$62,960,415
Benefits Payments—Federal Funds		
Unemployment Fund		\$678,700,000
Federal Grant MDTA Training Allowances		18,000,000
Benefit Payments—State Funds		
Unemployment Compensation Disability Fund		337,114,000
Total Benefit Payments		\$1,031,814,000
Distribution of Support Funding and Staffing		
	Man-years	Funding
Revenue Collection Elements		
Unemployment Insurance	837.7	\$11,811,763
Disability Insurance	163.8	2,410,602
Benefit Payments Element		
Unemployment Insurance	2,337.1	31,190,686
Disability Insurance	751.3	10,975,762
Voluntary Plan Review Element	18.4	270,093
Appeals Process Element	304.4	6,241,509
	4,412.7	\$62,960,415
Administration Management Program Costs—prorated back to programs		(—6,775,934)

The program is carried out through the six elements to which staff is assigned as shown in the lower portion of Table 3. The unemployment insurance activities are employer supported and funded by federal grants. The disability insurance activities are employee supported and funded by state appropriations.

Revenue Collection Elements

These two elements are responsible for the collection and recording of contributions from subject employers as defined in state law for deposit in the Unemployment Fund and the Unemployment Compensation

tion Disability Fund. The collections finance the Unemployment Insurance Benefits and Disability Insurance Benefits Payments programs. Both elements are continuing at current-year levels of staffing for the ongoing workload.

Benefits Payments Elements

These elements review worker claims for eligibility, amount and duration of payments. The unemployment benefits payment element must also consider and pay claims for benefits earned in employment in other states, pay claims of ex-service personnel and federal civil service employees and bill the federal government (reimbursed 100 percent). It also provides job information and work search assistance to the unemployed claimants.

Relating the support cost of this element to the services provided, we find the average administrative cost per benefit and support cost as a percentage of total benefits paid to be:

	1969-70	1970-71 (est.)	1971-72 (proposed)
<i>Unemployment Insurance Benefits</i>			
Average administrative cost per benefits payment.....	\$2.64	\$2.45	\$2.70
As percent of total benefits paid.....	5%	4.5%	4.6%

The disability insurance benefit payments element also reviews claims for eligibility and determination of the amount and duration of the benefits. Relating the administrative cost of this element in the same manner as for the UI element we find:

	1969-70	1970-71 (est.)	1971-72 (proposed)
<i>Disability Benefits</i>			
Average administrative cost per benefit payment ----	\$3.85	\$3.85	\$3.95
As percent of total benefits paid.....	3.3%	3.3%	3.2%

Payment of Unemployment Benefits by Embossed Card

Annual unemployment insurance benefit payments amount to an average of \$500 million. Payment is now made by one of three methods, sight draft on a specific bank, by cash (the most common) and by check from the central office. Each of these methods has its limitations. In an effort to provide a single viable statewide benefit payment system the division experimented for a two month period with an embossed card system. This system produced three copies: (1) the individual's check, (2) the office copy and (3) the master copy which is sent to the central office for recording by an optical scanner. The results of the experiment were such that the department has submitted a proposal to the Office of Manpower Administration that it be authorized to purchase sufficient equipment to install the system in several of its field offices.

Voluntary Plans Element

The voluntary plans element has the responsibility of insuring (by review, analyzing and approval) that such plans provide the worker with coverage equal in every respect to the state plans benefits plus at least one significantly greater benefit. These plans are employer sponsored as substitutes for the state disability insurance plan.

Department of Human Resources Development—Continued
 Appeals Process Element

This element, through the Unemployment Insurance Appeals Board and its staff, provides the worker and the employer opportunity for a fair and impartial hearing on matters under the board's jurisdiction.

The board's jurisdiction covers unemployment insurance matters as well as those pertaining to the state's disability insurance program. In the latter instance it should not be confused with the Workmen's Compensation Appeals Board's jurisdiction. The appeal process is conducted at two levels. At the lower level, the hearing is before a referee. His decision may be appealed to the higher level, the board itself, by an interested party. The decision of the board is final except for action taken by judicial tribunal as permitted by law.

The element's support is funded from four sources, by federal grant for administration from the Unemployment Administration Fund, the Unemployment Compensation Disability Fund, the Departmental Contingent Fund and by Reed Act Funds. The element is requesting \$6,-241,509 for its support in the budget year, an increase of \$57,583 or 0.9 percent over the estimated expenditures of the current year.

FARM LABOR SERVICES PROGRAM

The Farm Labor Services program proposed expenditures for the budget year is \$4,364,253, an increase of \$171,915, or 4.1 percent, over the current year estimate. The increase results from increased federal funding. Staffing remains at current year levels.

This program's primary stated goal is to enable the rural work force, which includes the agricultural worker, to achieve and maintain a level of economic sufficiency and to meet the labor demands of agriculture with an adequate number of skilled workers in a timely manner.

This goal is to be achieved through the program's recruitment, training and orientation activities. These activities are supplemented by such supportive services as employer contacts, job analysis, industrial studies, community and employer relations, etc.

The program is carried out by a staff of 308.1 working from 45 permanent offices and 35 seasonal offices. In addition, as required by seasonal peaks of harvesting, services are provided to workers and employers from 45 itinerant service points.

Table 4 contains the funding sources supporting this program. The requested funds reflect an increase of 4.1 percent over the current year expenditure.

Table 4

Farm Labor Services Program Funding and Sources

State Appropriated Funds for Support	
Department of Employment—Contingent Fund	\$32,459
Reed Act Funds	2,116
Federal Support Funds (Grant)	
Unemployment Administration Fund	4,329,678
Total Support Funds	\$4,364,253
Administrative management costs prorated back to program	(\$431,907)

MIGRANT SERVICES PROGRAM

The Migrant Services program has proposed an expenditure of \$2,938,957 for the budget year which is an increase of \$319,648 over the current year estimate. The increase consists of increases of \$233,179 in federal funds and \$86,469 in state funds. Staffing remains at current year levels.

This program implements the Migrant Master Plan and its objectives are to provide low-cost housing rentals and sanitary facilities to migrant farm workers during the peak harvest season. In addition to these physical facilities, the program also provides health and education and social services to improve the overall well-being of the occupants of the housing campsites.

The program long-range goal is to provide a total of approximately 4,000 to 4,500 housing units. During fiscal year 1971-72, the service will have 2,180 housing units available for occupancy. The current annual production level of new units is approximately 300, and the goal should be achieved in six or seven years. This building schedule is based upon two factors; the willingness and financial ability of local agencies (housing authorities, etc.) to purchase and develop sites and the availability of Office of Economic Opportunity grants for this purpose. As more camps are established and housing units erected, the General Fund cost of maintenance during the off season will increase. The budget year increase over the current year is \$88,469, a 30 percent increase.

The program's proposed support for fiscal year 1971-72 is shown in Table 5.

Table 5
Migrant Services Program
Funding Sources, Staffing and Distribution

State-appropriated funds	
General Fund	
Off-season maintenance (Item 234) -----	\$373,194
Maintenance of effort (O.E.O. match) -----	8,973
Total state funds -----	\$382,167
Federal grants	
O.E.O. Migrant Services -----	177,822
O.E.O. Migrant Master Plan -----	2,378,968
Total support funds -----	\$2,938,957
Program administration (9-man/yrs.) -----	186,795
Housing construction (and off-season maintenance) -----	1,200,000
Housing management (contracts with local agencies) -----	1,144,662
Housing fabrication (300 units per year) -----	310,000
Day care (transferred to Department of Social Welfare) -----	97,500 ¹
	\$2,938,957
Administrative management program costs prorated back to program (\$13,696)	

¹ In addition to this amount the local agencies operating the camps provide Department of Social Welfare with \$251,000 of camp rental revenue for a total of \$348,500 to be used as matching funds. This amount plus the federal grant received will support the Day Care services at the 25 camps.

Department of Human Resources Development—Continued

The program will have 25 camps in operation during the current year. It proposes to expand by two additional sites in fiscal year 1971-72 if the cooperation of local agencies in site acquisition and development can be gained. Site selection is not firm at this time.

These camps will serve an estimated 2,687 families with 13,972 members in the current year. Contingent upon the establishment of two new campsites, occupancy by 3,177 family units with 16,520 members is projected for fiscal year 1971-72.

The housing fabrication element, operated by a nonprofit organization, will annually provide vocational training and training in other skills for 100 migrant farm laborers. Day care services are provided at all campsite locations. Three campsites offer infant care services. All such services are provided by local agencies.

**TECHNICAL ASSISTANCE, REVIEW, COORDINATION AND
INNOVATIVE ANTIPOVERTY PROGRAM**

This program is carried out by the State Office of Economic Opportunity. The objectives of the program are (1) to provide technical assistance to communities and local agencies in their operation of anti-poverty programs funded through O.E.O. grants, (2) to coordinate related state antipoverty programs, (3) to mobilize the state resources relating to antipoverty problems and (4) to advise and assist the national director of O.E.O. in these matters.

In addition to these objectives, the state O.E.O. office, as a condition of its grant, is required to perform the following duties:

(1) To act as the Governor's adviser on antipoverty matters including his approval or disapproval of O.E.O. grants and contracts of assistance. In these cases, the Governor has three alternatives to follow during the 30-day period following receipt of the request:

- A. Acknowledge full approval. Qualified approvals are not accepted by Regional O.E.O. headquarters.
- B. Allow the 30-day period to lapse without comment, in which case the burden of approval rests with O.E.O. Washington.
- C. Disapprove. In this instance the director of O.E.O. Washington has the authority to reverse the Governor's disapproval action.

(2) To give priority to the mobilization and coordination of anti-poverty resources, particularly at the state level. In this function the office acts as special advocate for the participation of poor people in state government.

(3) To provide technical assistance to community action agencies (CAA) and other O.E.O. grantees.

(4) Act in an advisory capacity to O.E.O. regional offices on the equitable distribution of assistance between urban and rural areas.

The State Office of Economic Opportunity proposes a total expenditure of \$989,625, in increase of \$25,912 over the current years estimate and \$585,165 over the amount originally budgeted last year. The entire increase in the 1971-72 request over 1970-71 occurs in the state funding of the office as federal funding remains at current-year levels. The

state funding is proposed to be increased from \$43,977 in the current year to \$69,889 in the budget year, an increase of 58 percent. This increase made during the current year was made administratively.

The State Office of Economic Opportunity does not, under the present federal funding and regulations process, become involved with direct assistance to the individual poor. This responsibility rests with the 42 Community Action Program grantees and the 32 single purpose O.E.O. grantees throughout the state. The state O.E.O. does have the authority and responsibility under Section 242 of the Economic Opportunity Act to monitor and evaluate the programs of the grantees. Its operations represent administrative costs.

It is in this evaluative area that the main thrust of the state office will be directed in fiscal year 1971-72. The office was granted additional funds by the federal O.E.O. in September of 1970. These funds were used to increase the office staff by eight new positions in the current year. These positions are carried over into the budget year. Thirteen professional positions are now assigned to the evaluation of this function. The state's level of funding has been increased by \$25,912. This amount, plus an in-kind match of \$52,252 is required to make up the total state funding requirement of the \$122,141.

The increase in staff was accompanied by a reorganization of the staff with an emphasis on in-depth analysis of the grantees' performance in meeting their stated goals. This analysis occupies a period of 105 days under ideal circumstances. It begins with the office staff participating in the "prereview" of the grant in company with the regional O.E.O. representatives and the grantee and ends with submission of the staff analysis and recommendation to the State Director of O.E.O. The director then has 15 days to review the staff analysis and forward his recommendations to the Governor. This process is complicated by the fact that each grant is reviewed as a separate entity. Each grant to a single agency usually has an expiration date not correlated with others. For instance, the Economic and Youth Opportunities Agency of Greater Los Angeles has 13 grants totaling \$19,740,461, expiring on five different dates in 1971, while the Lassen-Modoc-Plumas-Tehama Community Action Agency, Inc., has two grants totaling \$221,001 expiring in 1971 on the same date. We understand that the office is endeavoring to seek the cooperation of the regional O.E.O. in adjusting expiration dates of grants to permit orderly processing at an even level throughout the year.

The evaluations of the community action programs by the state office are intended to cover every aspect of the grantee's program, such as budgeting, accountability for expenditures, management, etc., with the end view of improving the capability and efficiency of the grantee in meeting the goals stated in their grant. In essence, the purpose of the evaluations is to insure that these publicly funded activities are in fact reaching the poor for whom the programs are intended and are achieving the overall goal of breaking the cycle of poverty which afflicts a portion of the citizenry of the state.

Department of Human Resources Development—Continued

The office also has the responsibility of review and recommendation for the Governor's consideration on the Volunteers in Service to America (VISTA) programs (of which there were 23 in calendar 1970) within the state. The office acting for the Governor in this instance is authorized to structure such programs and assistance in the manner that it believes will achieve the best results.

In addition to the eight positions discussed above, the state O.E.O. has the authority, by way of four 100 percent federal funded grants, to establish 21 other new positions in the current year. The total federal grant for these special projects is \$431,442 (no matching funds required). The purposes for which the four grants were made are as follows:

1. A management demonstration grant to assist local community action agencies in increasing their management capabilities. Authorizes six professional and two clerical positions.

2. A grant to provide for the monitoring of the Oakland Community Action Agency. Authorizes one professional and one clerical position.

3. A special technical assistance program for housing, economic development and local agency management. Authorizes four professional positions.

4. A volunteer coordinating grant. This grant has not been funded as yet and will authorize four professional and three clerical positions.

Table 6
O.E.O.—Staff and Workload Data

	1969-70	1970-71	1971-72
Grant review, O.E.O. grants	440	450	460
Grant totals in millions of dollars	\$74.5	\$75	\$75
Man-years of technical asst.	1.6	6.5	6.5
Number of agencies asst'd.	5	15	38
Assigned staff	15.2	25	25

Table 7
O.E.O.—Funded Grants Expiring in 1971 for 74 Agencies

	Grants	Dollar value
Multiple component grants ¹	81	\$41,227,505
Family planning	16	835,246
Head start	65	30,665,124
Education	7	2,324,430
Legal services	45	9,270,238
Youth programs	4	1,209,294
Indian	1	267,146
Summer programs	3	117,589
Narcotics program	1	689,220
Comprehensive health programs	8	5,834,530
Alcoholic program	7	1,027,811
Emergency food and medical services	24	16,942,716
Pilot programs	9	1,814,523
Resources mobilization	10	1,071,755
	281	\$113,297,127

¹ 15 percent of the total grant is allowed for administration.

Table 8 indicates the proposed funding of the state O.E.O. activities for fiscal year 1971-72.

Table 8

State Office of Economic Opportunity Source of Proposed Funding and Staffing Fiscal Year 1971-72	
State-appropriated funds	
General Fund (20% state match including in kind) ¹ -----	\$69,889
Federal funds	
Five O.E.O. grants -----	919,736
Total Support -----	\$989,625
Administration management program costs prorated back to program -----	(\$29,684)
<i>Man-years</i> <i>Staffing and Funding by Grant</i>	
25 State O.E.O. office grant (80% federal) -----	\$488,564
8 Management demonstration grant (100% federal) -----	162,170
2 Oakland monitor grant (100% federal) -----	27,718
4 Special technical assistance grant (100% federal) -----	114,814
7 Volunteer resources grant (100% federal) -----	126,740
46 -----	\$919,736

¹ The total 20 percent state match is \$122,141. Thus an in kind match of not less than \$52,252 is required to assure the federal grant of \$488,564.

In view of the fact that this office has been more than doubled by administrative action since the last legislative approval and is providing review and approval over programs totaling \$113 million, *we believe the review reports rendered on these diverse local projects should be carefully examined to determine whether the reports are effective and whether the projects are effective. Pending this fuller review, we withhold any recommendation.*

COMMISSION ON AGING PROGRAM

The State Commission on Aging Program expenditure request is \$545,054, a reduction of 10.7 percent or \$65,265. The reduction is totally within the state funding. This results in a 30.6 percent reduction in commission support funds and a staff reduction of six positions or 54.5 percent.

The commission's program objective is the mobilization of the appropriate resources of all local communities within the state to meet the total needs of the approximately 12 million older citizens of the state. The commission, through its staff, accomplishes this objective by administering the Older American Act grants to communities sponsoring local programs for their senior citizens. Table 9 reflects the funding and staffing of the program for a five-year period.

The commission (12 members, of whom eight are Governor's appointees, and four are legislative members) approves all federal grants to local senior citizens programs on the basis of two criteria, the value and viability of the project and the availability of funds. All projects are funded and approved on an annual basis. The commission staff reviews the proposed programs, insures that an accounting system is installed, trains the local personnel, and aids in the conduct of seminars and other statewide activities pertinent to the program.

Department of Human Resources Development—Continued

Table 9

Commission on Aging Funding Sources, Administrative Costs, and Staffing					
	1967-68	1968-69	1969-70	1970-71	1971-72
Administration					
General Fund -----	\$120,333	\$102,095	\$67,571	\$90,710	\$25,000
Federal funds -----	54,840	89,115	72,482	75,000 ¹	75,000
Total Administration--	\$175,173	\$191,210	\$140,053	\$165,710	\$100,000
Project funds					
Federal grant -----	493,563	802,038	653,834	444,609	445,054
	\$668,736	\$993,248	\$793,887	\$610,319	\$545,054
Staff -----	10.1	11.5	10	11	5

¹ Prior to fiscal year 1970-71, the commission used 10 percent of federal grant for administration. In fiscal year 1970-71 maximum federal grant for administration fixed at \$75,000 and requires minimum state match of \$25,000, which is budgeted for 1971-72.

Funding of community programs for the aging is graduated over a three-year period; 75 percent federal, 25 percent local the first year; 60 percent federal, 40 percent local the second year; and 50 percent federal, 50 percent local for the third year. The fourth and succeeding years are fully funded by the local community.

The commission now has 55 active grants. It anticipates the approval of at least 10 additional grants in April 1971. The reduction of staff by 54.5 percent as proposed in the budget raises the question of the capability of the five remaining positions to cope with the workload of servicing approximately 55 grantees. In addition, the "continuation of effort" clause in the state plan (a federal requirement) for the commission is based on the state effort (appropriation) for the year ending June 30, 1969. In that fiscal year (1968-69) the Legislature appropriated \$120,000 for the commission's support. Actual expenditure of state funds in support of the commission in that year was \$102,095. The failure to maintain that level of effort may cost the state the entire anticipated federal grant of \$520,054 in the budget year.

THE ADMINISTRATION AND MANAGEMENT SERVICES PROGRAM

This program has as its objective the accomplishment, through the departmental program managers, the basic departmental goals.

The program provides executive guidance, supervision and policy determination for the department. It also provides all necessary ancillary housekeeping services (personnel, fiscal, data processing, reports and analysis, etc.).

The Administration and Management Services Program proposes an expenditure of \$12,683,636. This is an increase of \$717,785, or 6 percent, over the current year expenditure estimates and provides for an additional 33 man-years.

Table 10
The Distribution of the Staffing and
Proposed Expenditures by Elements

<i>Program elements</i>	<i>Staff</i>	<i>1</i>	<i>Funding</i>	<i>1</i>
Administration -----	101.0	4.0	\$1,520,418	\$84,497
Financial management -----	125.8	5.4	1,896,760	114,083
Personnel management -----	84.1	2.5	1,209,546	61,830
Technical services -----	117.0	4.4	1,754,394	92,627
E.D.P. -----	48.9	2.1	738,955	45,349
Reports and Analysis -----	128.1	3.8	1,874,136	90,153
Support services -----	243.8	10.8	3,689,154	229,246
Total Increase -----		33.0		\$717,785
Fiscal year 1971-72 -----	848.7		\$12,683,363	

¹ Increase over current year staffing and estimated expenditure levels.

The total cost of this program is charged to the other departmental programs and is included in those programs budgeted costs.

JOB DEVELOPMENT CORPORATION LAW EXECUTIVE BOARD

Vol. III, p. 274 Budget p. 212

The current year support funding requirements of this board's programs are being met through prior year appropriations. These appropriations totaled \$1,150,000 from the General Fund. Chapter 1455, Statutes of 1968, established the board and appropriated \$1 million to the State Job Development Loan Guarantee Fund. Chapter 1372, Statutes of 1968, established the Small Business Assistance Program Law as a pilot program with an appropriation of \$150,000 for its support with provision for the program's termination in 1970. Chapter 1002, Statutes of 1970, removed the termination provision and authorized the program's support from any funds appropriated to the California Job Development Corporation Law Executive Board.

The support expenditures for the board and the Small Business Assistance Program have been funded from the total appropriations as shown in Table 9.

The board's program has the short title "Cal-JOBS" and its objective is providing a source of risk capital to persons desirous of creating or expanding a business in an economically disadvantaged area.

This objective is accomplished through establishing regional California job development corporations with board approval. There are two such nonprofit corporations in existence. These corporations make loans to applicants after a thorough review of the potential of the business and the servicing that may be required following the loan. The services provided to the borrower consist of managerial and accounting advice and techniques and such other services as may be necessary to assist the borrower in the successful retirement of the loan.

The corporation loans are guaranteed by the Job Development Loan Guarantee Fund. Expenditures from this fund are controlled by the board.

Department of Human Resources Development—Continued

The enabling legislation provides that the board, with Department of Finance approval, shall allocate funds to the corporations for their administrative costs. It is in this regard that future costs of the program could increase significantly. At the present time the corporations have absorbed all such costs. These costs are stated as being \$278,364 as of June 30, 1970. Added to the average annual support expenditure of \$136,995 the annual program support cost could increase to \$415,359.

The Small Business Assistance Program objective is to improve the business talents of small businessmen whose firms are located in economically disadvantaged areas. The objective is accomplished by making available management and technical information, guidance and advice at no cost.

The program is carried out by contractual agreement with two non-profit consulting agencies.

Table 11
Total Funds Available for JDCLE Board and
Small Business Assistance Program

JDCLE Board	1968-69	1969-70	1970-71	1971-72	Total
Chapter 1455 funds	\$837	\$32,741	\$40,108	\$43,334	\$117,020
Salary Increase Fund	-	1,389	1,540	-	2,929
Small Business Assistance					
Chapter 1372 funds	8,125 ¹	122,801 ¹	19,074	-	150,000
Chapter 1455 funds	-	-	75,000	75,000	150,000
Annual support	\$8,962	\$156,931	\$135,722	\$118,334	-
To JOB DEV. Loan					
Guarantee Fund	-	100,000	350,000	282,980	732,980
					\$1,152,929

¹ Expenditures while under control of Superintendent of Banks, \$8,125 in 1968-69, \$71,980 of the \$122,801 in 1969-70.

DEPARTMENT OF INDUSTRIAL RELATIONS

Item 238 from the General Fund

Vol. III p. 278 Budget p. 214

Requested 1971-72	\$21,702,374
Estimated 1970-71	22,538,946
Actual 1969-70	22,634,150
Requested decrease \$836,572 (3.7 percent)	
Total recommended reduction	\$91,634

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. We recommend that the Human Relations Agency and the Office of Management Services make a thorough analysis of the technical and fiscal problems associated with the operation of the Bay Area Data Processing Service Center, including those experienced by the Department of Industrial Relations and other departments associated with the center.

2. We recommend the addition of two consultants and one clerk-typist to the Self-Insurer's Program at an increased cost of \$35,909. We further recommend that the authorization of these positions be contingent upon the establishment of a schedule of fees to make the entire program self-supporting for a General Fund saving of \$125,989 (budget appropriation of \$90,080 plus recommended augmentation of \$35,909). 594

3. We recommend the addition of three safety engineers to the Division of Safety's elevators and aerial tramways section at an increased net General Fund cost of \$18,510. Approximately 60 percent, or \$25,500, of the total cost of these positions should be covered by inspection fees. 598

4. We recommend that legislation similar to AB 1295 (1970 session) be adopted amending Sections 7721-22 of the Labor Code to permit raising the ceiling on pressure vessel inspection fees for an estimated annual General Fund saving of \$80,000. 599

5. We recommend the retention of two special investigators in the Division of Labor Law Enforcement at an increased cost to the General Fund of \$24,000. 600

6. We recommend that a joint committee of the Legislature conduct a study of the Division of Apprenticeship Standards and its role in meeting statewide needs for training in the skilled trades. 601

7. We recommend the retention of one assistant economic analyst and 2.5 clerks II in the Division of Labor Research and Statistics at an increased General Fund cost of \$34,086. We recommend augmentation of the division's budget by an additional \$1,850 for printing expenses, resulting in a total increased cost to the General Fund of \$35,936. 602

GENERAL PROGRAM STATEMENT

The Department of Industrial Relations was created by the Legislature in 1927 to "foster, promote, and develop the welfare of the wage earners of California, improve their working conditions, and advance their opportunities for profitable employment."

To fulfill these broad objectives, the department provides services through the following eight divisions: (1) Industrial Accidents, (2) Industrial Safety, (3) Industrial Welfare, (4) Labor Law Enforcement, (5) Apprenticeship Standards, (6) Labor Statistics and Research, (7) Fair Employment Practices, and (8) State Compensation Insurance Fund. In addition, the department provides a Conciliation Service and administers the workmen's compensation Self-Insurers plan. With the exception of the State Compensation Insurance Fund, which operates as a public service nonprofit enterprise, the department's programs will be discussed separately in the analysis and recommendations which follow.

The department's proposed General Fund appropriation of \$21,702,374 is \$836,572 or 3.7 percent under estimated General Fund expenditures for the current year. Federal funding estimated at \$284,-

Department of Industrial Relations—Continued

500 produces a total budget-year expenditure program of \$21,986,874, or 4 percent under estimated expenditures for the current year. The lower budget level reflects a reduction of 143.1 positions from the department's currently authorized staffing level of 1,546 positions. This staffing change includes the transfer of the Manpower Development Training contract and the Employment, Hours, and Earnings Statistics element (together with their combined staff of 66 positions) to the Department of Human Resources Development and, therefore, represents a net program reduction of 85.6 authorized positions.

The MDTA project, which was placed under the Department of Human Resources Development on September 1, 1970, is financed by the federal government. Its function is to monitor on-the-job training projects under the U.S. Department of Labor's Manpower Development Training Act (MDTA) and National Alliance of Businessmen-Job Opportunities in the Business Section (NAB-JOBS).

During the current year, the Employment, Hours, and Earnings section of the Division of Labor Research and Statistics, while remaining under the administration of the Department of Industrial Relations, was transferred to federal funding. In the budget year, the U.S. Department of Labor will fund this activity through the California Department of Human Resources Development.

ANALYSIS AND RECOMMENDATIONS

We recommend approval in the reduced amount of \$21,610,740.

DIVISION OF ADMINISTRATION

The Division of Administration serves the administrative needs of the department's eight program divisions by providing the ancillary services of management analysis, fiscal management, personnel and training, duplication, data processing, and technical assistance in the compilation of statistical reports. The office of the director, which has the responsibility for planning, coordinating and executing the services provided by the semiautonomous program divisions, is also budgeted within the Division of Administration.

Including reimbursements, which are estimated to increase by approximately \$110,000 in the budget year, the division proposes an expenditure of \$1,248,526 of which \$1,127,384 will be prorated to the other program divisions for services rendered. This proposed expenditure represents an increase of \$63,513 or 5.3 percent above estimated current-year expenditures of \$1,196,513, and reflects a reduction of 10.1 authorized positions. The \$121,142 which is not prorated to division programs represents reimbursable services rendered to other agencies.

The division proposes a reduction of five clerical positions (four of which are presently unfilled) as a consequence of staff reductions in operating programs. Conversion of the department's data processing operations to the Bay Area Service Center results in the proposed additional reduction of the following positions: one keypunch operator, presently vacant; one trainee, presently filled; two computer operators, who will be transferred to Department of Public Health funding on or before July 1; and 1.1 authorized positions of temporary help.

Problems with Bay Area Data Processing Service Center

We recommend that the Human Relations Agency and the Office of Management Services make a thorough analysis of the technical and fiscal problems associated with the operation of the Bay Area Data Processing Service Center, including those experienced by the Department of Industrial Relations and other departments associated with the center.

Although functionally operating under the direction of the Division of Labor Statistics and Research, the department's EDP element is for budgetary purposes considered part of the Division of Administration. Data processing costs are charged against division programs according to services provided. During the current year, the following organizational and fiscal difficulties have arisen within this element.

The Department of Industrial Relations is one of the few units of state government to embrace the concept of receiving service from a consolidated data processing facility. The department has been a customer and an active participant in the development of the Bay Area Data Processing Service Center (BADPSC). During the current year, the department has completed reprogramming the majority of its IBM computer applications for processing at the BADPSC located at the Department of Public Health in Berkeley. The proposed electronic data processing (EDP) budget for fiscal year 1971-72 reflects a decrease of \$21,198 or 6.4 percent under estimated costs for this fiscal year. This decrease is indicative of a reduced level of service, however, and does not reflect the anticipated savings which should occur as a result of the consolidation. The department expects to complete the conversion soon and release its IBM computer and related equipment on February 1, 1971. The precise number of operating personnel to be transferred to the service center is still under negotiation, but approximately two positions are expected to be affected.

The conversion, although on schedule, has been plagued with technical and personnel problems which are normally associated with this type of activity. However, because this is one of the first departments to operate from a terminal in a remote job entry (RJE) environment, the conversion problems have been unusually severe.

EDP Cost Increases

The most significant problem arising from the department's conversion to the Bay Area Data Processing facility has been the difficulty of budgeting for EDP service. Before the development of the Bay Area Data Processing Service Center, feasibility studies indicated that the department would realize a monthly saving of \$1,741 as a result of consolidation. To date, this saving has not been realized. Between July 1969 and July 1970 the hourly rate for processing services has increased by 45.5 percent, from \$65.01 per hour to \$94.63 per hour. This increase was made with little or no advance notice to the department, and the department has been asked to make additional payments based on the new rates for months preceding the invoice. Orderly planning for data processing services under these circumstances is impossible. The Department of Industrial Relations has expressed

Department of Industrial Relations—Continued

dissatisfaction about these cost adjustments to the BADPSC, the Office of Management Services and, until its expiration on January 1, 1971, the State Electronic Data Processing Policy Committee. The Department of Health Care Services, which also obtains services from BADPSC, has similarly complained of increased rates.

To date, a full analysis of the facts and conditions surrounding the complaints has not been made. In our judgment, such an analysis is required for at least three important reasons: (1) the nature of the immediate fiscal problem in the departments and the BADPSC should be documented and solved; (2) operational aspects of the remote job entry (RJE) environment should be studied and cost/benefit measures applied as they relate to departments and service centers in state government; and (3) the establishment of the Bay Area Data Processing Service Center and the experiences of the Department of Industrial Relations should be analyzed as a microcosm of the state EDP environment as a whole. Such a review would provide valuable insights on problems to avoid in implementing other EDP consolidations required by the Long-Range Master Plan for the Utilization of Electronic Data Processing.

Regulation of Workmen's Compensation Self-Insurance Plans

We recommend the addition of 2 consultants and one clerk-typist to this program at an increased cost of \$35,909. We further recommend that the authorization of these positions be contingent upon the establishment of a schedule of fees to make the entire program self-supporting for a General Fund saving of \$125,989 (budget appropriation of \$90,080; plus augmentation of \$35,909).

Section 3700 of the Labor Code provides that the Director of Industrial Relations may issue certificates to self-insure to those enterprises demonstrating financial capability to fully compensate their workers for industrial injuries. The unit handling this function is presently composed of a staff of one manager, one consultant and one stenographer based in San Francisco, and one consultant without clerical help in Los Angeles. The staff processes new applications for self-insurance certificates, maintains security deposits, administers examinations, provides consultative services to plan managers, and reviews claims payments for promptness and adequacy.

The proposed budget is \$90,080, which represents an increase of \$7,487 or 9 percent over estimated current-year expenditures of \$82,593.

Growth in the Number of Self-Insurers. During the five-year period 1964-65 to 1968-69, the average annual number of new applications to self-insure was 39. During fiscal year 1969-70 that figure rose to 57, and in the current year it is expected to increase to 100. By December 30, 1970, 69 new applications had already been received. Because of the economic benefits to self-insurers and the active promotion of this plan by commercial adjusting agencies, the division expects this trend to continue and even to accelerate.

Table 1 indicates that the sharp rise in new applications has required division staff to concentrate on the issuing of new certificates and on maintaining files and records, and to deemphasize auditing and regulatory activity.

Table 1
Selected Self-Insurer Data

	1969-70	1970-71	1971-72 (est.)
New applications -----	57	100	100
Total self-insurers -----	382	417	476
Locations audited -----	75	15	15
Cases reviewed -----	7,343	2,000	2,000

Budget reductions in 1970-71 caused the elimination of five authorized positions. This loss of staff resulted in 20- to 40-percent reductions in instruction and consultation activities, an 80-percent drop in locations audited and 73 percent fewer cases reviewed. In addition, a periodic spot-check procedure was substituted for a planned three-year audit cycle. In contrast to the five man-years devoted to auditing in 1969-70, the budget proposes 1.5 for 1971-72.

A review of 2,317 indemnity cases in 1969-70 revealed that 19 out of every 100 workers did not receive full indemnity for industrial injuries. Due to the increased workload caused by the rise in new applications, only 500 indemnity cases will be reviewed in the current year. A further reduction in auditing activities due to staff restrictions during 1971-72 can only increase the number of individuals adversely affected by undiscovered benefit errors.

We therefore recommend the addition of two consultants and one clerk-typist to the division staff in order that it might better fulfill its regulatory responsibilities.

Fee Proposal. The self-insurance option offers the substantial economic advantage of exemption from insurance premiums to those organizations that are able to establish their capability to compensate for employee injuries or deaths. The State of California subsidizes the self-insurer privilege in two ways: (1) It contributes approximately \$82,000 (1970-71) to \$148,000 (1969-70) of General Fund moneys annually for the administration of the plan; and (2) it forgoes revenue from the 2.35-percent tax on insurance premiums that would otherwise be collected if these firms were purchasing coverage from a commercial carrier.

In effect, the state is subsidizing the competitive advantage of a select number of firms out of the resources of the General Fund; and, as we have previously noted, there is every indication that demands upon the General Fund will increase as the number of self-insurers grows. *We therefore recommend that a schedule of certification fees be established that would cover the cost to the state of administration and regulation of the self-insurers' program.*

Department of Industrial Relations—Continued

INVESTIGATION, MEDIATION, AND ARBITRATION PROGRAM

(Division of Conciliation)

The Labor Code specifies that the department shall (1) investigate and mediate labor disputes on the request of any bona fide party involved in the dispute, (2) proffer mediation services to both parties when there is a threat of work stoppage and neither party requests intervention, (3) endeavor to promote sound union-employer relationships in the interest of preventing labor disputes, and (4) arrange for the selection of boards of arbitration on terms agreeable to all concerned parties.

In addition, the department has statutory responsibility for settling labor relations disputes or grievances relating to the nine transit districts or authorities (viz., the San Francisco Bay Area Rapid Transit District) now authorized by state law.

The proposed expenditure for this program is \$309,748, which represents a decrease of \$124,124 or 28 percent from estimated current-year expenditures of \$433,872. This decrease reflects a reduction of seven authorized positions from the division's present staff: four conciliators, one administrative assistant, and two stenographers. Of these, the positions of administrative assistant and three conciliators are presently unfilled.

Budget-year workload data supplied in the budget document suggest that the proposed reduced staff will be able to participate in a greater number of disputes, mediation cases, arbitrations and elections than did the presently authorized staff in the current year. Our inquiries to the division, however, reveal no major policy or procedural changes that will enable the conciliators to realize this increased productivity. To handle the anticipated increase in workload during what is generally expected to be a year of heavy collective bargaining activity, it appears that the division will be forced to adopt some system of priorities by which to adapt reduced staff resources to increasing workload requirements.

We would note that private conciliation and arbitration services are available for a fee to labor and management groups so requesting them. The state's conciliation service is offered free of charge.

**PREVENTING, SETTLING, ADJUDICATING, AND ADMINISTERING
DISPUTES UNDER WORKMEN'S COMPENSATION LAWS**

(Division of Industrial Accidents)

The Workmen's Compensation Appeals Board and the referee teams in the Division of Industrial Accidents are responsible for the adjudication of workmen's compensation claims. The appeals board is composed of seven persons appointed by the Governor, who also designates the chairman of the board. The division's staff, under the supervision of an administrative director who is also appointed by the Governor, provides supportive services to the board.

The objective of the program is to insure the prompt payment of workmen's compensation benefits to workers who suffer industrial in-

jury in the course of their employment. These benefits include medical expenses, rehabilitation costs, legal fees, awards for loss of earnings not to exceed \$87.50 per week, and death benefits.

The division proposes an expenditure of \$9,405,085 which is an increase of \$198,621 or 2 percent over estimated current-year expenditures of \$9,206,464. The increased allocation represents no increase in staff and anticipates maintaining or slightly improving the current level of service during the budget year.

New filings with the division have increased at an average annual rate of 7.5 percent over a 10-year period. Since fiscal year 1969-70, there has been no increase in the number of referee teams handling this workload.

The division states that during the past five years, staff productivity has increased by 11 percent; and, until 1969-70, total case dispositions more than kept pace with total annual filings. In that fiscal year, however, filings exceeded dispositions by 1,000 cases. During the current year, the discrepancy is expected to increase to 10,500; and in the budget year, division estimates suggest that filings will exceed dispositions by approximately 15,000 cases. These figures are not by themselves adequate measures of workload and production because the appeals procedure is often interrupted by petitions from claimants for independent medical examinations and additional time to prepare arguments. The statistics do suggest, however, that unless new procedures are devised to expedite the handling of disputes, an unmanageable backlog may begin to develop.

The division states that it has reduced the time span between filing and decision on uninterrupted cases from 1.8 months in the third quarter of 1969 to 1.6 months in the same quarter of 1970. It attributes this primarily to (1) the implementation of pretrial procedures that eliminate all but contested issues from hearings; (2) the institution of a conference calendar that settles some cases before they reach the formal hearing stage; and (3) the initiation of a "notice of claim" procedure that encourages applicants' attorneys to deal directly with insurance companies in resolving disputes, with the appeals board acting only to approve settlements and fix attorneys' fees. For claims which must go to hearing, however, there is a waiting period of up to three months in some locales. Should this waiting period lengthen, the division may find itself in conflict with the constitutional mandate to handle workmen's compensation claims "expeditiously."

PREVENTION OF INDUSTRIAL INJURIES AND DEATHS

(Division of Industrial Safety)

1. *We recommend the addition of three safety engineers to the division's elevators and aerial tramways section at an increased net General Fund cost of \$18,510. Approximately 60 percent or \$25,500 of the total cost of these positions should be covered by inspection fees.*

2. *We recommend that legislation similar to AB 1295 (1970 session) be adopted amending Sections 7721-22 of the Labor Code to permit raising the ceiling on pressure vessel inspection fees for an estimated annual General Fund saving of \$80,000.*

Department of Industrial Relations—Continued

The Labor Code provides that the Division of Industrial Safety "has the power, jurisdiction, and supervision over every employment and place of employment in this state, which is necessary adequately to enforce and administer all laws and lawful orders requiring such employment and place of employment to be safe, and requiring the protection of the life and safety of every employee in such employment or place of employment." Specifically excluded from the jurisdiction of the division are maritime workers, household domestics, federal employees and operating employees of interstate railroads.

The division provides services through seven program elements: construction, electrical, elevator, radiation, fumes and gases, industrial, pressure vessels, and educational activities. The budget proposes an expenditure of \$4,922,098 for this program, which is an increase of \$52,298 or 1 percent over the current-year estimated expenditure of \$4,869,800. Reimbursements of \$41,290 for services rendered in radiation inspections for the Department of Public Health bring total budget-year expenditures to \$4,963,388.

Inspection Efficiency

In an attempt to improve its operating efficiency in the budget year, the division proposes two modifications in its inspection activities. First, it plans to develop an "inspection-value index" which establishes inspection priorities for places of employment based on such criteria as insurance rate, number of employees, date of last inspection, and record of violations. The establishments which are placed higher on the inspection lists will receive more attention.

Second, the division proposes to reduce the number of return visits required to insure compliance with safety orders and thus free more time for inspections of other places of employment. Under present procedures, if the division finds an employer in violation of a safety order, a citation is written and a time specified for correction of the violation. In some cases, the division's inspectors must return four or five times to assure compliance with the safety order. The division is now substituting a letter for the compliance visit in a limited number of cases. The letter asks if the violation has been corrected and directs the employer to reply. These replies are then spot checked to verify compliance. The first four months of experience under this procedure indicate that the replies are reliable almost without exception, and revisits have been reduced by 25 percent.

New Safety Engineers Needed

While the law assigns job safety enforcement responsibilities to this division in a general manner, it mandates specific licensing duties and inspection cycles for elevators, aerial tramways and pressure vessels. The law requires that the division provide for the inspection and licensing of all elevators in the state annually. Despite increasing staff productivity, the division estimates that it will be unable to fulfill this responsibility in the budget year. Current-year estimates indicate that more than 2,000 units did not receive renewal inspections during the

current annual cycle. If additional staff is not provided in the budget year, that figure is expected to increase to more than 3,000. According to the workload estimate of 870 inspections per man-year, at least three additional engineers are required to prevent this backlog from increasing. The addition of three safety engineers which we are recommending would cost \$44,010 annually for salaries and operating expenses, but approximately \$25,500 or 60 percent of this cost would be covered by inspection fees. Thus, we recommend a net increase of \$18,510 for the three positions.

Pressure Vessel Inspection Fees Should Be Increased

The Labor Code specifies that all high-pressure boilers be inspected annually, and that air and liquefied petroleum gas tanks be inspected at least every five years. At present, fees recovered from this activity barely cover the salaries of the engineers involved, and do not provide for any of the operating costs of the inspection function which now total approximately \$80,000 annually. The division estimates that a statutory change permitting it to raise the hourly rate upon which it calculates inspection fees from \$8 to \$14 (the rate now used in the elevator section) would provide fuller reimbursement of this activity and reduce General Fund costs by approximately \$80,000.

Recent Federal Legislation

Public Law 91-596, the Occupational Safety and Health Act, passed by Congress during the latter part of 1970, provides for grants-in-aid to states which adapt their safety programs to "national consensus standards." It is anticipated that California may qualify for funds under this legislation, but, the funding and qualification provisions of the act will need administrative clarification before it is possible to forecast the impact of the law on this division's programs or budget.

PROMULGATION AND ENFORCEMENT OF LABOR STANDARDS FOR WOMEN AND MINORS AND ENFORCEMENT OF EQUAL PAY LAW FOR WOMEN AND MEN (Division of Industrial Welfare)

The Division of Industrial Welfare enforces wage orders promulgated by the Industrial Welfare Commission and other state laws relating to the wages, hours, and conditions of employment for men, women, and minors. A series of 15 such wage orders covering 15 various industries or businesses has been promulgated by the commission. The orders are adopted by the commission in accordance with the Administrative Procedures Act and, therefore, have the effect of law.

The division proposes an expenditure of \$1,235,241 which represents a decrease of \$158,091 or 11 percent from current-year estimated expenditures of \$1,393,332. The decrease reflects a proposed reduction of 10 authorized positions (6.5 professional and 3.5 clerical). Of these, eight are expected to be vacant by the beginning of the budget year.

As a result of these staff reductions, the division estimates that in the budget year it will complete approximately 2,300 fewer investigations and issue 40 fewer permits and licenses than in the current year.

Department of Industrial Relations—Continued

However, a large portion of the division's workload involves agent-initiated supplementary investigations growing out of a single complaint, so that the "incoming caseload" includes a factor that may be controlled by agent discretion and is not determined totally by external demands. The proposed staff reductions, while generally restricting the volume of the division's regulatory activities, should not seriously inhibit its ability to respond to complaints.

As we have noted in past years, the efficiency of the department's investigation and regulatory personnel could be improved through consolidation of the Divisions of Industrial Welfare and Labor Law Enforcement.

**ENFORCEMENT OF LAWS RELATING TO WAGE PAYMENTS,
CONDITIONS OF EMPLOYMENT, LICENSING AND
ADJUDICATION**

(Division of Labor Law Enforcement)

We recommend the retention of two special investigators in the labor law enforcement element at an increased cost to the General Fund of \$24,000.

The enforcement of all labor laws, including child labor laws, not specifically delegated to any other agency, is the responsibility of the Division of Labor Law Enforcement. There is a substantial degree of similarity and overlap between the functions of this division and those of the Division of Industrial Welfare. The laws enforced by the Division of Labor Law Enforcement cover such areas as payment of wages, collections of unpaid wages, and the licensing and registering of artists' managers and farm labor contractors.

The division proposes an expenditure of \$2,816,681, which represents a decrease of \$181,669 or 6 percent under estimated current-year expenditures of \$2,998,350. The decrease reflects the reduction of 13 authorized positions consisting of one attorney, five deputy labor commissioners, four special investigators, and three clerical staff. Of these positions, six are presently unfilled.

The bulk of the division's workload is in the area of determination of wage claims. This element shows no reduction in staff or fiscal allocation for 1971-72. We note, however, that the June 30, 1970 "pending" caseload of 29,511 will be increased by 9,776 undisposed complaints by June of the current year, and by an additional 10,000 complaints at the end of the budget year. A large pending file is considered normal "working inventory" in this division, and for the most part represents cases in the process of collection. Should the projected caseload for 1971-72 prove to be underestimated, however, a backlog of unprocessed claims may begin to develop, resulting in a decreased level of service.

An addition to the Labor Code (Section 1684e) during the current year increased the division's responsibilities in licensing and adjudication. The law states that the Labor Commissioner may administer oral or written examinations to farm labor contractors as a condition of their licensing. The anticipated increase in workload generated by the

new legislation has, however, been offset by the transfer of responsibility for licensing of nurses' registries to the Department of Consumer Affairs.

The area of division responsibility that will be most affected by the proposed staff reductions is that element which enforces a broad spectrum of laws relating to child labor, activities of farm labor contractors, workmen's compensation insurance, public works laws, and other regulations pertaining to conditions of employment. The budget proposes a reduction of 12 man-years from this element. The division states that it will be able to deal with most complaints and respond to requests for theatrical permits, but inspection activities will be curtailed. Estimates indicate that in 1971-72 the division will perform 7,156 fewer inspections than in the current year.

This restriction of staff-initiated inspections does not appear critical except insofar as it relates to the regulation of farm labor contractors. The division has a special responsibility to regulate the contractors that it has licensed, and therefore plans to focus all inspection activities in this sector. If, however, complaints received remain at current-year levels rather than declining as predicted by the budget proposal, the reduced staff may be unable to exercise the inspection function adequately if at all. We therefore recommend that two special investigators be retained in this section to assure the enforcement of regulations relating to farm labor contractors.

As we have stated previously, the department's field personnel could be more effectively utilized if the Divisions of Industrial Welfare and Labor Law Enforcement were consolidated.

**PROMOTION, DEVELOPMENT AND ADMINISTRATION OF
APPRENTICESHIP AND OTHER ON-THE-JOB TRAINING**
(Division of Apprenticeship Standards)

We recommend that a joint committee of the Legislature conduct a study of the Division of Apprenticeship Standards and its role in meeting statewide needs for training in the skilled trades.

The Division of Apprenticeship Standards has the responsibility under law to promote and foster apprenticeship programs and other "on-the-job" training opportunities for apprentices and journeymen. The division also attempts to promote equal opportunity practices in apprenticeship selection procedures and is initiating a program to cooperate with other state agencies in training inmates of correctional institutions and placing them in jobs when they are released on parole.

The budget proposes a General Fund expenditure of \$1,635,444 for this program, which is \$453,492 or 21 percent under estimated expenditures of \$2,088,936 in the current year. Federal funds in the amount of \$284,500, representing reimbursement for monitoring apprenticeship and other on-the-job training programs for veterans under a contract with the federal Veterans' Administration, bring total program expenditures for the budget year to \$1,919,944.

The reduced budget level reflects the following changes in authorized positions for 1971-72: (1) the continuation of 6.5 federally funded positions added administratively to the Veterans' Training Program

Department of Industrial Relations—Continued

during the current year, (2) the elimination of 31 authorized positions in the federally funded manpower development training monitoring function which was transferred to the Department of Human Resources Development on September 1, 1970, and (3) a reduction of 31 authorized positions (12 consultants, three administrative and 16 clerical) from current division programs financed by the General Fund. Four of these positions are presently unfilled.

The budget proposal augments staff and fiscal allocations in the Equal Opportunity element by \$36,259 (four man-years), and in the Correctional Inmates element by \$31,053 (two man-years) to fulfill enlarged responsibilities in these fields. The budget proposes reductions of \$515,922 (35.8 man-years) in the Administration of Apprenticeship Standards element. The staff reductions in the latter will restrict participation of the DAS in this area, but there is no conclusive evidence to indicate that the availability of training opportunities or the nature of apprenticeship practices will be adversely affected thereby.

The reduction in personnel reflects a move away from a traditional workload/staffing formula by which additional positions were authorized to the division according to the annual increase in the number of registered apprentices and trainees in the state. Consistent with past recommendations of this office, we can see no justification for returning to a formula that calculates workload solely on the volume of apprenticeship programs without reference to specific input factors and their relation to program objectives. The program objectives of this agency may be better served by broadening its role to include other methods of developing job skills in which entry is less restricted. We restate the recommendation of the Conference Committee on the 1970 Budget Bill: "That a joint committee of the Legislature conduct a study of the Division of Apprenticeship Standards and its role in meeting statewide apprenticeship needs."

**COLLECTION, COMPILATION, ANALYSIS AND DISSEMINATION OF
CALIFORNIA LABOR STATISTICS**

(Division of Labor Research and Statistics)

We recommend the retention of one assistant economic analyst and 2.5 clerks II at an increased General Fund cost of \$34,086. We recommend augmentation of the division's budget by an additional \$1,850 for printing expenses, resulting in a total increased cost to the General Fund of \$35,936.

The Division of Labor Statistics and Research is required by statute "to collect, compile, and present facts and statistics relating to the condition of labor in the state." Pursuant to this general directive, the division compiles statistics on (1) employment and payroll levels, (2) work injuries, (3) provisions of collective bargaining agreements, (4) work stoppage, (5) union membership, and (6) negotiated work settlements. The division also provides statistical services to the other departmental divisions.

The division proposes an expenditure of \$313,015 which represents a decrease of \$189,906 or 37 percent from estimated expenditures of

\$502,921 for the current year. Reimbursements of \$15,000 from services rendered to the Departments of Public Health and Rehabilitation bring total program expenditures for the budget year to \$328,015.

The reduced budget level reflects the following changes in authorized staffing for 1971-72:

(1) The transfer of 35 positions in the Employment, Hours, and Earnings Statistics element to full federal funding under the direction of the Department of Human Resources Development; and

(2) The reduction of 8.5 positions (3 professional and 5.5 clerical) from continuing programs. Two of these positions, both clerical, are presently vacant.

Federal Funding of Employment, Hours and Earnings Statistics Element

In the past, the Employment, Hours and Earnings Statistics element was funded primarily by the State of California with some additional support, amounting to approximately 15 percent of the total cost, from federal sources. During the budget process for fiscal year 1970-71, negotiations were under way to transfer this element to full federal funding, but at the time the Budget Act was approved, the exact amount of the federal commitment had not been established. Actual federal funding during the current year has amounted to \$445,522, plus franking privileges and the services of three federal employees. In the budget year, the federal government will assume the full cost of this element, which will in the future be administered by the Department of Human Resources Development.

More State Support Needed

Due to budget restrictions in other program elements for the current fiscal year, the division lags one quarter behind in tabulating work injury statistics, and is presently six months behind publication schedule for the 1969 annual, *Work Injuries in California*. The division estimates that the proposed additional staff reductions would have the following effects on continuing activities:

Work Injury Statistics

1. The quarterly *Work Injuries in California* would be published no more than twice a year.
2. The distribution of special reports would be cut by more than half.
3. The division would respond to 600 fewer requests.
4. The present three-month backlog in data tabulation would be increased by the failure to process 54,000 reports of lost-time injuries and 80,000 doctors' reports relating to problems in industrial hygiene.

Industrial Relations Research

1. A backlog may develop in the compilation of data on collectively bargained wage increases, adversely affecting agencies that depend upon the division for determination of prevailing wage rates in the awarding of public works contracts;
2. The annual report, *Wage Settlements in California*, would be limited to data on settlements involving 100 workers or more;
3. The program for collection of work stoppage statistics would be discontinued;

Department of Industrial Relations—Continued

4. The annual publication, *Union Labor in California*, would be eliminated, with the possible result that incentive for unions to file wage agreements and membership counts with the division would be removed;

5. The division would respond to 700 fewer requests for information.

The Division of Labor Statistics is the official state depository for employers' reports of injuries and is the only source of comprehensive work-injury data in California. The data compiled by the division assists the Division of Safety and the Departments of Public Health and Rehabilitation in establishing inspection priorities, and alerts them to the development of special problem areas. The division's full range of publication activities has not been essential in the support of industrial safety programs and could be reduced. It seems unreasonable, however, to maintain the work injuries project without providing sufficient staffing to keep safety data current. The retention of two clerks II in this element would enable the division to eliminate the present backlog in data tabulation and maintain up-to-date information on industrial injuries.

The division states that it has on file approximately 90 percent of the California collective bargaining agreements covering 50 workers or more. This file serves as a primary source for the determination of prevailing wage rates on public contracts, and provides current data on wages, hours and benefits to all individuals engaged in collective bargaining. A similar file maintained by the federal government in Washington is much more limited in scope and availability.

The division estimates that the retention of one assistant economic analyst, a part-time clerk and \$1,850 for printing costs would enable it to: (1) maintain the bargaining agreements file together with the ancillary union membership survey and publication, (2) publish a more limited version of *Wage Settlements in California*, and (3) continue on a limited basis the collection of work stoppage data.

Recent Federal Legislation

The recent federal Occupational Safety and Health Act, discussed in the analysis of the Division of Industrial Safety, makes federal grants available for the development of "programs dealing with occupational safety and health statistics." The California Division of Labor Research and Statistics may qualify for funds under this legislation but, as we have previously indicated, the funding and qualification provisions of the act will need administrative clarification before it is possible to forecast the impact of the law on this division's programs or budget.

PREVENTION AND ELIMINATION OF DISCRIMINATION IN
EMPLOYMENT AND HOUSING

(Division of Fair Employment Practices)

The Division of Fair Employment Practices, under the direction of the Fair Employment Practice Commission, is responsible for the administration and execution of (1) the provisions of the Fair Employment Practice Act (Labor Code Sections 1410-1433) relating to the

rights of individuals in employment, and (2) that portion of the Health and Safety Code (Sections 35700-35745) relating to equal opportunities in housing. The director of the division, who serves as the executive officer of the commission, and the seven members of the commission are appointed by the Governor.

The division proposes an expenditure of \$974,982 which is an increase of \$12,304 or 1.2 percent over estimated expenditures of \$962,678 for the current year.

The division anticipates a 37-percent increase in employment discrimination cases filed during the budget year, but expects consultant productivity to increase by 18 percent over the same period. If incoming filings increase more sharply, the division may deemphasize other activities in order to meet the statutory responsibility of investigation of complaints.

Department of Mental Hygiene

SUMMARY

Proposed total program expenditures 1971-72 (all funds).....	\$346,902,763
Estimated total program expenditures 1970-71 (all funds).....	\$344,829,658
Increase (0.6 percent).....	2,073,105

GENERAL PROGRAM STATEMENT

Proposed total expenditures for all programs conducted by the Department of Mental Hygiene are \$346,902,763, to be financed by General Fund appropriations, federal grants, and reimbursements. Table 1 summarizes these proposed expenditures by activity and source of funds. The table indicates that the support of mental hygiene activities will increase by \$2.1 million in the next fiscal year.

The department administers the following programs:

1. Prevention of mental illness and mental retardation.
2. Diagnosis of mental illness and mental retardation.
3. Care and treatment of persons suffering from mental illness and mental retardation.
4. Research into the causes underlying mental illness and mental retardation.
5. Training to assure sufficient manpower to implement the department programs.
6. Assistance to communities providing local psychiatric (Short-Doyle) services in 58 county programs.

These programs will be implemented by state and county facilities for the mentally ill including eight state hospitals, 58 community Short-Doyle programs, four state hospitals for the mentally retarded, two neuropsychiatric institutes, and departmental administration.

Table 1
Summary of Activities, 1971-72, and Change from 1970-71

<i>Activity</i>	<i>Budget Bill item</i>	<i>General Fund</i>	<i>Federal funds</i>	<i>Reimbursements and adjustments</i>	<i>Total</i>	<i>Difference 1971-72 to 1970-71</i>	<i>Percent change</i>
Programs for the Mentally Ill							
(1) State program		\$16,510,315		\$201,716	\$16,712,031	\$-400,990	-2.3%
(2) Short-Doyle Local Assistance							
(a) Programs conducted locally		96,140,684 ¹		23,611,800	119,752,484	+9,589,570	+8.7%
(b) Services provided in state hospitals		90,797,643		619,662	91,417,305	-2,193,475	-2.3%
Total Short-Doyle		\$186,938,327		\$24,231,462	\$211,169,789	\$+7,396,095	+3.6%
Programs for the Mentally Retarded		83,983,873		209,194	84,193,067	-1,535,228	-1.8%
Neuropsychiatric Institutes		13,530,757			13,530,757	+22,798	+0.2%
Departmental Administration		6,603,700		2,124,733	8,728,433	-256,860	-2.9%
Research and Training		4,704,393	\$440,000		5,144,393	-3,656,062	-41.5%
Special Project Activities				7,424,293	7,424,293	+503,352	+7.3%
Total		\$312,271,365	\$440,000	\$34,191,398	\$346,902,763	\$+2,073,105	+6.0%

¹ This figure includes \$13,898,258 in fiscal year adjustments, which would normally be included in the reimbursement column, however it is included here because it is

included in the appropriation item. See page 622 of the Analysis.

Department of Mental Hygiene
DEPARTMENTAL ADMINISTRATION

Item 239 from the General Fund

Vol. III p. 330

Budget p. 225

Requested 1971-72	\$6,603,700
Estimated 1970-71	6,910,929
Actual 1969-70	6,830,552
Requested decrease \$307,229 (4.4 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. We recommend that the Department of Mental Hygiene 609 submit to the Joint Legislative Budget Committee by August 1, 1971, a thorough analysis of the utilization and effectiveness of the monthly hospital cost reports.

GENERAL PROGRAM STATEMENT

Departmental administration formulates and administers policy for the Department of Mental Hygiene. It is charged with the responsibility of coordinating, supervising and evaluating state and local programs consistent with a high level of medical and business practice. The departmental administration also functions as a contract provider of services, for both community mental health programs and for the mental retardation program through its state hospital programs. The units of the administration can be grouped as follows:

1. Executive—this unit includes the Office of the Director, Public Information, and various advisory boards and committees.

2. Medical Programs—included in this unit are the Office of Program Review, Division of Research and Training, Division of Mental Hospital Programs, Division of Retardation Hospital Programs, and Division of Local Programs.

3. Administrative Management—this group includes bureaus and units for accounting, budget planning and analysis, facility planning, program audits, data processing, legal services, guardianship and management systems.

ANALYSIS AND RECOMMENDATIONS

The 1971-72 budget proposes \$10,523,932 from all sources for departmental administration. This is a decrease of \$352,092, or 3.2 percent, below estimated expenditures during the current year. Included within this support total is a General Fund request of \$6,603,700 and \$3,920,232 in reimbursements. The central administrative element represents 3 percent of the proposed total program expenditures of \$346,902,763 for the Department of Mental Hygiene.

The General Fund request of \$6,603,700 is a decrease of \$307,229, or 4.4 percent, from that estimated to be expended during the current year.

Departmental Administration—Continued

Reductions in the departmental administration budget are largely due to the abolition of 27.5 positions and the addition of 12 positions for a net reduction of 15.5 positions.

Bureau of Program Audits

We recommend approval.

The budget proposes the addition of 12 new positions to the Bureau of Program Audits. Included within the request are two staff management auditors, eight associate management auditors, and two clerical. This addition will bring the total staff to 18 positions. The Bureau of Program Audits performs a systematic review of the program costs and expenditures of the individual counties by the use of detailed audits in the field. Post audit reconciliations are made with the Division of Local Programs, and often result in fiscal savings to the state and changes within the county program. This fiscal review function of the Bureau of Program Audits provides the state with a necessary degree of fiscal control over a program which is 90 percent state-financed but administered by the counties.

Position Reductions

We recommend approval.

The budget proposes the elimination of 27.5 positions in departmental administration. Most of the reductions will be made in moderately large bureaus and offices and should have a minimal effect on their output. However, two offices will be greatly affected by the position reductions. The Office of Planning will be abolished and its functions transferred to the Office of Comprehensive Health Planning in the Department of Public Health. A significant reduction is proposed in the Office of Program Review where 6 of the 12 positions will be eliminated. The Office of Program Review is designated to determine if the state is obtaining optimum results from operational programs. However, it has become increasingly apparent that the review of programs is much more effective when combined with an audit function. Therefore the department proposes a decrease in the Office of Program Review and an increase in Program Audits.

Program Budget

This year the Department of Mental Hygiene again submitted its program budget based upon the two major programs conducted by the department, (1) programs for the mentally ill and (2) programs for the mentally retarded. The section on programs for the mentally retarded was integrated with the statewide mental retardation program presented for the first time this year. Description of both programs was included with relevant total program expenditure totals and some population data.

The department has prepared a program budget for the 1971-72 fiscal year that is an improvement over last year's. However, considerable difficulty is encountered in relating the description of programs with the six budget items which support the programs from the General

Fund. Although the objective of a program budget should be to describe program and expenditures, including the relation of one to the other, we were unable to make that relationship without clarification from the department fiscal personnel.

STATE HOSPITAL COST REPORTING SYSTEM

We recommend that the Department of Mental Hygiene submit to the Joint Legislative Budget Committee by August 1, 1971, a thorough analysis of the utilization and effectiveness of the monthly hospital cost reports.

Background of the System

In our 1970 Analysis of the Budget Bill, we discussed the development of the state hospital cost reporting system to meet 1966 federal legislation which required a more accurate determination of the actual cost of care provided Medicare recipients.

Development of the new cost reporting system began in May 1967. The problem was approached from a cost-center concept which records costs for specific types of care on specific wards. The cost reporting system began operation on a current basis in the spring of 1969, but required several additional months of debugging. Accurate, current operation started in the Spring of 1970.

Management Reports

Although the hospital cost reporting system was principally designed to meet the requirements of the federal Medicare legislation, there were some informational benefits to the department. From the data used in the Medicare calculation, reports were produced which showed the costs on the various wards and cost centers of the state hospitals. Summaries were also produced which showed costs for hospitals by cost center, and for cost centers by hospital. These reports are sent monthly to all the hospitals including lower units of the hospital organization, and to various headquarters offices. After analyzing the reports these various units are to make management decisions about the efficiency and effectiveness of their operations, and to correct any deficiencies pointed out by their analysis.

A monthly version of eight separate reports consists of 271 pages of figures. The very size of the monthly "stack" of reports militates against any rapid analysis of the data. Comparison between hospitals is impeded by differences in programs and reporting procedures. Although the actual comparability may, in fact, be quite good, there is a tendency for unfavorable comparisons to be explained away by the differences between hospital operations.

After visiting some of the state hospitals, and studying the use of the monthly cost reports, we are skeptical about the actual number of management decisions made possible by the reports. It is doubtful that the cost reports, as now used, could pay for their development and production in terms of the money they have saved the hospitals and the state. This is not to argue, however, that the "management reports" do not have value, but rather that sound analytical procedures have

Departmental Administration—Continued

not been developed by the department for the effective use of the monthly cost reports.

It is our recommendation that the Department of Mental Hygiene present details of the actual and projected use of the cost reports, explaining procedures by which they are actually used in making management decisions, both at the hospital level and at the departmental headquarters level.

COMMUNITY MENTAL HEALTH COST REPORTING SYSTEM

The Department of Mental Hygiene, as a result of the Community Mental Health Services Law, Chapter 1667, Statutes of 1968, (Lanterman-Petris-Short Act) is charged with the responsibility of implementing a Cost Reporting/Data Collection System by December 31, 1971. The law, in essence, provides for the establishment of an intergovernmental system of mental health programs and requires the Department of Mental Hygiene to develop a cost reporting system for the local programs which will:

1. Guarantee that charges for services to mentally disordered persons or persons affected with chronic alcoholism under a county Short-Doyle Plan shall not exceed the actual cost thereof in accordance with standard accounting practices;
2. Establish uniform methods for determination of the individual patient's ability to pay;
3. Provide uniform collection procedures;
4. Supply management information relating to the costs of patient care and treatment, specifically the costs of program priorities detailed by types of services defined by law;
5. Permit analysis and comparison of local facilities within a common frame of reference;
6. Provide cost/effectiveness analysis to be used in determining local program economic feasibility;
7. Apply to all facilities, but be designed to be flexible and adaptable so that each facility can tailor the system to that facility's unique activities and needs; and
8. Provide management control.

Current Year Activities

The implementation of the Cost Reporting/Data Collection System is being done in two parts, Phase A and Phase B. The Phase A report was submitted to the department in December 1969 and contained the results of a preliminary survey of the needs of sample counties as well as recommendations for the implementation of Phase B. The Phase A report recommended that the system be implemented in four separate modules, or components. The consultant chosen to design and implement Phase B has diverged from the Phase A recommendations but has retained the four modules of policy and procedure, budgets, claims, and evaluation.

Policy and Procedure Module

The policy and procedure module is the key element of the system, since it establishes the basic operating environment. Through meetings with the Program Budget Committee of the department and with the Fiscal and Data Subcommittee of the Conference of Local Mental Health Directors, the consultant's implementation team was able to integrate suggestions from both the state and local levels of operation. The final draft of the policy module was completed in late November 1970 and served as a basis for the specific design of the claims, budget and evaluation modules.

The implementation team is now in the process of receiving suggested changes in specific systems design. This phase encompasses details of examining, approving and funding the 58 local programs. Considerable coordination is necessary because of the myriad of state and local agencies which are involved in the flow of moneys in the Short-Doyle program. Specific layout of forms, billings, and reports must be finalized, and the complicated scheduling of budget presentation, state approval and monthly claim payments must all be worked out. Development of management reports is also included within this phase. The project team has suggested the use of approximately 10 established management reports plus the capability for generating special reports. Among the suggested special reports are three which include information about county use of the state hospitals. These reports are of great significance both to the county planning process and to the unification of the mental health programs into a single mental health system.

It is imperative that adequate information about anticipated and actual state hospital utilization be supplied to the county programs, the directors of state hospitals and the departmental administration on a current basis. The timely provision of this type of information will enable the counties to stay within their yearly estimates of hospital utilization, and will enable the state hospital directors to anticipate fluctuations in the need for hospital services. Anticipation of need for hospital services should allow the hospitals to be run more flexibly as providers of service for the county programs.

Implementation of the System

The schedule for implementation of the Cost Reporting/Data Collection System calls for the detailed computer system design to be completed during the spring of 1971, and system testing to be done in test counties during the late spring and early summer of 1971. Concurrent with the detailed systems design and the systems testing will be the development of a user training program to train the county and state staff who will be using the system. Actual implementation of the total system is scheduled for September 1971, three months before the statutory deadline.

CAPITAL OUTLAY

The Mental Hygiene budget for 1971-72 contains no money for capital outlay in either major or minor construction. This will be the second year of reduced or eliminated minor capital outlay as shown

Departmental Administration—Continued

in Table 1. The estimated total capital outlay expenditure for the entire Department of Mental Hygiene in the current fiscal year is \$614,804, all in minor capital outlay, compared to \$1,396,024 for minor and \$1,102,060 for major capital outlay for fiscal 1969-70. Support is provided in the budget for ongoing maintenance of departmental facilities in 1971-72, but no alterations or additions to existing facilities will be possible under the proposed budget.

Table 1
Department of Mental Hygiene
Minor Capital Outlay

	67-68	68-69	69-70	70-71	Proposed 71-72
Budget Act					
Appropriation -----	\$1,495,595	\$1,294,724	\$1,396,024	\$700,000	—

Continued low or nonexistent levels of minor capital outlay spending are of questionable wisdom considering the physical plant requirements of the department. While major capital outlay can be delayed for a year or two, an aging physical plant requires constant maintenance and minor alterations. Elimination of minor capital outlay monies past the 1971-72 moratorium would have costly and detrimental effects on the department's physical plant.

Department of Mental Hygiene
RESEARCH AND TRAINING

Item 240 from the General Fund Vol. III p. 322 Budget p. 225

Requested 1971-72 -----	\$4,704,393
Estimated 1970-71 -----	8,383,894
Actual 1969-70 -----	8,484,497
Requested decrease \$3,679,501 (43.9 percent)	
Total recommended reduction -----	None

GENERAL PROGRAM STATEMENT

The Department of Mental Hygiene administers research programs and training programs as supportive elements to the two major departmental programs for the mentally ill and the mentally retarded. Research is conducted to increase knowledge about the causes of mental illness and mental retardation and to improve the methods for treatment of these disorders. Training is conducted to improve the skills of those responsible for the care and treatment of the mentally retarded and the mentally ill, and to better apply new methods of treatment discovered through research. Within the Department of Mental Hygiene, there is a training bureau which administers and coordinates the training programs of the department and a Bureau of Research which coordinates the departmental research effort.

Training programs at the neuropsychiatric institutes, the 12 hospitals and the two centers for training in community psychiatry will be continued in 1971-72, although at a considerably lower level than in the current fiscal year.

For 1971-72, research will be conducted at the two neuropsychiatric institutes and by permanent research teams at six of the 12 state hospitals. These state financed research teams attract research grants amounting to many times the cost of the teams. Nearly three-quarters of the research conducted by the department is in the area of mental retardation and the remainder is devoted to studying mental illness.

For the second year the budget contains a single item for the support of training and research in the Department of Mental Hygiene. Increased detail of the research and training effort of the department has been accomplished by the use of a separate budget item. However, this item does not include moneys spent on research and training in the 58 county and community programs under the provisions of the Short-Doyle program. Support for these local research and training efforts is included in the local assistance item for the Department of Mental Hygiene.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes a total of \$4,704,393 to be spent from the General Fund for training and research in 1971-72. Within this budget request is \$4,162,240 for training, a decrease of \$2,987,617, or 41.8 percent from the current fiscal year and \$542,153 for research, a decrease of \$691,884, or 56.1 percent, from the current fiscal year. Federal funds will add an additional \$40,000 to the training program for a total of \$4,202,240. An additional \$400,000 in federal funds brings the research total to \$942,153. Additional program moneys will be derived from reimbursable services and demonstration projects.

TRAINING PROGRAM

For 1971-72, the Governor's Budget is proposing a significant decrease in the level of training to be conducted by the department. Decreases are proposed in all six of the training program elements described in the budget. The most significant decreases are in the training of medical residents at the neuropsychiatric institutes, staff development for employees of the department, and the training of psychiatric technicians. Smaller reductions were made in the community manpower element while the special projects and the student stipend element are proposed to be eliminated.

Student stipends are currently awarded to attract people to study in the mental health field, and to encourage those already in the field to continue their education.

Community manpower development programs will continue for 1971-72 at the centers for training in community psychiatry in Berkeley and Los Angeles, but similar programs at the state hospitals have been abolished. The centers for training are financed largely by state and federal funds, and are engaged in training community mental health personnel.

Research and Training—Continued

Table 1
Department of Mental Hygiene Training Program
(all funds)

	<i>Medical resident training</i>	<i>Psychiatric technician training</i>	<i>Student stipends</i>	<i>Community manpower development</i>	<i>Staff development</i>	<i>Project projects</i>	<i>Totals</i>
1970-71 -----	\$3,021,860	\$2,325,881	\$175,570	\$243,957	\$1,241,525	\$141,064	\$7,149,857
1971-72 -----	2,572,059	1,253,956	-----	127,000	249,225	-----	4,202,240
Difference -----	\$ 449,801	\$-1,071,925	\$-175,570	\$-116,957	\$-992,300	\$-141,064	\$-2,947,617

A significant reduction was made in the funds for staff development. This training element is proposed to be funded at a level of \$249,225 for 1971-72 compared to \$1,241,525 during the current fiscal year. This element finances training and upgrading of inservice personnel, and the orientation of new employees. The major part of this reduction will be at the state hospitals. With declining populations at the state hospitals and a resulting decline in staff needs, this large reduction in funding may not be detrimental over the short run. However, continued low levels of funding for staff development could become detrimental.

In terms of positions, the training budget proposes the abolition of 97.5 positions and the addition of one position. The deleted positions are all in the training units of the various hospitals and institutes.

Residency Training Reduction

The department maintains psychiatric residency programs at 8 of the 12 hospitals and both neuropsychiatric institutes. These programs provide institutional residency experience for newly graduated psychiatrists. The department generally requires several years of post-residency state service for residents, but it has encountered some difficulty in the enforcement of these requirements. The residency training program is hardest hit by the training reductions. Twenty-five psychiatric resident positions are proposed to be deleted in the budget. Of these 20 are psychiatric resident III positions. The budget indicates that there are only 22 resident III positions in the whole department. Since the department currently has many psychiatric residents under contract, this reduction to two positions raises questions as to how the reduction will be accomplished.

As part of the training reduction, the department proposes to eliminate the financing of resident specialization beyond the three year limit. Currently, some residents are retained past their three-year program so that they can specialize further. This extension of residency will not be funded for 1971-72.

Psychiatric Technician Training

With declining populations in hospitals for the mentally ill and the mentally retarded, the state demands for psychiatric technicians has been fairly low in recent years. With a predicted leveling off of mentally retarded populations in 1972-73 and a commitment to increased staffing at hospitals for the mentally retarded, there is a need for approximately 800 new psychiatric technicians every year. Staffing increases and staff turnover will account for this number.

The training of psychiatric technicians for 1971-72 is only partially provided in the training budget. The budget proposes an expenditure of \$1,253,956 for the 1971-72 fiscal year, but this amount only provides for the instructional costs for a psychiatric technician training program and not the trainee salary.

Under the current training program, technician trainees are enrolled in a California community college in an academic program for 32 hours per week and are employed at a state hospital for eight hours

Research and Training—Continued

per week. For their services and training, they receive one-half of a full trainee salary which is currently paid out of hospital funds. The proposed training budget includes only funds to pay the salaries of the nurse instructors at the community colleges and does not include any money to pay the trainees' salaries. Continued payment of trainee salaries with hospital funds is considered too costly, since the hospital not only must pay one-half of a trainee salary, but must also pay for a hospital worker to fill the 32 hours which the trainee spends in school.

The Department of Mental Hygiene is currently negotiating with the Department of Human Resources Development to establish a psychiatric technician training program within the Work Incentive Program (WIN). As now visualized, this program would start with 2,000 trainees per year and would graduate approximately 1,000. Financing of the trainees' salaries would be on a shared basis with Mental Hygiene paying one-quarter of a salary and WIN paying one-quarter to equal the one-half salary paid trainees. This payment of a trainee salary would be more comparable with services received since the department would pay 25 percent of a salary for 20 percent of a trainee's week.

There are potential problems with dependence on the WIN program for the training of psychiatric technicians. In order to qualify for WIN a person must be a recipient of the Aid to Families with Dependent Children (AFDC) program. It may be difficult to find an adequate number of male trainees who are eligible for the program. Also the WIN budget proposes an increase of only 800 slots above that authorized for the current year. The 2,000 proposed by the department will reduce the number available for existing WIN programs.

Other Training Position Changes

Significant reductions were made in other training position classifications. All 10 of the hospital training librarians were abolished, 28.5 clerical positions supportive of training activities were abolished, and 10 psychiatric nurse-education directors were abolished. Ten career psychiatric resident positions were deleted, and 4.5 chief of professional education positions were abolished.

Two half-time positions are proposed at the centers for training in community psychiatry for the budget year. The two centers which are in Berkeley and Los Angeles, are financed by state and federal funds and are engaged in the training of community mental health personnel.

RESEARCH PROGRAM

The proposed 1971-72 General Fund support for departmental research is \$542,153, a decrease of \$691,884, or 56.1 percent from that amount estimated to be spent in the current fiscal year. The budget proposes to decrease the number of research teams at the hospitals from ten to six, retaining teams at the following hospitals: Agnews, Camarillo, Fairview, Pacific, Patton and Sonoma State Hospital. These teams are permanently assigned to the six hospitals to conduct long-range research into major problems and programs of high productivity.

Proposed position reductions in departmental research total 31.3 positions abolished, two positions transferred, and two positions added for a net decrease of 31.3 positions. Research specialists and clerical support are the classifications affected most by the reduction in the number of research teams.

The effect of this proposed reduction seems to be minimal in terms of the amount of federal and other money the department estimates it will attract for research in 1971-72. Federal funds and reimbursements are estimated to increase by almost \$500,000 for 1971-72 bringing the total of non-General Fund research money to \$5,025,490.

Department of Mental Hygiene

NEUROPSYCHIATRIC INSTITUTES

Item 241 from the General Fund Vol. III p. 327 Budget p. 226

Requested 1971-72	\$13,530,757
Estimated 1970-71	13,507,959
Actual 1969-70	12,873,883
Requested increase \$22,798 (0.2 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. We recommend that the Department of Mental Hygiene and the University of California amend their basis for comparison of psychiatric residency training costs to include clinical overhead costs, and that comparison be made of both direct instructional costs and clinical overhead costs. 618

2. We recommend that the Department of Mental Hygiene and the University of California draft a program plan which would avoid duplication of research and training efforts after the neuropsychiatric institutes are transferred to the University under the plan for the proposed Department of Health. 619

GENERAL PROGRAM STATEMENT

The Department of Mental Hygiene administers two neuropsychiatric institutes, Langley-Porter, located in San Francisco, and the Neuropsychiatric Institute, located on the campus of the University of California at Los Angeles Medical School. Both institutes are operated in cooperation with the University of California.

The institutes are charged with conducting portions of three departmental programs:

1. Research into the causes and cures for both mental illness and mental retardation.

2. Training to provide a portion of the required manpower to implement the department's programs. Training is conducted in psychiatry, psychology, social work, mental health nursing, and nursing in related mental health fields.

Neuropsychiatric Institutes—Continued

3. Diagnosis, care and treatment of patients to the extent that they provide the necessary framework for quality research and training.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The Department of Mental Hygiene is requesting a General Fund appropriation of \$13,530,757 for the support of the neuropsychiatric institutes. This is an increase of \$22,798 over the estimated expenditures for 1970-71. Although the budget proposes significant reductions in the funds for research and training, the reductions are not reflected in the request for the neuropsychiatric institutes. The support request for 1971-72 will enable the two institutes to operate at approximately the same level as in the current year. Inpatient, outpatient, and day care services will be provided at the same or slightly higher levels than during 1970-71. The number of positions requested for support of the neuropsychiatric institutes in 1971-72 is the same as that approved for the current year.

Decreases in the research and training request (Item 240) will affect the research efforts at the institutes. Administrative support for large federal grants will be reduced and exploratory funds for pilot and local studies will be eliminated. As discussed under Item 240, the reduction will also affect the training conducted at the neuropsychiatric institutes. The number of medical residents at the institutes will be reduced from 79 to 62, and student stipends will be eliminated with an undetermined effect on part-time student trainees. Ongoing staff development financed from Department of Mental Hygiene funds will also be eliminated.

Comparison of Resident Training Costs

Last year the Budget Act ordered a transfer of \$150,000 from Langley-Porter to the University of California at San Diego for the operation of a psychiatric residency training program. The act also called for progress and expenditure reports to be submitted to the Joint Legislative Budget Committee annually for the life of the project. The first report is to be presented on or before September 15, 1971.

This project was designed to provide a basis for a comparison of residency training costs at a neuropsychiatric institute and a psychiatry department of the University of California.

The Supplementary Report of the Committee on Conference for 1970-71 directed the University of California, San Diego, and the Department of Mental Hygiene jointly to develop standards for comparing the costs of the two programs. These standards were drafted and submitted to the Joint Legislative Budget Committee.

New Basis of Comparison Needed

We recommend that the basis for comparison of the training programs at the neuropsychiatric institutes and the University of California at San Diego, be amended by the University and the Department of Mental Hygiene to include data on clinical overhead costs as well as direct instructional costs for the two programs.

We further recommend that the Legislature reaffirm its intention to have a program comparison made, and that the Legislature require a comparison of direct instructional costs and a comparison of clinical overhead costs.

We further recommend that these comparisons be submitted with the annual progress and expenditure reports as required by Item 87.6 of the 1970 Budget Act.

Our analysis of the basis of comparison submitted by the Department of Mental Hygiene and the University is that it does not include a factor for the clinical overhead costs of running a training clinic. Although patients treated in training programs would probably be treated elsewhere, the financing of their treatment is significant in terms of state cost. The fiscal advantage of financing a training and treatment clinic with funds from an ongoing treatment program should be included in a comparative analysis.

It is our intention that the comparison of residency training costs at the institutes and at San Diego be continued after the proposed transfer of the institutes to the University. Since the goal of this comparison is to determine which method of psychiatric residency training is less expensive and more effective, there should be a continuing effort to find the best method even after the proposed transfer.

TRANSFER TO PROPOSED DEPARTMENT OF HEALTH

Under the Governor's Reorganization Plan No. 1 of 1970, and the provisions of Chapter 1434, Statutes of 1970, the two neuropsychiatric institutes tentatively will be transferred to the University of California on July 1, 1972. The Task Force for the proposed Department of Health felt that the neuropsychiatric institutes were performing predominantly University functions and recommended their transfer to the University within the Reorganization Plan.

Need for Program Guidelines After Transfer

We recommend that the University of California and the Department of Mental Hygiene include within their negotiations for transfer the subject of research and training programs, and that they submit to the Legislature by July 1, 1972, a coordinated program plan for continued research and training with a minimum of program duplication.

Since the neuropsychiatric institutes perform in a University setting functions which the Department also carries on elsewhere, there is a possibility that program duplication could occur after the transfer. Negotiations and agreement between the Department of Mental Hygiene and the University should delineate those program areas which each would perform after the transfer, and thus avoid duplication.

Department of Mental Hygiene
PROGRAMS FOR THE MENTALLY ILL

Items 242 and 244 from the
 General Fund

Vol. III p. 310 Budget p. 220

Requested 1971-72	-----	\$203,448,642
Estimated 1970-71	-----	199,181,662
Actual 1969-70	-----	181,350,322
Requested increase \$4,266,980 (2.2 percent)		
Recommended transfer to Item 243	-----	\$300,600

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. We recommend that the Department of Mental Hygiene create within its internal budgetary process a Local Program Contingency Fund in the amount of \$5 million to be financed from this item and to be composed equally of designated state hospital money and local program money. We further recommend that this fund be used to make quarterly adjustments in the ratio of state hospital to local program money, and that this adjustment be based upon the level of hospital utilization for the most recent quarter. 623

We further recommend that the quarterly adjustments be reported to the counties and to the Joint Legislative Budget Committee and that the implementation of the Local Cost Reporting/Data Collection System include these adjustments and reports.

2. We recommend the deletion of 13 Associate Medical Director positions at the state hospitals, and the deletion of one assistant superintendent for psychiatric services and one assistant superintendent for medical-surgical services. We further recommend that the savings from this reduction of \$300,600 be transferred to Item 243 (programs for the mentally retarded) as discussed on page 636 of our analysis. We further recommend that each hospital be headed by a nonmedical professional hospital director. 624

3. We recommend that the current Medi-Cal regulations be amended to permit further coverage of Short-Doyle services so that federal funds are not lost and that heavy added costs are not shifted to the counties. 627

GENERAL PROGRAM STATEMENT

In terms of dollar expenditures the major program conducted by the Department of Mental Hygiene is the program for the mentally ill. The basic goal of this program is to provide quality treatment for those citizens requiring care. This program involves the maintenance of eight state hospitals for the mentally ill and provision for financial assistance to 58 county and community local mental health programs.

Hospitals for the mentally ill are maintained for two elements of the program, state services to the mentally ill and contract services

provided for the various local programs. Under the provisions of the Lanterman-Petris-Short Act, the Department of Mental Hygiene is responsible for the confinement and treatment of judicially committed patients and those patients committed to the state hospitals pursuant to the Penal Code. Those patients committed under the Penal Code are treated at Atascadero State Hospital. The state is also responsible for the treatment of mentally ill patients who cannot be identified as residents of any county and for whom the cost of care cannot be charged to any specific local program.

The state hospitals also function as providers of contract services for the local mental health programs. Inpatient care at a state hospital is one of the treatment facilities which the county programs may choose to use.

The largest program, in terms of dollars, administered by the Department of Mental Hygiene is the provision of financial assistance to local programs under the Short-Doyle and Lanterman-Petris-Short Acts. State expenditures for this program have grown considerably since the enactment of the 90 percent state/10 percent county sharing ratio. The proposed state expenditure total for this program has nearly doubled in three years. Decentralization and community responsibility are the objectives of the new expanded Short-Doyle program. During the current year there are 56 counties covered by Short-Doyle programs in addition to two community programs, one in Berkeley and one in the Pomona area.

Under the direction of the Division of Local Programs, the LPS Act authorizes community programs to deliver up to 10 different mental health services which are eligible for 90 percent state reimbursement. The 10 services include direct patient services such as inpatient, outpatient and partial hospitalization, special patient services such as diagnosis, precare and aftercare, rehabilitation and emergency services, and last, program support services such as information, consultation and education, research and evaluation, and program training.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a total General Fund expenditure of \$203,448,642 in two items for support for the mentally ill in state hospitals and for local programs. The items are as follows:

Item 242, for support of hospitals for the mentally ill for judicially committed patients, patients committed pursuant to the Penal Code, and those mentally ill patients whose county of residence is not participating in a local mental health program as provided in Division 5 of the Welfare and Institutions Code, Department of Mental Hygiene -----	\$16,510,315
Item 244, for assistance to local agencies in the establishment and operation of mental health services in accordance with Division 5 of the Welfare and Institutions Code -----	\$186,938,327
Total -----	\$203,448,642

Programs for the Mentally Ill—Continued

Within the \$186,938,327 proposed for local support is \$90,797,643 requested for support of state hospital services for local programs. The amount available for allocation to the local programs at a 90 percent reimbursement rate is \$82,242,426. This includes \$4,038,108 available for reimbursement to the Community Services Division of the Department of Social Welfare for precare-aftercare services, and \$500,000 available for reimbursement to the county programs for alcoholic rehabilitation services. The \$4,038,108 is budgeted for the first time in this item. This amount does not represent an increase in level of service since approximately the same level of service was funded in the Department of Social Welfare budget during the current fiscal year.

In addition to the \$82,242,426 available for reimbursements to counties, there are \$13,898,258 in fiscal year adjustments which must be financed by the state. This brings the total state expenditure, except for state hospital services, to \$96,140,684 for reimbursement to counties and fiscal year adjustments. It is important that the expenditure total including the adjustments not be mistaken for the amount available for county reimbursement since the actual funds available to the counties in 1971-72 will be \$82.2 million and not \$96.1 million.

Table 1
Local Mental Health Programs
Program Costs and Adjustments
1971-72 Fiscal Year

Cost of local programs-----		\$119,752,484
Less income -----		—25,025,148
Less estimated savings-----		—8,389,205
Net cost of local programs-----		\$86,338,131
Less 10 percent county share-----	—\$8,633,813	
Add other funds available to counties		
Alcoholic rehabilitation services-----	500,000	
Community Services Division services-----	4,038,108	
State funds available to counties, 1971-72-----		\$82,242,426
Adjustments		
Less June 1972 costs carried forward to		
fiscal 1972-73 -----	—7,047,160	
Add May-June 1971 costs payable in fiscal 1971-72	12,095,418	
Health Care Deposit Fund transfer (Mental		
Hygiene share of Medi-Cal payments)-----	8,000,000	
Payments to counties whose increased program costs		
exceeded \$0.01 per \$100 of assessed valuation---	850,000	
Total adjustments -----	\$13,898,258	
Total budget request including funds for		
counties and adjustments-----		\$96,140,684

The adjustments for fiscal year financing shown in Table 1 are composed of three major items, two of which are required by the Short-Doyle Act. The 1971-72 fiscal year will be the second of a three-year program which will bring the cash flow of reimbursements to counties

from a quarterly basis to a current monthly basis. The net adjustments for this item in 1971-72 will be a cost of \$5,048,258. The 1972-73 fiscal year will be the last in which this adjustment will be made.

The second adjustment in Table 1 is the budgeting of a \$8 million transfer to the Health Care Deposit Fund for funding of the state share of Medi-Cal reimbursements to county Short-Doyle programs and for state hospital services. This amount is a 100 percent increase over the amount appropriated for 1970-71. The last adjustment is \$850,000 in payments to counties whose county share of the cost of program increases has exceeded a rate of \$0.01 per \$100 of assessed valuation as prescribed by law.

Proposed Position Changes

We recommend approval.

The August 1970 yearly staffing survey conducted at the state hospitals showed that the percentage of staffing services delivered at the state hospitals for the mentally ill was at 101 percent. To keep pace with the continuing decline in the population at hospitals for the mentally ill, the department is proposing a net decrease of 227.9 positions. Included within the decrease is the abolition of 370 positions and the addition of 142.1 positions.

Reductions amounting to 22 positions are proposed in the medical-surgical units of the hospitals and 90 supervising psychiatric technicians. A total of 134 positions are proposed to be deleted in hospital administration, food services, and plant operations. Elimination of 119 patient care personnel is also proposed to reflect the decrease in hospital populations forecast for 1971-72. Three associate medical directors and two chaplains are also proposed to be deleted.

Additional positions are proposed for the hospital admission suites where 46.3 physician and surgeon II's will be added to handle the increasing number of hospital admissions. A total of 90 staff psychologists, psychiatric social workers, and medical records clerks are also proposed because of additional admissions. An additional 5.8 institutional firemen are also requested.

Problems with Single State Appropriation Concept

We recommend that the Department of Mental Hygiene create within its internal budgetary process a Local Program Contingency Fund in the amount of \$5 million to be financed from this item and to be composed equally of designated state hospital money and local program money. We further recommend that this fund be used to make quarterly adjustments in the ratio of state hospital to local program money, and that this adjustment be based upon the level of hospital utilization for the most recent quarter.

We further recommend that the quarterly adjustments be reported to the counties and to the Joint Legislative Budget Committee and that the implementation of the Local Cost Reporting/Data Collection System include these adjustments and reports.

One of the major problems encountered by the Department of Mental Hygiene and the counties in their implementation of the Lanterman-

Programs for the Mentally III—Continued

Petris-Short Act has been the funding of the transition from the state hospitals usage to community based treatment. This transition has resulted in a gradual decrease in the statewide system of mental hospitals, and a rapid increase in programs to treat mental illness locally. Some county program directors have contended that the funds for support of the hospitals are being reduced too slowly, thereby depriving the local programs of money which could better be used locally, while state program personnel have stated that the hospitals can only be reduced when local services become available. Although it must be recognized that it is a difficult process to reduce a huge hospital system and to evaluate accurately the ability of 58 separate programs to provide local inpatient treatment, it must also be recognized that the present system requires more flexibility to be truly workable.

During the fall of 1970, a legislative committee heard testimony which repeatedly stressed the inflexibility of the system in not allowing the counties to make program changes by shifting away from use of the state hospitals. There were repeated statements by county program directors that the concept of the "money following the patient" is not working as the law envisioned. The concern is that a county which chooses to treat patients locally, and thereby save treatment costs in the state hospitals, has not been able to transfer the savings in hospital treatment costs to its county program. Although a degree of flexibility which would allow instant transfer of treatment monies is obviously impossible in the administration of large institutional systems, there is a middle ground which should be considered.

The Lanterman-Petris-Short Act calls for a single state appropriation for services for mentally disordered persons. In practice, this has meant a single item consisting of a budget for the state hospitals and a budget for the local programs in the counties and communities. It is our intention that the contingency or revolving fund recommended above be financed from Item 244 and the fund be used to increase the flexibility of the mental health system consistent with legislative policy. The quarterly adjustment should allow the hospitals sufficient time to make internal adjustments, and also should allow the counties some measure of flexibility in choosing their treatment programs.

Hospital Program Organization

We recommend the deletion of 13 associate medical director positions at the state hospitals, and the deletion of one assistant superintendent for psychiatric services and one assistant superintendent for med-surgical services. We further recommend that the savings of \$300,360 from reduction of this item be transferred to Item 243 (programs for the mentally retarded) as discussed on page 636 of our analysis. We further recommend that each hospital be headed by a nonmedical professional hospital director.

Within the statewide movement toward program management and budgeting, there has been a movement toward the implementation of a program structure at the state hospitals administered by the Department of Mental Hygiene. Chapter 402, Statutes of 1968, amended the

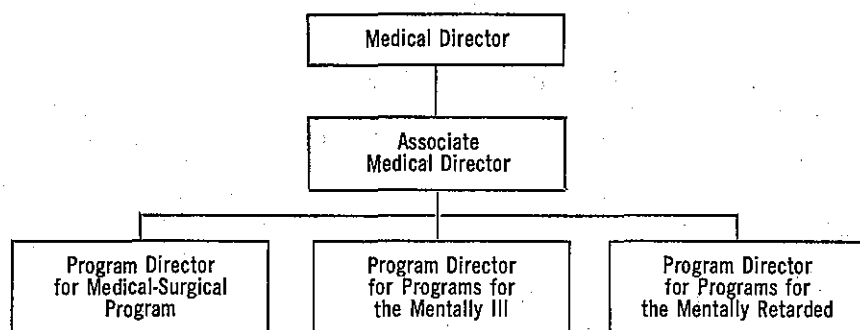
Welfare and Institutions Code to include the appointment of medical program directors at the state hospitals. Since 1968, progress has been made toward the implementation of a program structure.

The old state hospital organization was based upon a structure set up to serve the hospital's catchment area counties by region. In practice, this resulted in a large number of upper-level medical administrators. By moving toward a program structure, the department has been able to reduce the number of upper-level administrators at the hospitals. For 1971-72, the budget proposes to retain 13 associate medical directors, one for each state hospital, 13 assistant superintendents for medical and surgical programs, 10 assistant superintendents for psychiatric services, 10 assistant superintendents for mental retardation services, and two assistant superintendents for children's services.

Adoption of the program structure has placed more authority and responsibility with the above persons who hold the civil service title of assistant superintendent for various services.

Existence of the various assistant superintendents who are program directors and the associate medical directors results in an organization structure which has the associate medical director between the medical director and the program directors as shown in Table 1.

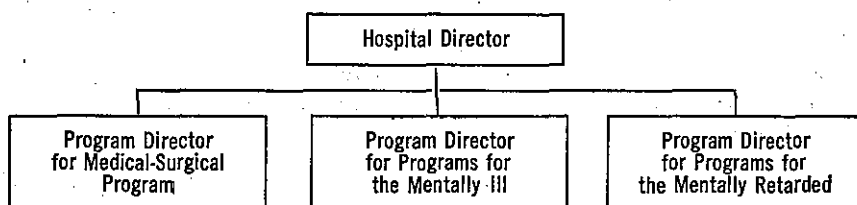
Table 1
Current Hospital Organization



Exceptions to the above hospital structure are Camarillo, Napa and Atascadero State Hospitals. Napa and Camarillo each has an assistant superintendent for children's services in lieu of an assistant superintendent for mental retardation programs. Atascadero currently has one associate medical director and one assistant superintendent for psychiatric services.

Our recommended program structure deletes the secondary director level, and creates a structure which places increased program responsibility at the program director level. This structure enhances the delegation of program responsibility and creates direct lines of communication and responsibility between the hospital director and his program chiefs, as shown in Table 2. This recommendation will result in the hospital being administered by the Hospital Director with a cabinet

Programs for the Mentally Ill—Continued

Table 2
Recommended Hospital Organization

of 3 program directors and the hospital administrator who is a non-medical professional administrator. It also proposes that the director might appropriately be a nonmedical professional hospital director.

The adoption of this program structure will allow the deletion of 13 associate medical director positions. In addition to this reduction, the deletion of one assistant superintendent for psychiatric services at Napa Hospital and one assistant superintendent for medical-surgical services at Sonoma Hospital will bring the entire system into conformance with the above structure. Deletion of these two latter positions will still leave an assistant superintendent for each of those programs since the hospitals have two of each classification.

DeWitt State Hospital

Closure of DeWitt State Hospital in Auburn, Placer County, has been under consideration for several years. The facility was built by the Army during World War II and was acquired by the Department of Mental Hygiene in 1947. Most of the buildings of the hospital are of long, narrow, single-level, wooden construction, creating access and maintenance problems. As of December, 1970 there were approximately 700 patients being cared for at DeWitt by approximately 400 employees.

The department budget for 1971-72 shows a reduction of \$3.5 million resulting from the possible transfer to Placer County or closure of DeWitt. This amount is based on the cessation of facility overhead costs as of June 30, 1971. Disposition of the facility itself will depend upon Placer County. The department has offered the facility to the county to be run as a hospital for the mentally ill and the mentally retarded, with the understanding that the county will be responsible for hospital administration and overhead costs. If the county decides to take DeWitt, it will receive treatment moneys for only those patients sent to it by county Short-Doyle programs and by the Alta California Regional Center for the mentally retarded. This could conceivably include the retention of some or all of the 700 patients now at DeWitt. Total treatment moneys for the 700 patients amounts to \$3.5 million, and will be used to finance the patients' care whether they stay at DeWitt or are moved to another facility. The \$3.5 million in treatment funds are included in the support appropriations and should not be confused with the \$3.5 million reduction in overhead funds.

Placer County and the Department of Mental Hygiene have tentatively agreed upon February 15, 1971, as a final decision date. After that time, arrangements will be made to either transfer the facility to Placer County or to move the patients and close down the facility. Tentative arrangements are being made by the department for the opening of further facilities at Stockton State Hospital to accommodate the DeWitt patients.

The Department of Mental Hygiene expects to issue a report after the February 15, 1971 decision pursuant to the Supplementary Report of the Conference Committee on the 1970-71 Budget which directed that further closure of state hospitals could be done only after the receipt of a report describing the alternate provision for psychiatric services after the closure of any state hospital.

MEDI-CAL EMERGENCY REGULATIONS

We recommend that the current Medi-Cal regulations be amended to permit further coverage of Short-Doyle services so that federal funds are not lost and that heavy added costs are not shifted to the counties.

Effect on Local Programs

On December 15, 1970, the Director of the Department of Health Care Services promulgated a set of emergency regulations which redefined the services to be covered under the California Medical Assistance program (Medi-Cal). Included with these regulations were several sections relating to services offered by the community mental health programs.

Outpatient services beyond one visit every six months were classified as "elective" services which require prior authorization, except for emergency services. This is a reduction of four allowable visits in a six-month period. Services provided specifically by Short-Doyle community mental health agencies require prior authorization after the first visit for every six-month period, except for services rendered to hospital inpatients.

There has not been sufficient time between adoption of the emergency regulations and the preparation of our analysis to accurately assess the fiscal effects of the new regulations on the local programs. However, several general statements about the impact of the regulations are possible at this date.

Decreased Program Money

Since the new regulations require prior authorization for nearly all Short-Doyle services, the effect has been to decrease the number of Medi-Cal eligible patients among those being treated. This means that some patients formerly being treated with a Medi-Cal reimbursement to the county will now either be treated from county moneys or not be treated. If it is assumed that patients in need of care will continue to be treated, and if fewer of them are Medi-Cal eligible, there will be a resulting decrease in reimbursements to the counties and thus less total program money.

The department estimates total Medi-Cal reimbursements to the counties for 1970-71 to be approximately \$12 million. This is approxi-

Programs for the Mentally Ill—Continued

mately 10 percent of total local program moneys. Although the counties will not lose all of their Medi-Cal reimbursements, there will be a significant decrease in county program moneys because of lower Medi-Cal reimbursements with the decrease amounting to as much as 50 percent of the Medi-Cal reimbursements before the December 15, 1970, regulation. The decreased level of reimbursement can be expected as long as the regulations are in effect. If the regulations are continued into 1971-72, there will be a continued lower level of program money for the county programs.

Loss of Federal Funds

Treatment for those patients now being treated by county or state funds and formerly financed by Medi-Cal is resulting in additional costs to the counties and the state. Under the Medi-Cal funding provisions, the federal government finances 50 percent of the treatment costs for eligible patients. When former Medi-Cal patients continue to be treated there is an added cost to the counties and the state of the 50 percent of their total treatment costs formerly covered by federal funds. Firm estimates of this added cost are not yet available because of the short time since the issuance of the emergency regulations.

Increased Program Demand

Another significant impact of the emergency Medi-Cal regulations on the county mental health programs is increased demand for treatment programs precisely when the counties are experiencing a funding decrease. The new limitations on outpatient treatments applies not only to county Short-Doyle patients, but also to Medi-Cal patients being treated in the community by private psychiatrists. Many of these former private patients are now turning to the county mental health programs for treatment. This places new demands upon the county which were formerly being satisfied in the community. The counties will have to make decisions about either treating these people with county moneys, sending them to the state hospitals, or ceasing treatment altogether.

Included within the effects of the emergency regulations is the possibility of increased use of the state hospitals. With the counties experiencing decreased Medi-Cal reimbursements, many counties will be forced into greater utilization of the state hospitals. This will allow them to spread their limited program money further, but may also result in the hospitalization of patients who would be better treated by other means, such as partial day care or outpatient care.

State Hospital Revenues

Among the patients sent to the state hospitals by county local mental health programs and mental retardation referral programs are two groups whose cost of care is eligible for Medi-Cal payment. These are mentally disordered patients over 65 years of age and mentally retarded patients between the ages of 18 and 64 who require skilled nursing care. During the period that these patients are treated in the hospitals, the Department of Mental Hygiene bills the Health Care Deposit Fund for

the cost of their care. The Health Care Deposit Fund pays for state services with 50 percent state funds and 50 percent federal funds.

The payments from the Health Care Deposit Fund for state hospital services are sent directly to the General Fund as revenues. For 1970-71 the budget shows state hospital Medi-Cal generated revenues estimated to be \$49,417,008.

Projected General Fund Loss

The Governor's 1971-72 Budget for the Department of Health Care Services shows a sizeable decrease in the projected payments for hospital care. Under the new standards proposed in the budget, hospital coverage will be covered "subject to actuarially determined limitations" which are not specified but will result in a reduced level of payments. Based upon the decreased payment estimate and the new "limitations," our calculations indicate a maximum potential decrease of \$32.8 million, and a minimum potential decrease of \$16 million in state hospital revenues to the General Fund for 1971-72. Assuming that state hospital patients, formerly covered by Medi-Cal, will continue to receive treatment in the hospitals, the \$32.8 million revenue decrease will result in a \$16.4 million loss to the General Fund. The loss to the General Fund will be caused by a decreased amount of 50 percent federal matching funds received for state hospital services.

It is not clear whether additional coverage provided in the Governor's Average Citizen Plan, as proposed in the Department of Health Care Services Budget, can be used for additional payments for state hospital services.

MENTAL RETARDATION PROGRAM

SUMMARY

Vol. III p. 17

Proposed total program expenditures 1971-72 (all funds)	\$262,115,016
Estimated total program expenditures 1970-71 (all funds)	\$237,578,271
Increase (10.33 percent)	\$24,536,745

GENERAL PROGRAM STATEMENT

Services to the mentally retarded have been provided in the past by several state agencies in separate programs. This has resulted in duplication of effort, and an administrative maze for those seeking services. Starting on July 1, 1971, state services for the mentally retarded will be provided under the Lanterman Mental Retardation Services Act, Chapter 1594, Statutes of 1969. This act provides for a single program structure which will coordinate and unify the mental retardation service efforts of five separate state departments. The state mental retardation program will be administered from the Human Relations Agency by the Coordinator of Mental Retardation programs.

For the 1971-72 fiscal year, the Governor's Budget includes a single program budget narrative for the mental retardation program. The program will be financed from the budgets of the five departments in-

Summary—Continued

volved. The appropriation for 1972-73 is expected to be a single budget item and will be included within the mental retardation program budget.

Proposed expenditures for all aspects of the 1971-72 mental retardation program are estimated to be \$262,115,016. This amount will be spent by the Departments of Public Health, Mental Hygiene, Social Welfare, Rehabilitation and Education as shown on page 30 of Volume 3 of the supplement to the Governor's Budget.

PROGRAM STRUCTURE

As presented in the Governor's Budget, the program for services to the mentally retarded is composed of seven elements. Three elements are involved in direct services to the patient and his family, three are supportive elements, and the seventh is the public information and prevention element, which is both direct and supportive.

Direct Services

Patient services are provided through program elements for case identification and case management, basic living and care, and specialized services. Casefinding is presently conducted by all five departments mentioned above. After the mentally retarded person has been identified he is referred to the regional diagnostic and counseling center which serves his area. At the regional center he will either be diagnosed or referred for diagnosis, and then evaluated in terms of best treatment and/or care programs and finally referred to the proper care program. The regional centers are administered and funded by the Department of Public Health under their regional centers program. For the current year there are nine regional centers in operation, and four more are scheduled for establishment in the future.

Basic living and care services include assistance for the patient living at home, and institutional care for those unable to remain at home. Routine medical care is also provided under this program element, either at the state hospital or by a physician in the community. The basic care element represents over two-thirds of total program expenditures. Major expenditures are made by the Department of Social Welfare in Public Assistance Grants, and by the Department of Mental Hygiene in state hospitals for the mentally retarded.

Specialized services are provided in some manner by all five departments. Efforts toward improving the patient's physical functioning are conducted by the Department of Mental Hygiene in the state hospitals, and by the Department of Public Health, Rehabilitation, and Education in various inpatient and outpatient programs. These programs are intended to improve the patient's mental and physical capability to perform motor skills. All five departments also conduct programs intended to improve the social capabilities of the retarded. Intellectual functioning of retarded individuals is improved by educational programs conducted in special schools and in state hospitals. Vocational training is provided by the Department of Rehabilitation for those capable of learning useful tasks.

Supportive Services

Support services are provided by all five departments involved with mental retardation programs. Research into the causes and treatment of mental retardation is conducted by the Departments of Mental Hygiene, Public Health, and Education. Training, program evaluation, and general administration are also conducted. However, some of these support functions should be consolidated as the program moves from an organizational structure toward a program structure. Other supportive activities provided are guardianship and conservatorship, and the licensing of care homes for the mentally retarded.

Public Information and Prevention

Dissemination of information on the causes of mental retardation and on the programs offered for the care and treatment of the mentally retarded is an important element of the overall program. Prevention of retardation, although not simple, is perhaps the best long term solution and certainly does have a profound impact on the projected size and cost of all programs for the mentally retarded into the future. Present methods of prevention include both medical efforts, such as vaccination against rubella, and counseling efforts to decrease the incidence of preventable retardation. Information dissemination serves to educate the general populace about the problem of mental retardation and existing programs, and to gain support for state and volunteer efforts.

IMPLEMENTATION OF THE LANTERMAN ACT

The implementation of the Lanterman Mental Retardation Services Act has been assigned to a Coordinating Committee to Implement AB 225. Composed of representatives from several departments of state government, the committee has made a significant effort toward the implementation of California's first truly multidepartmental program. The committee divided itself into task forces to study and make recommendations on various parts of the program structure.

Establishment of Regional and Statewide Structure

Several task forces of the committee have committed their efforts to the establishment of the statutorily mandated regional and statewide planning and advisory boards. The regional structure is composed of regional boards which serve as the planning and coordinating bodies for mental retardation services in their areas. The statewide advisory board has been appointed to serve as an overall advisory body to the Governor, the Legislature, and the Human Relations Secretary on mental retardation subjects. Boundaries for 13 planning regions have been drafted and accepted, and the area board members have been appointed. All 13 area boards have already met and are now being trained in the operation of their areawide planning responsibilities.

One problem encountered in the creation of effective area boards has been lack of staff. To date, the area boards have been staffed on a part-

Summary—Continued

time basis by employees of state departments involved in the implementation of the Lanterman Act. The Coordinator of Mental Retardation Programs is now investigating the possibility of receiving federal funds to finance staff for the 13 area boards.

Other Implementation Elements

Another task force of the implementing committee has devoted itself to the drafting of a Mental Retardation Program Budget, which appears on pages 17 to 30 in Volume 3 of the supplement to the Governor's Budget. Although it will no doubt require some amendment as the program develops, it is an excellent base document. The separation of program elements from the various departments and their reintegration into a program structure is a vital part of the implementation of a true program effort.

Other parts of the implementation developed by the task forces include a parental fee schedule, and a plan for the ongoing evaluation of the entire program. The fee schedule is based upon the cost of rearing a normal child at home and upon the parents' ability to pay. The preliminary fee schedule is now being tested in several locations. Evaluation teams have been suggested as a means of accomplishing an ongoing state and area evaluation. Funds have not been requested for evaluation teams in the 1971-72 budget, but will probably be included in the single budget request for the 1972-73 budget year.

ANALYSIS AND RECOMMENDATIONS

For 1971-72, General Fund support for the mental retardation program is contained in the budgets of the five departments involved in the program. Each department has a General Fund request for the support of its contribution to the overall program. The analyses of the five separate items are included within the discussion of the individual departments as shown in Table 1.

Specific requests from the General Fund by the five departments for mental retardation do not equal those shown in Table 1 because the departments have not broken out all of their mental retardation moneys in a single item. An example of this difference is in the Department of Mental Hygiene. The departmental request for mental retardation is \$83,983,873 for support of programs for the mentally retarded. This does not include administration, research and training, and services included within other Department of Mental Hygiene requests. Thus, the department's specific request is for \$83,983,873 although its estimated program expenditure is \$92,061,551.

Requests for 1972-73 support of the mental retardation program will be included in one budget item and will be shown to the separate departments as reimbursements for services, thus giving an accurate total of both budget request and departmental contribution of services.

Table 1
Programs for the Mentally Retarded
Program Funds 1971-72

<i>Department</i>	<i>General Fund</i>	<i>Federal funds</i>	<i>Reimbursements</i>	<i>Total</i>	<i>Budget item(s) principally involved</i>	<i>Budget page</i>	<i>Supplement vol. and page</i>	<i>Analysis page</i>
Mental Hygiene -----	\$92,061,551	\$5,190,489	-----	\$97,252,040	243	224	III-318	634
Public Health -----	9,153,393	4,315,525	\$2,382,913	15,851,831	252	230	III-439	662
Social Welfare -----	53,523,504	50,216,139	-----	103,739,643	255	242	III-560	682
Rehabilitation -----	672,835	3,109,104	-----	3,781,939	253	240	III-494	664
Education -----	39,878,126	1,611,437	-----	41,489,563	269, 270, 274	262	IV- 20	744, 774
Total -----	\$195,289,409	\$64,442,694	\$2,382,913	\$262,115,016				

Department of Mental Hygiene

PROGRAMS FOR THE MENTALLY RETARDED

Item 243 from the General Fund

Vol. III p. 318 Budget p. 224

Requested 1971-72	\$83,983,873
Estimated 1970-71	68,652,713
Actual 1969-70	65,816,777
Requested increase \$15,339,160 (22.3 percent)	
Total recommended increase	\$51,120
Recommended transfer from Items 242 and 244	\$300,600

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. We recommend that an additional 160 positions be added in the psychiatric technician and hospital worker categories and that these positions be financed by a transfer of \$300,600 from Items 242 and 244, \$150,180 from this item resulting from our recommendation to decrease the number of administrative staff in the hospitals, and an augmentation of \$51,120. 636

2. We recommend that the Area Seven Mental Retardation Board report to the Legislature before the 1972 session on the need for additional care homes for the mentally retarded in the Santa Clara area. 638

GENERAL PROGRAM STATEMENT

For 1971-72, the Department of Mental Hygiene will be one of five departments of California state government delivering services to the mentally retarded. After July 1, 1971, under the provisions of the 1969 Lanterman Mental Retardation Services Act, all state services to the mentally retarded are to be unified in a single program management. Other participating departments are Public Health, Social Welfare, Rehabilitation and Education. The administration of the program will be done by the Coordinator of Mental Retardation Services, who serves on the staff of the Human Relations Agency Secretary.

The mental retardation program of the Department of Mental Hygiene for 1971-72 is coordinated with the program elements of the state program discussed on page 629 of the Analysis. The department conducts activities in each of the seven program elements contained in the program statement. The seven program elements are:

1. Public Information and Prevention.
2. Case Identification and Case Management.
3. Basic Living and Care.
4. Specialized Services.
5. Research and Program Evaluation.
6. Manpower Development, Training, and Utilization.
7. Administration and Support.

The major contribution of the Department of Mental Hygiene to the total state mental retardation program is the administration of the state hospital program. For 1971-72, the Department of Mental Hy-

giene will operate four hospitals exclusively for the care and treatment of the mentally retarded; Fairview, Pacific, Porterville and Sonoma State Hospitals. In addition, mental retardation programs will be administered at four hospitals for the mentally ill; Patton, Agnew, Camarillo, and Napa State Hospitals. During 1971-72, the inpatient population in the hospital programs is expected to decline from 10,959 to 10,239. Starting July 1, 1972, the department plans to implement an admissions policy which will maintain the mentally retarded inpatient population at 10,239.

Other program elements performed by the Department of Mental Hygiene are research and training, program evaluation, and administration. These activities are financed from separate budget items, although they are programmatically included within the mental retardation program.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a total program expenditure of \$97,252,040 for mental retardation programs in 1971-72. This amount will be composed of general funds, federal funds, and reimbursements. Of the total program amount the budget proposes \$83,983,873 from the General Fund for support of programs for the mentally retarded. Although the budget shows an increase of \$15,339,160, or 22.3 percent, over the current year, there is no increase in the level of expenditure for the program. The difference represents the cost of care of mentally retarded patients who are treated in the hospitals for the mentally ill. Last year the funds to support these mentally retarded patients were budgeted in a different item. All General Fund money to be spent by the Department of Mental Hygiene on mental retardation in 1971-72, except for research, training and administration, is now grouped together in this single item request.

Hospital Programs for the Mentally Retarded

The major element of the state hospital program will be basic living and care for the 10,959 mentally retarded patients residing in the hospitals. Other services provided from this item include specialized services to aid the retarded in developing physical, mental, and social skills. State hospital programs for the mentally retarded also serve as admission, diagnostic, and evaluation centers in those areas which are not served by the Public Health Regional Centers Program.

The state hospital programs are intended to serve retardates who need the type of training and care offered only in the state hospitals, and not available to them in the community.

Declining Populations

During the past few years, the Department of Mental Hygiene has been reducing admissions to the hospital programs for the mentally retarded. This reduction has been accomplished by utilizing increased community placements, and by admitting only one person for every two released. Hospital population is expected to decrease through fiscal 1971-72 and will be leveled out at 10,239 in June of 1972. The maintenance of this population level will require the continued placement of

Programs for Mentally Retarded—Continued

a large number of retarded persons into community care homes. The department states that by June 1972 the rated bed capacity for the mentally retarded throughout the hospital system will be 10,512. Thus by the end of the 1971-72 fiscal year existing overcrowding of the facilities for the mentally retarded should be eliminated.

Increasing Patient "Difficulty" Factor

One significant impact of the declining hospital population and the continued community placement of patients is that increasingly disturbed, multiply handicapped, and severely retarded persons are coming into the hospitals. This produces a yearly increase in the number of staff required to deliver the same level of care each year. Over the past several years there has been a constant increase in the staffing standards for the hospitals for the mentally retarded. These staffing standards have been established by the California Commission on Staffing Standards and are commonly referred to as SCOPE. SCOPE standards are calculated on the basis of time required to adequately care for each patient. The commission has proposed that yearly increases in the patient "difficulty" factor as reflected in the SCOPE standards should be included in the staffing calculations as the future hospital population levels off.

Commitment to Staffing Increases

We recommend that an additional 160 positions be added in the psychiatric technician and hospital worker categories for 1971-72 at a cost of \$501,900 and that these positions be added in the same ratio and on the same schedule as the 160 positions requested in the Governor's Budget.

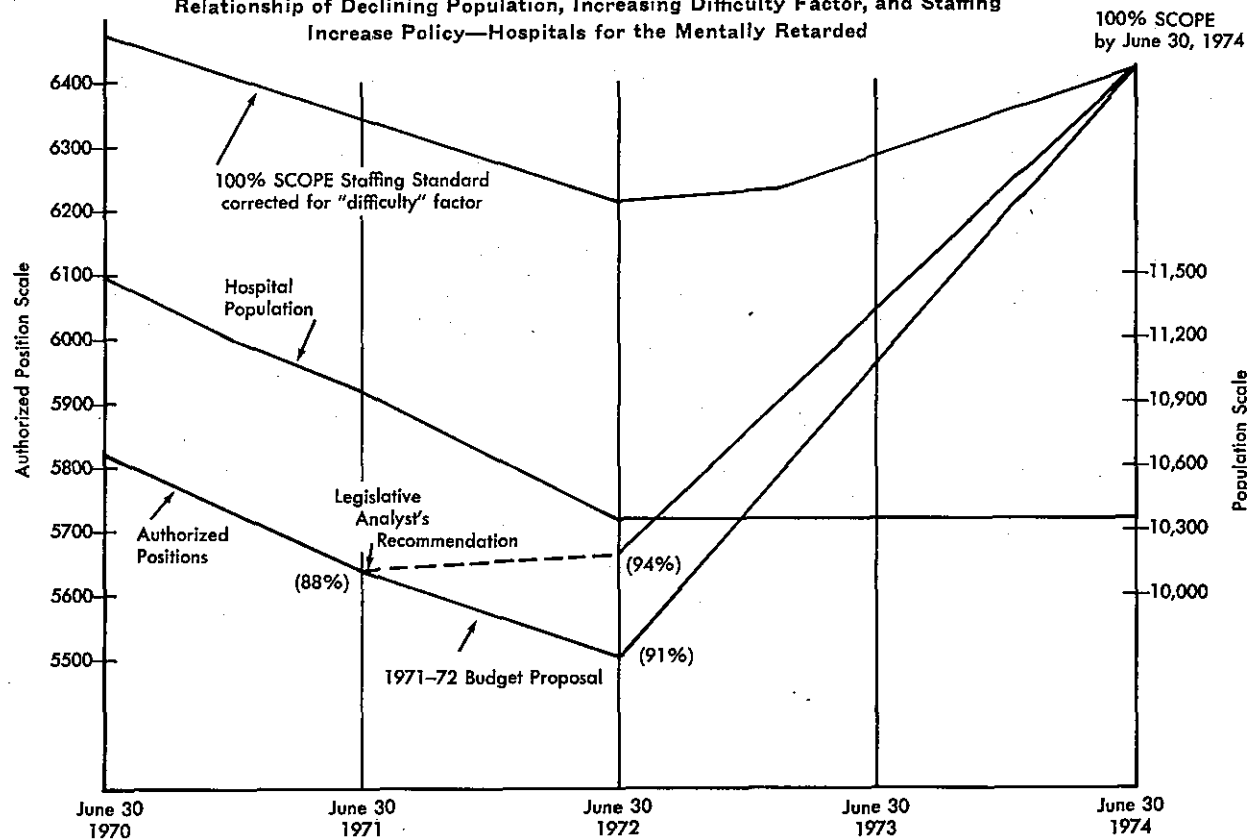
We further recommend that these positions be financed by a transfer of \$300,360 from Items 242 and 244 as discussed on page 624 of our Analysis, by \$150,180 from this item resulting from the recommendation on page 624 of our Analysis, and by an augmentation of \$51,120.

In 1968, the Governor accepted the SCOPE standards and directed that they be fully implemented within five years. Each year, starting with 1969-70, there has been an increase in the percentage of staffing standard delivered. Levels of staffing as contrasted with the SCOPE standards have consistently been lower at the hospitals for the mentally retarded than at hospitals for the mentally ill. The SCOPE survey for 1970, which was compiled in August, showed an average of 101 percent of standard in programs for the mentally ill and an average of 84 percent of standard in programs for the mentally retarded. By June 30, 1971, the level will be at 88 percent of standard in the mentally retarded programs.

For 1971-72, which is the third increment of the five-year program, the Governor's budget is proposing to add 160 new positions in the psychiatric technician and hospital worker categories. These positions will be added in four segments at three-month intervals to reach a level of 91 percent of standard at the end of fiscal 1971-72. This 91 percent figure is based upon the survey conducted in August 1970, and has not been adjusted for the projected 1971-72 increase in the "difficulty"

Chart 1

Relationship of Declining Population, Increasing Difficulty Factor, and Staffing Increase Policy—Hospitals for the Mentally Retarded



Programs for Mentally Retarded—Continued

of illness factor. The budget request for 160 new positions is offset by a decrease of 290 positions in 1970-71 authorized position, made possible by the declining hospital populations. Thus there is a proposed net reduction of 130 positions.

The budget request for 160 new positions is inconsistent with the present staffing increase policy since it does not provide for a full additional increment to 94 percent by June 30, 1972.

We must caution that the addition of the 160 augmented positions we recommend will only bring the staffing level on June 30, 1972, up to 94 percent of the 1970 SCOPE standard. This means that the staffing increments added in the next two fiscal years will have to include additional staff for the 1971-72 increase in the "difficulty or illness" factor.

Although there is a declining population, the combined effect of this accumulated gap in difficulty factor and the savings derived from the elimination of 130 positions is that the level of service provided mentally retarded patients will be less during 1971-72 than had been projected by the previously adopted policy. These combined effects are shown in Chart 1.

Agnews Residential Care Program

We recommend that the Mental Retardation Program Area Planning Board from area number seven which includes the Santa Clara area be requested to submit a report to the Joint Legislative Budget Committee before the 1972 session on the need for additional care homes for the mentally retarded in the Santa Clara area, and that it recommend any necessary changes.

Last year the Legislature augmented the budget under Item 123.5 in the amount of \$629,000. The purpose of the additional item was to establish a nonmedical, residential care program for the mentally retarded at Agnews State Hospital. Notification in writing to the Joint Legislative Budget Committee was required before any funds from the item could be spent.

Progress was made during 1970-71 toward the establishment of the program. The Department of Mental Hygiene made several drafts of a suggested program format and cost. Its proposal of October 15, 1970, was acceptable to the representatives from Santa Clara County who had been reviewing the draft proposals. Preliminary arrangements were made for the remodeling and utilization of several empty wards at the East campus of Agnews State Hospital.

To date, the Department of Mental Hygiene has not received the allocated funds to implement this program. Volume III of the Supplemental Program Budget shows on page 336, line 49, that the total amount appropriated for the proposed program is to revert to the General Fund.

It is apparent that the department does not plan to implement a Residential Care Program at Agnews Hospital. Statements by the department and community organizations indicate there is a need for residential care facilities in the Santa Clara area. Several state de-

partments, including Mental Hygiene and Social Welfare, license different classes of homes for the community care of disabled persons. Homes for difficult to handle, mentally retarded adolescents are apparently not being opened in sufficient numbers to accommodate the need in the Santa Clara area.

DEPARTMENT OF PUBLIC HEALTH

Item 245 from the General Fund Vol. III p. 420 Budget p. 154

Requested 1971-72	\$10,049,852
Estimated 1970-71	11,674,416
Actual 1969-70	12,150,839
Requested decrease \$1,624,564 (13.9 percent)	
Total recommended reduction	\$134,924

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. We recommend legislation to provide fees to cover the cost of administering the State Sanitarian Registration Act. 643

2. We recommend elimination of the discipline bureaus of Nursing, Public Health Social Work, and Health Education, as well as deletion of the professional and clerical core staff positions in these bureaus at a General Fund reduction of \$203,963. We recommend further that a pool of consultants, with one representative each from the disciplines of Nursing, Public Health Social Work, Health Education, and Nutrition, and necessary clerical support be established in the office of the Deputy Director of the Community Health Services Program at a General Fund cost of \$69,039. 646

The net General Fund savings from these changes would be \$134,924 plus operating expenses.

3. We recommend transfer of the Public Health Nurse Certification program from the Bureau of Nursing to the Board of Nursing Education and Nurse Registration and that provision be made for the collection of fees to support the administration of the program. 649

4. We recommend that the \$29,450 in General Fund support of the State Nursing Education Scholarship Act as well as responsibility for administration of the act be transferred to the State Scholarship and Loan Commission, the nursing boards of the Department of Consumer Affairs, or some other appropriate state agency. 649

5. As a step toward determining the cost-benefit factors relating to consolidation of data-processing activities we recommend that the Office of Management Services and the Human Relations Agency make a fully documented analysis of the technical, management and fiscal benefits and liabilities of the Bay Area Data Processing Service Center. 652

Department of Public Health—Continued

655

6. We recommend that the Department of Public Health evaluate the program measurement data which will be provided by the Program Accounting Management Information System (PAMIS), and develop criteria for its application to departmental programs. We further recommend that the department begin a thorough training program for those line managers directly responsible for the use of any management reports produced by the system so that they may reasonably apply the criteria developed.

GENERAL PROGRAM STATEMENT

The Department of Public Health is responsible for working with local health departments for the protection and improvement of the health status of the people of California. In order to meet these goals, the department is organized into four programs:

1. Environmental Health and Consumer Protection Services
2. Preventive Medical Services
3. Community Health Services
4. Comprehensive Health Planning

Each program is divided into elements which are responsible for performing the various activities necessary for accomplishment of the program goals. In addition, the department maintains six support bureaus whose objectives are primarily administrative with only secondary emphasis on the achievement of program goals. These bureaus support the activities of program elements by administering some of the professional personnel in the elements and by providing limited technical assistance to elements desiring such service.

Administrative and supportive services for the programs are provided by the Management and Planning unit.

Special projects, funded by federal, private or other state agencies, are included as part of the program structure but are listed separately in the budget in order to aid the Legislature in assessing the impact of these activities on the department.

The department proposes a total support and subvention expenditure of \$107,025,025 in state, federal and private funds for 1971-72. This is a net increase of \$15,141,465, or 16.5 percent, above the \$91,883,560 estimated to be expended in the current year. The increase primarily reflects the transfer of \$12,843,000 from the State Department of Social Welfare budget to the Mental Retardation subvention item in the Department of Public Health budget.

A breakdown of the departmental expenditures is shown in Table 1.

ANALYSIS AND RECOMMENDATIONS

A total support expenditure of \$30,899,854 is proposed for the budget year by the Department of Public Health. This includes \$10,049,852 from the General Fund, \$20,696,254 in support, reimbursements, and special project funds from federal, private and other state agency sources, \$71,913 from the Motor Vehicle Fund, and \$81,835 from the Health Facility Construction Loan Insurance Fund.

Table 1
Public Health Expenditures

	1970-71	1971-72	Change from 1970-71	
Department support				
General Fund -----	\$11,674,416	\$10,049,852	—\$1,624,564	(—13.9%)
Federal funds -----	4,755,889	4,755,889	—	(0%)
Motor Vehicle Fund -----	54,800	71,913	+17,113	(+31.2%)
Health Facility Construction				
Loan Insurance Fund -----	81,835 ¹	81,835 ¹	—	(0%)
Special projects				
Federal funds -----	6,839,977	7,319,988	+980,011	(+14.3%)
Private funds -----	108,564	100,220	—8,344	(—7.7%)
State special project funds -----	163,442	240,792	+77,350	(+47.3%)
Subtotals, support -----	\$23,678,923	\$23,120,489	—\$558,434	(—2.4%)
Reimbursements and fees				
collected -----	5,388,766	7,779,365	+2,390,599	(+44.4%)
Net totals, support -----	\$29,067,689	\$30,899,854	—\$1,832,165	(+6.3%)
Regional dialysis centers -----	821,811	712,848	—108,963	(—13.3%)
Hyaline membrane study -----	190,182	—	—190,182	(—100%)
Public health subventions				
General Fund -----	26,318,804	39,927,249 ²	+13,608,445	(+51.7%)
Federal funds -----	35,485,074	35,485,074	—	(0%)
TOTAL EXPENDITURES -----	\$91,883,560	\$107,025,025	+\$15,141,465	(+16.5%)
Recapitulation				
General Fund -----	\$39,005,213	\$50,689,949	+11,684,736	(+30.0%)
Motor Vehicle Fund -----	54,800	71,913	+17,113	(+31.2%)
Health Facility Construction				
Loan Insurance Fund -----	81,835 ¹	81,835 ¹	—	(0%)
Federal funds -----	47,080,940	48,060,951	+980,011	(+2.1%)
Private funds -----	108,564	100,220	—8,344	(—7.7%)
State funds (excluding General				
Fund) -----	163,442	240,792	+77,350	(+47.3%)
Reimbursements -----	5,388,766	7,779,365	+2,390,599	(+44.4%)

¹ \$81,835 in 1970-71 represents a loan from the General Fund, which was not expended and is carried over to the 1971-72 fiscal year.

² Includes \$12,843,000 previously budgeted to the State Department of Social Welfare.

The proposed General Fund appropriation of \$10,049,852 is \$1,624,564, or 13.9 percent, below the amount estimated to be expended in the current year from the General Fund. This reflects decreases in personnel and activities which the department has proposed for the budget year as well as a change in the accounting procedure for departmental reimbursements and revenues. Revenues are now accounted for as reimbursements in the budget year and may be used to offset General Fund cost.

The department proposes a total of 1,444.3 authorized positions to perform program duties including administration of local assistance. This is a net decrease of 33.9 positions from the 1,478.2 positions authorized for the current year. As in 1970-71, no new General Fund supported positions are proposed by the department for the budget year.

Department of Public Health—Continued

**ENVIRONMENTAL HEALTH AND CONSUMER
PROTECTION SERVICES PROGRAM**

The purpose of this program is to control those factors in the environment which may be detrimental to personal health and to maintain surveillance and control over the production and sale of consumer goods which may be harmful to an individual's health.

In order to meet these goals, the program is divided into the following elements: Food and Drug, Radiological Health, Water Sanitation, Vector Control and Solid Waste Management, Occupational Health and Environmental Epidemiology, Sanitarian Services and supportive laboratory services.

The budget proposes \$8,544,549 from all funds in support of this program which is \$101,018, or 1.2 percent, above the amount expected to be expended in the current year. While the total support allocation has increased slightly in the budget year, the General Fund cost has decreased by \$537,623, or 8.7 percent. This can be attributed to two factors: (1) the bureaus in this program are performing more contract activities for which reimbursements are received; and (2) the General Fund supported activities of the Occupational Health and Environmental Epidemiology element have been reduced by \$303,360 due to recent federal legislation in this area.

Within this program we will discuss only those elements where the department has made a major change or where we recommend a change.

Radiological Health Element

Chapter 1504, Statutes of 1969, requires the Department of Public Health to approve schools of radiologic technology and certify radiologic technologists and licentiates of the healing arts who use X-ray equipment.

The department has administratively added four professional and seven clerical positions to implement the law during the current year and proposes their continuation in the budget year. All of these positions are reimbursed by fees.

We recommend continuation of these positions.

Vector Control and Solid Waste Management Element

Chapter 1571, Statutes of 1970, provides funds to the Department of Agriculture for research, detection and eradication of agricultural pests and diseases. The ultimate objective is to find alternatives to pesticides and/or ways to reduce the use of pesticides. Under a reimbursement agreement with the Department of Agriculture, the Department of Public Health is to receive part of these funds to perform urgent mosquito detection and eradication activities.

Four associate sanitary engineer and three associate vector control specialist positions are proposed in the budget year to perform these tasks. The positions will be funded through a reimbursement agreement with the Department of Agriculture.

We recommend approval of the seven proposed positions.

Occupational Health and Environmental Epidemiology Element

Eleven professional and 1.5 technical positions in the Occupational Health segment of this element have been deleted in the budget year. This is a result of recent federal legislation which superseded some of the state's control responsibilities in the area of occupational health protection. The deletion of these positions results in a General Fund saving of \$303,360.

Bureau of Sanitarian Services

We recommend legislation to amend Section 543 of the Health and Safety Code to provide for the collection of fees by the Department of Public Health to cover the cost of administering the State Sanitarian Registration Act.

The Bureau of Sanitarian Services is a new bureau included in the budget for the first time this year. It is principally a "discipline" bureau and represents a consolidation of all of the members of the sanitarian profession, or discipline, within the department into one bureau. The Sanitarian Services Bureau is responsible for identifying needs for sanitarian services within the department and for supervision of its members including those assigned to other elements. Similar discipline bureaus for nurses, social workers, health educators, nutritionists, and statisticians also exist in the department. Unlike other discipline bureaus, however, the Sanitarian Bureau is actually a program element with its own program responsibilities. The Bureau of Sanitarian Services is responsible for review and evaluation of local health department environmental health programs and for administering the State Sanitarian Registration Act. In addition, the bureau is performing services under contract to other state agencies.

Certification and registration of sanitarians by the Department of Public Health is required by state law. The Health and Safety Code provides for a \$25 examination fee from those sanitarians applying for certification. This fee, however, only partially offsets the costs of administering the program. Unlike other fees charged to applicants who wish to pursue an occupation licensed by the Public Health Department, the fee covers only the cost of the required examination. It does not cover the department's administrative cost of certifying an individual to practice the occupation.

PREVENTIVE MEDICAL SERVICES PROGRAM

The objective of the Preventive Medical Program is to establish, expand and improve personal health services. This includes studies and investigations to identify and prevent the major causes of illness and death as well as development of services in cooperation with private and public providers of medical care.

To accomplish these goals, the program is divided into the following elements: Adult Health and Chronic Disease, Infectious Disease, Crippled Children, Maternal and Child Health, Mental Retardation, Malnutrition, and Emergency Medical Services.

Department of Public Health—Continued
Adult Health and Chronic Disease Element

The department proposes curtailment of General Fund support for the California Tumor Registry in the budget year. Eleven positions are to be deleted at a General Fund saving of \$177,267.

The California Tumor Registry collects data on the incidence, treatment and survival rates of all types of cancer through a contract with a group of California hospitals. A catalog of all reported cases is compiled monthly, and these data are available to all members of the medical community upon request and at no charge in order to aid them in the treatment of cancer patients.

The department states that the activities of this registry are neither statutorily mandated nor essential to the functioning of the other departmental elements. The past records of the Tumor Registry will continue to be available to members of the department and the medical community who desire them.

Infectious Disease Element

The three positions in the tuberculosis control section of this element are proposed for elimination in the budget year at a General Fund savings of \$79,006. The Microbial Disease Laboratory will continue its activities related to tuberculosis control, and the infectious disease element will absorb the activities previously performed by the tuberculosis control section.

Malnutrition Element

The department proposes elimination of the Malnutrition Element of the Preventive Medical Services program in the budget year. As a result, four professional and two clerical positions are proposed for deletion at a General Fund savings of \$132,444.

The Malnutrition Element consists of the discipline bureau for nutritionists in the department. (A discipline bureau consolidates all of the members of an occupation in one administrative bureau.) In addition to its own program responsibilities, the bureau is responsible for identifying nutritionist manpower needs throughout the department and for technical guidance to the nutrition personnel assigned to other units. The discipline also aids in the selection of all nutritionists for the department, and is responsible for the administration of all nutritionists including those assigned to other bureaus.

In the budget year, all of the bureau's program activities will be absorbed by other elements. The nutritionists presently assigned to other program elements will be permanently transferred to those elements. The professional and clerical positions in the bureau itself have been deleted.

We recommend approval of these deletions and transfers.

Emergency Medical Services Element

Pursuant to Chapter 1084, Statutes of 1969, an Emergency Medical Services element was established in the current year and is proposed for continuation in the budget year. The purpose of the element is to work with local jurisdictions to improve the level of care given individuals in emergency medical situations.

The element was created by realignment of existing resources in the Adult Health and Chronic Disease element and no new positions or funds have been proposed in either the current or budget year.

We recommend approval as budgeted.

COMMUNITY HEALTH SERVICES PROGRAM

The goal of the Community Health Services Program is the development of effective local health services. This includes development of adequate local health manpower through financial and informational assistance as well as development of sufficient health facilities through planning, construction, licensing and certification. Funds in excess of \$39,000,000 in state subventions and federal grants-in-aid are administered by this program to provide assistance to local health agencies and facilities.

The Community Health Services Program is composed of three major program elements: Local Public Health Services, Health Facilities Licensing and Certification, and Health Facilities Planning and Construction; and three support, or discipline, bureaus: the Bureau of Nursing, the Bureau of Public Health Social Work, and the Bureau of Health Education.

The department has proposed the elimination of one regional coordinator position in this program in the budget year. Previously, the state was divided into three regions, each with its own coordinator. For greater efficiency and coordination with the Office of Comprehensive Health Planning, the three regions have been consolidated into two which coincide with those of the Comprehensive Health Planning regional-plan.

Local Public Health Services Element

In the budget year, two former elements, the State Plan and Assistance for Local Public Health Services and Contract County Services, are consolidated into one element. The consolidation is to create greater clarity in the program budget statement and does not represent a change in program.

Health Facilities Licensing and Certification Element

Twenty-one positions were administratively added to this element during the current year and are proposed for continuation in the budget year. These positions are necessary to perform certification and consultative services to assist health facilities throughout the state to qualify as providers of service under Medicare (Title XVIII) and Medi-Cal (Title XIX). These positions will be totally supported by reimbursements from the federal government and are justified on a workload basis.

General Fund support for this element has been reduced in the budget year by \$311,517 as a result of reimbursement support agreements with the federal government and the Department of Health Care Services.

We recommend approval of these positions.

Department of Public Health—Continued
Health Facilities Planning and Construction

Chapter 1206, Statutes of 1970, provides that areawide health planning agencies be funded beginning July 1, 1971, from fees for annual licensure of health facilities collected by the Department of Public Health. Five positions are proposed in the budget year to meet the workload requirements for administration of this statute. The positions are justified on a workload basis and will be supported by reimbursements.

We recommend approval of these positions.

Elimination of Three Support (Discipline) Bureaus

We recommend elimination of the discipline bureaus of Nursing, Public Health Social Work, and Health Education and the deletion of their professional and clerical core staff at a General Fund saving of \$203,963 (\$48,254 federal funds) plus operating expenses and support costs. In lieu of the separate discipline bureaus we recommend the establishment of a pool of consultants with representatives from the professions of nursing, public health social work, health education and nutrition at an estimated General Fund cost of \$69,039 (\$16,209 in federal funds). The net effect of this recommendation is a General Fund saving of \$134,924, plus operating expenses.

The department has maintained six discipline bureaus during the current year. They are the Bureaus of Nursing, Public Health Social Work, Health Education, Nutrition, Statistical Services, and Sanitarian Services. These discipline bureaus represent administrative consolidation of all members of an occupation within the department into groupings according to professional classification. Although all personnel of the above professional groups such as nurses are budgeted in a discipline bureau, the majority of the professional personnel are assigned to other bureaus or program elements. A core staff of consultants and clerical personnel remains in the discipline bureau to perform the bureau's assigned tasks.

This method of grouping professional or technical personnel does not coincide with the program organization of the department and actually may hinder the department in the achievement of its objectives by adding to the administrative layers required for operation of the department. Thus, we propose elimination of three discipline bureaus and the administrative transfer of those professional personnel to the program elements to which they are presently assigned. We also recommend the elimination of core staff positions, both professional and clerical, remaining in the discipline bureaus. In place of the discipline bureaus we are recommending the establishment of a pool of professional consultants of the above disciplines within the Community Health Services Program.

With regard to the Public Health Department's other three discipline bureaus, the department has itself proposed deletion of the Bureau of Nutrition in the budget year. Unlike the three bureaus above, the Bureaus of Statistical Services and Sanitarian Services are functionally

related to the programs they serve. The Bureau of Sanitarian Services is a program element in itself through the development of the environmental health programs of local health departments.

The program budget (Budget Supplement Volume III, page 444, line 77) states that the support bureaus facilitate health programs locally and coordinate and provide assigned personnel and technical assistance to a variety of departmental elements.

We have reviewed the reasons presented in the budget and additional departmental material justifying the existence of the bureaus. The following are the reasons presented and our comments.

1. Assistance to program elements in selection of new discipline personnel and transfer of personnel.

A discipline bureau chief may only aid a program element chief in choosing new personnel by assessing the applicant's professional standing and capabilities. The element chief must decide whether or not that individual will fit into this working group and if that individual has particular abilities with respect to the element chief's specialized program area. Discipline bureau chiefs are rarely called upon to perform this function.

Discipline bureaus are also responsible for transfer of their employees from one program element to another if the discipline bureau determines the need for a consultant in one element is greater than in another. A survey of discipline members revealed that such action rarely, if ever, occurs. In addition, decisions to transfer personnel are actually determined by program or element chiefs on the basis of program needs or reductions of such needs. The transfer of discipline personnel is the result of program decisions and the discipline bureau chief is included only as an administrative rubber stamp for the transfer of his people.

2. Technical guidance to discipline personnel assigned to program elements.

It should be emphasized that all discipline members are classified by the department as "consultants." They are highly trained and highly qualified professionals. Any further technical assistance they would need would not be in the performance of their professional tasks but with regard to their particular program specialty. This assistance is provided by their element chief and the program staff.

3. Identification of departmental manpower needs in the various disciplines.

Possibly the most significant output of the discipline bureaus has been the identification of areas within the department in which the skills of a member of a particular discipline could improve that element's program.

Studies have been done by the bureaus in manpower utilization in the areas of nursing, public health social work, health education, and nutrition. The bureau recommendations have been followed only occasionally. While this may be primarily attributable to financial constraints of the department, the fact remains that continued and con-

Department of Public Health—Continued

tinuous study of departmental needs in terms of additional discipline personnel has limited value and is always in danger of being self-serving.

Periodic evaluation of a discipline's potential for service to the department can be of value. It can, however, be accomplished with much less manpower. For instance, an ad hoc committee of the discipline specialists within the department could be established for this purpose. As part of the program structure, these individuals are more able to see specialized personnel needs in terms of program needs.

4. Miscellaneous departmental activities.

In addition to performing discipline bureau duties, some discipline bureaus have minor departmental responsibilities. In all cases of bureaus proposed for elimination, these responsibilities could be placed within program elements or outside of the department in more appropriate agencies. These responsibilities are invariably related to actual programs or agencies which could absorb them and possibly accomplish them more effectively, e.g. the administration of the Public Health Nurse Certification function by the Department of Consumer Affairs which we later recommend.

5. Assistance to local health departments and assessment of their activities.

Discipline bureaus work with the Local Public Health Services element to promote and support development of effective local programs.

While the department maintains that discipline bureau activities are essential to the department's functioning, it has itself proposed the elimination of a discipline bureau, the Bureau of Nutrition, in the budget year. All of its functions will be absorbed by the program structures and four professional and two clerical positions (the entire core staff) will be eliminated. Thus it appears the department itself is moving toward consolidating functions in program elements rather than maintaining support bureaus.

The department proposes this change at no additional cost to other elements and states that a General Fund savings of \$132,444 will be realized by the elimination of this bureau.

Special Consultant Pool

In order to perform the primary responsibilities of the current discipline bureaus, a pool of consultants should be established in the office of the Deputy Director of the Community Health Services program. This pool would be principally responsible for assessment of local health programs. The pool consultants would also serve as liaisons between the department's program elements and the local health departments in order to provide them with the technical program assistance they may need.

The consultants chosen for this pool should all be from the highest personnel classification (i.e., nursing consultant III, etc.) of their discipline in order to insure the experience and competence necessary for such a pool. These top-level consultants could continue to serve in an advisory capacity to the department with regard to discipline manpower utilization.

In addition, the potential for interdisciplinary interaction and co-operation is much greater within a pool of consultants with the same goals than is currently possible with four separate discipline bureaus located in different departmental programs and pursuing various goals.

Public Health Nurse Certification Function

We recommend transfer of the Public Health Nurse Certification function from the Bureau of Nursing to the Board of Nursing Education and Nurse Registration of the Department of Consumer Affairs and that provision be made for the collection of fees to support the administration of the program.

Currently, the Bureau of Nursing administers the Public Health Nurse Certification Program on a nonfee support basis. The Board of Nursing Education and Nurse Registration in the Department of Consumer Affairs is responsible for the certification and registration of all registered nurses and for licensure of all schools of nursing within the state. This includes certification of educational programs in public health nursing. It appears that a program of certification of public health nurses is more closely related to an agency whose primary purpose is licensure and certification of registered nurses and nursing schools than it is to a bureau which has as its main function the supervision of departmental nursing activities.

The Bureau of Nursing estimates the cost in personnel time alone for administration of this program to be \$13,364. If this activity were to be carried on in an agency where similar activities were being performed, administrative costs could probably be reduced considerably. In addition, professional nursing time now taken by the administration of the program could be freed for more appropriate uses.

This recommendation is in accordance with the proposed reconstruction of the Department of Health and can be accomplished regardless of the adoption of our previous recommendation for elimination of the Bureau of Nursing. The proposal for the remodeling of a Department of Health includes the bringing together of all licensing functions related to a specific discipline. Ultimately the 10 healing art boards in the Department of Consumer Affairs are to be included in the proposed Department of Health.

State Nursing Education Scholarship Function

We recommend that the \$29,450 in General Fund support of the State Nursing Education Scholarship Act as well as responsibility for administration of the act be transferred to the State Scholarship and Loan Commission, the nursing boards in the Department of Consumer Affairs, or some other appropriate state agency.

The department provides scholarships to registered nurses who wish to obtain a higher nursing degree and who agree to assume an employment obligation in California either in teaching or in supervision in a clinical nursing area upon completion of their studies. The Board of Nursing Education and Nurse Registration as well as the Board of Vocational Nurse and Psychiatric Technician Examiners also maintain nursing scholarships. Thus, the administration of nursing scholarships is not only fragmented but it also detached from the other scholarship

Department of Public Health—Continued

programs of the state. Transfer and consolidation of these scholarship programs would simplify their administration and potentially improve their accessibility to those who seek such aid.

COMPREHENSIVE HEALTH PLANNING PROGRAM

The Office of Comprehensive Health Planning was established in 1967 with federal funds provided by Public Law 89-749, the "Comprehensive Health Planning and Public Services Amendments of 1966." The purpose of the program was to improve the delivery of health services by providing for coordinated planning in both health manpower and facilities development at the regional and state level by a team of public and private providers and consumers of health services. In order to achieve these goals, the office is currently pursuing the following objectives:

1. Organization for Comprehensive Health Planning.

An integrated, continuing planning process must be organized and maintained at state, federal and local planning levels. After four years eight of the proposed nine areawide planning agencies have been approved and are functional. At the local level, 12 counties are still not included in local health planning agencies. It appears that the state agency, the Office of Comprehensive Health Planning, should be placing more emphasis on the organization and development of functional ability and competence at the local level. It is at this "grassroots" level that consumer/provider interaction, which Comprehensive Health Planning nationally considers to be so important, has the most potential for constructive impact.

Achievement of organization throughout the state also requires communication with other planning agencies. In 1965, federal legislation established the Regional Medical Program "to bring new medical advances in the treatment of heart disease, cancer and stroke to the people." To organize such an effort, regions, different from those established by Comprehensive Health Planning, were defined. Hence, Regional Medical Programs have planned for special services, manpower, and facilities separately from Comprehensive Health Planning. This year, federal legislation was passed which requires cooperation and cross-representation of Regional Medical Programs and Comprehensive Health Planning groups. In the next year effort must be made at the state level and the areawide level to insure that such communication is meaningful in eliminating the potential for overlap or conflict.

2. Assessment of Health Problems and Resources.

This will be a continuing function of the office and possibly its most significant. Continual awareness of the status of the health of the people as well as that of health resources is essential for maintaining an efficient system of health care delivery. Assessment of health programs and resources is essential for all health planning as well as development of the state plan.

3. State Plan for Health, Planning Recommendations, and State Program for Planning.

The State Health Planning Council, a group of providers and consumers of health services, and the Office of Comprehensive Health Planning, which serves as the Planning Council's professional staff, are the prime evaluators of the state's health care delivery system. The council and the staff utilize the information they assemble in developing the State Plan for Health and their Planning Recommendations, and they serve as the main source of health planning information for private and public decision makers.

The State Plan for Health, which includes both the private and public providers' and consumers' plans and needs, is an essential element in the development of adequate health facilities and services by the private and public sectors at the national, state, regional and local levels. Development of this plan should be a major priority of the Office of Comprehensive Health Planning. While development of the state plan was one of the initial responsibilities given Comprehensive Health Planning in 1967, no plan has yet been developed. The current staff has been working on the plan for a year now and hopes to produce a working document by the end of January 1971. Public hearings with regard to the plan are to be held in March, and hopefully a final plan is to be proposed by July 1, 1971.

Chapter 1451, Statutes of 1969, requires areawide planning agencies to approve the construction of new health facilities. Chapter 1457, Statutes of 1969, requires the Health Planning Council to review all special project applications for federal funds. To meet workload requirements of this legislation, one professional and one clerical position were administratively added in the current year and are proposed for continuation in the budget year.

Four positions previously located in other state agencies and funded by interagency agreements were administratively added by the department in the current year and are proposed for continuation in the budget year. All six of these positions are federally funded.

We recommend approval of these positions.

MANAGEMENT AND PLANNING

The Management and Planning unit provides staff and support services to the director and to program personnel. This includes allocation and management of fiscal and manpower resources, program assessment and miscellaneous support services.

The program has three major elements. Each element contains several bureaus, with each bureau having its own program responsibilities. The elements and the bureaus they include are as follows:

Office of Fiscal and Management Services

Bureaus: Program and Budgeting Services, Program Analysis Unit, Fiscal and Accounting Services, Field Audit Unit, Administrative Services and Vital Statistics Registration.

Office of Special Services

Bureaus: Statistical Services, Data Processing Center, Manpower Management and Development, and Center for New Health Careers.

Department of Public Health—Continued

Laboratory Services

Laboratories: Air and Industrial Hygiene, Food and Drug, Sanitation and Radiation, Public Health Laboratory of Southern California, Clinical Chemistry, Microbial Disease, and Viral and Rickettsial Disease.

Data Processing Element

The Department of Public Health obtains its electronic data-processing services from the Bay Area Data Processing Service Center (BADPSC) which is physically and functionally housed in the department. The department's share of the BADPSC proposed 1971-72 budget is \$677,228, 2.5 percent above the estimate for this fiscal year. This amount represents nearly 46 percent of the center's total budget. Although there are eight departments scheduled to participate in the BADPSC, the only other departments which receive significant levels of service at this time are the Department of Industrial Relations in San Francisco, which has a remote job-entry terminal, and the Department of Health Care Services which sends its work to the center by messenger on a monthly basis.

The department utilizes electronic data processing (EDP) in its programs of disease control, licensing and certification, and research. In addition, administrative activities and the Program Accounting and Management Information System (PAMIS) will be supported by EDP. The PAMIS project is discussed in another section of this analysis.

Bay Area Data Processing Service Center

In the Short-Range Master Plan for Electronic Data Processing released in December 1968 by the Office of Management Services (OMS), it was recommended that a Data Processing Service Center be developed to serve the state departments geographically located in the Bay Area. In May 1970, a Long-Range Master Plan for the utilization of electronic data processing was developed by OMS and adopted by the Cabinet and the State Electronic Data Processing Policy Committee. This master plan created a consolidation group within the Human Relations Agency and assigned the responsibility for consolidating all departmental data-processing services to this group. The manager of the BADPSC represents both the center and the department in this group. Consolidation Group No. 1 is now in the process of determining the degree to which agency consolidation is possible and which departments will be affected. To date no decision has been reached concerning the future of the BADPSC, and the center has therefore continued to develop as originally planned.

In the past we have recommended consolidation of data processing services which the Legislature has endorsed. Many of the savings and/or cost questions relating to consolidation have remained unanswered.

As a step toward determining the cost benefit factors relating to consolidation of data-processing activities we recommend that the Office of Management Services and the Human Relations Agency make a fully documented analysis of the technical, management and fiscal benefits and liabilities of the Bay Area Data Processing Service Center.

The principal activity of BADPSC during the current year has been the transfer of data processing services from the Department of Industrial Relation's computer to the center's computer. This conversion, although on schedule, has resulted in many technical and administrative problems. These problems relating to the Department of Industrial Relations are still not completely resolved.

Rate Increases

The BADPSC has found it necessary to periodically raise the rates for computer service. Customers have been billed at a higher rate with little or no advanced notice, and these bills have sometimes asked for an additional payment for service already paid for. Since July 1969, billing rates to outside customers have increased by nearly 50 percent, from \$65.01 per hour to \$94.63 per hour. As a result, user departments have found it extremely difficult to plan and budget for EDP services.

The basic causes for the rate increases have not been fully determined. An initial increase in cost for equipment and software was expected because of the expansion of the service center facility. However, a 50-percent increase raises many questions related to basic cost data which should be answered.

Statewide Standards Needed

The administrative and operational developments at the BADPSC have statewide significance because this center was intended to serve as a prototype for other future consolidations. The experience which should result from the development of this service center can have statewide benefit. Therefore, it is important that all pertinent facts regarding the BADPSC be determined and documented so that the state can develop guidelines and standards for future consolidations of EDP resources.

Program Accounting and Management Information System (PAMIS)

The Department of Public Health has recognized that program budgeting and accounting has the potential for providing an improved management capability for better resource allocation, management control and performance reporting. To develop this capability, the department began the development of PAMIS late in fiscal year 1969-70. A number of other state departments are also in various stages of development of fiscal management information and accounting systems such as the Departments of Mental Hygiene and Social Welfare. The Department of Water Resources has operated an automated program budgeting and accounting system for a number of years, which has, in some cases, been used as a model for these other developments.

Total Management Program

This project is one part of a total program intended to provide a comprehensive set of management tools with which to carry out the department's goals and objectives. Other elements of the program are (1) reorganization wherever possible to reduce to a minimum the difference between the functioning organization and the programs, (2) continual refinement of measures by which program accomplishments may be assessed, (3) periodic review of departmental programs and

Department of Public Health—Continued

objectives, and (4) specialized training of administrative and operations personnel in program budgeting concepts and techniques.

Three Phases of Development

PAMIS is being developed in three phases over a 12-month period. Phase I, Definition of Systems Concepts, is complete, and Phase II, Detailed Systems Design, is nearly complete. Phase III, Implementation, will begin concurrently with the final stages of Phase II, and the system will be fully operational by July 1, 1971. A report of Phase I has been published which identifies eight alternative systems designs that would satisfy the operating requirements of the PAMIS. These alternatives range in price from a low of \$31,850 to use the Department of Water Resources System with no modifications to a high of \$134,000 to purchase the Water Resources System for use on the Bay Area Data Processing Service Center (BADPSC) electronic data processing equipment which is housed in the Department of Public Health. The department chose an alternative which will cost the state \$116,823 for implementation and an estimated \$300,000 per year for operations. This alternative provides for an accounting system design tailored to the Department of Public Health's needs and represents major modification of the department's present manual processes. The alternative selected can utilize the computer facility at the BADPSC, with a minimal increase in hardware capability. The significant cost factor in the implementation of PAMIS is for computer programming, which constitutes 41 percent of the total project cost.

Unnecessary Cost to State

Although we are in basic accord with the concept and design of the PAMIS, we believe the system could have been designed at a significantly lower cost, perhaps as much as 50 percent, if the state had utilized its own resources instead of contracting with a private consultant for design services.

Over the past half-decade, the state has increasingly looked to private consultants for the design and implementation of fiscal and personnel information systems. The Departments of Mental Hygiene, Social Welfare, Water Resources, Public Works, Finance, and others, have all relied heavily on outside resources for the design and implementation of their respective systems. As a consequence, each of these departments has a distinct system design tailored to its needs. However, these designs may be inadequate to meet the overall management needs of the state. All of the various designs meet the minimum accounting standards of the State Administrative Manual (SAM), but many lack the significant design feature which will allow for future enhancements of program budgeting concepts. Nearly every consultant or contractor developing the basic design has claimed that its design was a significant breakthrough in approach to providing pertinent information to management with which to bring about changes which ultimately result in an improved program. This unilateral approach to design will result in a situation where the various systems are operationally incompatible. Although the basic design concepts are similar, coding structures, report

formats, and the level of detail of information vary greatly. The greatest impact of this proliferation of systems will be on the agencies, the Governor's Cabinet, and the Legislature, who are responsible for formulating policy and plans which cut across departmental lines. Our experience to date in monitoring these systems is that, once the project is implemented, managers are unprepared to analyze the information contained in the new reports. The result is stacks of unused management reports and little substantive change in program achievement.

The PAMIS project is a perfect illustration of this situation. The firm which was engaged by Public Health was also the firm that designed the Department of Water Resources (DWR) system in 1966. The Department of Water Resources project was intended to provide a prototype which could easily be adapted to suit many other departments since the design was to be based on management concepts common to all departments. Further, state employees were to actively participate in the design and implementation of the system, thereby providing a nucleus of qualified personnel for future development efforts.

In 1970, the same consulting firm rejected some of the design concepts at DWR as impractical or inappropriate for application to the Department of Public Health, illustrating the overstatement of versatility made during the DWR design. Over the years we have seen similar cases of overstatement by consultants as well as state officials connected with particular projects. In our judgment, these statements were probably made in good faith, but without precise knowledge or insight into the ultimate operation of the system. *We recommend that the Department of Public Health evaluate the program measurement data which will be produced by the PAMIS and develop criteria for its application to departmental programs. We further recommend that the department begin a thorough training program for those line managers directly responsible for the use of any management reports produced by the system so that they may reasonably apply the criteria developed.*

Department of Public Health

REGIONAL DIALYSIS CENTERS

Item 246 from the General Fund Vol. III p. 432 Budget p. 237

Requested 1971-72	\$595,248
Available from Chapter 1499, Statutes of 1970	117,600
	712,848
Estimated 1970-71	821,811
Actual 1969-70	306,952
Requested decrease \$108,963 (13.3 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Chapter 1988, Statutes of 1965, authorized the Department of Public Health to establish two regional renal dialysis centers. Chapter 1499,

Regional Dialysis Centers—Continued

Statutes of 1970, appropriated \$350,000, without regard to fiscal year, for establishment of three home dialysis training centers. Chapter 1500, Statutes of 1970, appropriated \$388,000 for the establishment of two additional regional dialysis centers and authorized the establishment of up to four centers.

The purpose of the regional centers is to provide treatment through renal dialysis and/or kidney transplantation to patients suffering from chronic uremia (kidney disease). The centers also provide training in home dialysis to those patients and their families who are determined to be suitable for such training. In addition, training of medical personnel to staff new dialysis units is a function of the centers.

The Department of Public Health acts only as a granting agency for state funds which are appropriated for the establishment and continuation of regional centers.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The department proposes a General Fund appropriation of \$595,248 and \$117,600 remaining from Chapter 1499, Statutes of 1970, or a total of \$712,848 for the development and support of four regional treatment and three home training centers. The proposed expenditure is \$108,963, or 13.3 percent, below that estimated to be expended in the current year. The decrease results from the fact that initial costs for equipment will be funded during the current year.

A total of \$295,248 of the proposed expenditure is for continuing support of the two regional centers in Los Angeles and San Francisco which were established in the 1966-67 fiscal year. This amount is \$35,000, or 13.4 percent, above that estimated to be expended in the current year. The department states this is the result of a caseload increase of \$25,000 and a price increase of \$10,000.

As stated above, Chapter 1500, Statutes of 1970, provided \$388,000 in the current year for establishment of two additional dialysis centers. The department proposes an additional appropriation of \$300,000 in the budget year for development of these centers. The specific center sites had not been determined at the time the budget was prepared.

Of the \$350,000 appropriated by Chapter 1499, Statutes of 1970, for establishment of home dialysis training centers, \$172,500 is estimated to be expended in the current year, \$117,600 is proposed in the budget year, and \$59,900 is available for the 1972-73 fiscal year.

In December 1970, a special committee was appointed by the Director of the Department of Public Health to review the applications for the proposed training and dialysis centers. The committee is to submit its recommendations to the director and the contracts for the centers are to be signed by the end of this fiscal year.

DEPARTMENT OF PUBLIC HEALTH

Item 247 from the Motor Vehicle
Fund

Vol. III p. 426 Budget p. 237

Requested 1971-72	-----	\$71,913
Estimated 1970-71	-----	54,800
Actual 1969-70	-----	64,795
Requested increase \$17,113 (31 percent)		
Total recommended reduction	-----	None

GENERAL PROGRAM STATEMENT

The Department of Public Health is responsible for determining the medical effects of air pollution. To support this activity, the department maintains three professional positions and one clerical position in the Occupational Health and Environmental Epidemiology element who coordinate their work closely with the Air Resources Board. Because these activities are directly related to air pollution, they are supported from the Motor Vehicle Fund.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$71,913 to support four positions and related lab support in the Department of Public Health. The requested appropriation is \$17,113, or 31 percent, higher than the amount requested for the current year. The increase is due to increased overhead costs and a reevaluation by the Department of Public Health of total actual costs. No new positions are proposed and no added workload is expected in the budget year.

Department of Public Health

CRIPPLED CHILDREN SERVICES

Item 248 from the General Fund

Vol. III p. 435 Budget p. 237

Requested 1971-72	-----	\$12,680,400
Estimated 1970-71	-----	13,618,400
Actual 1969-70	-----	13,590,621
Requested decrease \$938,000 (6.9 percent)		
Total recommended reduction	-----	None

GENERAL PROGRAM STATEMENT

The Crippled Children Services (CCS) element of the Preventive Medical Program provides corrective services to children born with congenital deformities serious enough to endanger life or result in permanent deformity. The services provided by the program are diagnosis, treatment and therapy.

Crippled Children Services—Continued

These services are administered "independently" by 23 counties, with populations over 200,000, under standards and procedures developed by the Department of Public Health. For the remaining 35 "dependent" counties, with populations under 200,000, the department administers the program directly. Each county is required by Sections 249-271 of the Health and Safety Code to appropriate funds to help support the cost of the program. County funds are matched on the basis of three dollars state and federal funds for each dollar of county funds. In addition, families are required to contribute to the cost of treatment services based on standards and formulas developed by the department.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes a total program expenditure of \$24,318,195 including state, county and federal funds, and family repayments.

Table 1
Crippled Children Services—Program Expenditures

	1969-70	1970-71	1971-72
State -----	\$13,590,621	\$13,618,400	\$12,680,400
County -----	6,423,511	6,728,837	6,864,000
Federal -----	1,416,911	2,129,912	2,129,912
Reimbursements -----	94,209	364,188	363,883
Family repayments -----	751,003	930,000	2,280,000
Totals -----	\$22,276,255	\$23,771,337	\$24,318,195

The requested General Fund appropriation is \$12,680,400, or \$938,000 below the amount estimated to be expended in the current year. This General Fund reduction does not represent a decrease in the level of service. The total program will be increased by \$546,858 above the current year level with the reduced level of General Fund support being offset by increased family repayments.

As a result of a recommendation in our 1968 "Analysis of the Budget Bill," the Department of Public Health strengthened its CCS regulations in 1969 to maximize family repayments. Standards for financial eligibility were tightened and family repayment rates were increased.

In August 1970 the department again revised its CCS regulations relating to duration of family repayments. Previously, in complicated long-term cases, families were only required to contribute during those years in which major services were provided. The case was closed in the years in which no major services were provided and no repayments were collected. Now long-term cases are kept open and the repayment schedule maintained during those "in-between" years when no major services are provided with the result that family repayment totals are

increased. Hence, repayment increases shown in the budget year are due not only to tightened eligibility and increase in the numbers of families required to pay, but also to the extension of the payment period in long-term cases.

The budget anticipates family reimbursements in the 1971-72 fiscal year to be \$2,280,000, which is an increase of \$1,350,000, or 145 per cent, over the current fiscal year. With the current repayment schedule, it is not possible to increase family repayments by such a large amount. The department is, however, making plans to again revise the repayment schedule in order to increase repayments by approximately \$1,000,000 in the budget year. No details of this plan were available at the time this analysis was written.

Department of Public Health

TUBERCULOSIS SANATORIA

Item 249 from the General Fund Vol. III p. 434 Budget p. 237

Requested 1971-72	-----	\$1,021,424
Estimated 1970-71	-----	1,021,424
Actual 1969-70	-----	2,149,207
Requested increase—None		
Total recommended reduction	-----	None

GENERAL PROGRAM STATEMENT

Section 3298 of the Health and Safety Code requires the state to provide grants-in-aid to local agencies for the care and treatment of persons suffering from tuberculosis. The specified amount of such aid is \$2.60 per patient-day for the first 36,500 patient-days, \$2.30 for the second 36,500 patient-days, and \$1.75 for all additional days, plus an additional supplemental amount specified in each budget act. The supplemental amount specified for the budget year is \$5.16 per patient-day, which is the same amount appropriated for the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The department proposes a General Fund appropriation of \$1,021,424, the same amount as is estimated to be expended in the current year. The number of patients and the amount of funds are expected to remain constant in the current and budget years.

The budget request includes \$33,000 to reimburse the Department of Mental Hygiene for the care of recalcitrant tuberculosis patients under the provisions of Section 3295 of the Health and Safety Code.

Department of Public Health

ASSISTANCE TO COUNTIES WITHOUT LOCAL
HEALTH DEPARTMENTS

Item 250 from the General Fund

Vol. III p. 446 Budget p. 237

Requested 1971-72	-----	\$780,227
Estimated 1970-71	-----	753,881
Actual 1969-70	-----	664,050
Requested increase \$26,346 (3.5 percent)		
Total recommended reduction	-----	None

GENERAL PROGRAM STATEMENT

The Contract County program provides basic, minimal public health services, under contractual arrangements, to counties with populations under 40,000. Currently, 15 counties are participating in the program. Services are provided by the Bureau of Contract County Services under the authority of Section 1157 of the Health and Safety Code which requires each participating county to contribute a minimum of 55 cents per capita to help support the program.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes \$1,385,633 in support of the Contract County program. This includes \$780,227 from the General Fund, \$475,000 as the counties' share, and \$130,406 in federal funds. The proposed General Fund appropriation of \$780,227 is \$26,346, or 3.5 percent, above the amount estimated to be expended in the current year. The 3.5 percent increase is to cover the state's share of salary and overhead cost increases.

A public health nurse II and a clerk-typist II position, federally funded, were administratively added in the current year to provide tuberculosis control service and are proposed for continuation in the budget year.

One sanitarian II position has also been administratively added in the current year and is proposed for continuation in the budget year. The sanitarian is to provide environmental health services to Calaveras County, and is to be supported under a reimbursement agreement with the county.

Department of Public Health

ASSISTANCE TO LOCAL HEALTH DEPARTMENTS

Item 251 from the General Fund Vol. III p. 446 Budget p. 237

Requested 1971-72 -----	\$4,797,545
Estimated 1970-71 -----	4,997,545
Actual 1969-70 -----	4,743,172
Requested decrease \$200,000 (4.0 percent)	
Total recommended reduction -----	None

GENERAL PROGRAM STATEMENT

This program allocates state and federal funds to 43 qualified local health agencies. The state funds are allocated in accordance with the provisions of Section 1141 of the Health and Safety Code. Federal funds are allocated by the state department to local agencies after a review of the local plan to determine conformance with the provisions of the state plan and in accordance with the provisions of Section 314(d) of Public Law 89-749.

The purpose of the program is to promote and support development of adequate and effective local health programs.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes \$9,688,432 in total support for this program. This includes \$4,797,545 from the General Fund and \$4,890,887 in federal funds. The total appropriation for the budget year is \$200,000, or 4 percent, below estimated General Fund expenditures in the current year.

Chapter 1613, Statutes of 1970, provided for the appropriation on a one-year basis of a \$200,000 subvention for use by local health departments in special rubella immunization campaigns. The full \$200,000 is anticipated to be expended during the current fiscal year.

Therefore the budget proposes to continue support for the local assistance program at the same level as is provided in the current year.

Department of Public Health

ASSISTANCE TO LOCAL AGENCIES FOR MENTAL
RETARDATION SERVICES

Item 252 from the General Fund Vol. III p. 440 Budget p. 237

Requested 1971-72 -----	\$20,647,653
Estimated 1970-71 (including \$7,698,000 previously in Social Welfare Budget) -----	13,576,057
Actual 1969-70 (including \$4,900,000 previously in Social Welfare Budget) -----	8,605,365
Requested increase \$7,017,596 (51.7 percent)	
Total recommended reduction -----	None

GENERAL PROGRAM STATEMENT

Chapter 1242, Statutes of 1965, authorized the creation of a network of regional diagnostic, counseling and service centers for mentally retarded persons and their families. These centers were authorized primarily to provide an alternative to state hospitalization.

Through the regional centers assistance is provided to families in the form of diagnosis, counseling, continuing evaluation, and assistance in purchasing appropriate health and social services.

As provided by Chapter 1594, Statutes of 1969, in the budget years after 1970-71 all mentally retarded persons to be admitted to state hospitals will first be evaluated by the regional centers and cared for by these centers during leaves and upon their discharge from state hospitals.

Regional centers are operated by local nonprofit agencies under contract with the State Department of Public Health. The Regional Center program is administered by the Bureau of Mental Retardation Services which has the responsibility for providing professional and administrative guidance to the regional centers, negotiating contracts, developing standards, reviewing activities for conformity to contracts and standards, authorizing vendors, and establishing equitable rates. The bureau also assists in the selection and placement of Regional Center personnel.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes a total expenditure of \$23,095,272 in support of the Regional Center program. This includes a General Fund appropriation of \$20,647,653 made by this item, \$76,057 in salaries and wages for the Bureau of Mental Retardation Services, \$1 million in reimbursements and \$1,371,562 in family repayments. The General Fund appropriation is for continuing support of the regional centers and for protective services to the mentally retarded provided by the Community Services Division of the Department of Social Welfare. The proposed appropriation is \$7,071,596, or 51.7 percent, above the amount estimated to be expended in the current year. The increase in General

Fund cost is due to increased caseload and increased operational costs in both the regional centers and the Community Services Division.

A total of \$7,804,653 is proposed in General Fund support for the nine existing regional centers. This is an increase of \$1,926,596, or 32.8 percent, above the amount estimated to be expended in the current year. The increased cost is due to the following factors. Chapter 1594, Statutes of 1969, provided that as of July 1, 1971, all mentally retarded persons to be admitted to or upon discharge from a state hospital must first be referred to and evaluated by a regional center. In addition, all of the existing regional centers are expected to reach full operating capacity in the budget year. Thus, a substantial increase in caseload is expected and must be budgeted in the 1971-72 fiscal year.

As provided by Chapter 1594, the state is divided into thirteen mental retardation services planning regions. Each region is to be covered by a regional center for implementation of the regional centers program by July 1, 1971 as required by law. Currently there are nine regional centers serving 90 percent of the state's population. There are no proposals (or funds) in the budget for establishing regional centers in the four remaining regions. Thus, the Department of Public Health will have to provide for this coverage through "token contracts" with voluntary agencies or state hospitals in uncovered areas in the budget year.

A total of \$12,843,000 in General Fund support for services provided to the mentally retarded by the Community Services Division of the Department of Social Welfare is included in the Department of Public Health budget for fiscal year 1971-72. Chapter 1594, Statutes of 1969, provided that all services to mentally retarded persons not confined to a state hospital be provided through the regional centers. Chapter 1561, Statutes of 1970, specifically provided that protective services to the mentally retarded on leave from state hospitals be provided by the regional centers. The Community Services Division provides these protective services to mentally retarded persons on leave and upon discharge from state hospitals. Thus, by law the Division must be included in the Regional Center program. In the budget year, only the funds for support of the Community Services Division will be transferred to the Department of Public Health. These funds will be contracted back to the Department of Social Welfare where the personnel and responsibility for administration of the division will remain in the 1971-72 fiscal year.

The proposed expenditure of \$12,843,000 for support of this division is \$5,145,000, or 66.8 percent, above the amount estimated to be expended in the current year for protective services to the mentally retarded. Chapter 1594, Statutes of 1969, provided for the transfer of mentally retarded persons from higher-cost state hospitals to lower cost community placements. As the Regional Center program will approach full implementation and provide alternatives to the state hospitalization in the budget year, the transfer process is expected to accelerate. Because the Community Services Division is responsible for these transfers, its caseload and cost will increase in the budget year.

DEPARTMENT OF REHABILITATION

Item 253 from the General Fund

Vol. III p. 489 Budget p. 238

Requested 1971-72 -----	\$7,118,098
Estimated 1970-71 -----	6,901,733
Actual 1969-70 -----	7,228,371
Requested increase \$216,365 (3.1 percent)	
Increase to improve level of service \$500,000	
Total recommended increase -----	\$233,770
Total recommended reduction -----	6,800

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. The department intends to shift funds and staff presently working with the physically disabled to working with persons with behavioral disorders. It appears that the department will diminish its program of providing traditional services to the physically disabled because of this shift. 667

2. We recommend an approximate General Fund reduction of \$6,800 for processing applications for federal grants in the development of Community Resources Program. 667

3. We recommend that Aid to the Needy Disabled (ATD) and Aid to the Blind (AB) welfare disability reviews be completed by the Department of Rehabilitation rather than the Department of Social Welfare. Although this transfer will result in an increase of \$233,770 General Fund cost to this item it will reduce Item 254 by \$333,958, for an overall General Fund savings of \$100,188. This recommendation requires legislation to change Section 13555 and 13556 of the Welfare and Institutions Code to permit the Department of Rehabilitation to complete the welfare disability reviews. 670

GENERAL PROGRAM STATEMENT

The State Department of Rehabilitation is responsible for assisting and encouraging handicapped individuals to prepare for and engage in gainful employment to the extent of their capabilities. The department's objective is to help individuals increase their social and economic well-being and subsequently prevent or reduce public dependency. It also administers by contractual agreement with the federal Social Security Administration the disability provisions of the Social Security Act for California applicants. The department operates under the authority of the Vocational Rehabilitation Act and Division 10 of the Welfare and Institutions Code and administers the following four programs: (1) vocational rehabilitation of the disabled, (2) development of community resources, (3) disability determination and (4) departmental administration.

ANALYSIS AND RECOMMENDATIONS

For the 1971-72 fiscal year the budget proposes a total program requirement, after reimbursement, of \$51,964,564, of which \$44,121,595,

or 84.9 percent, is from federal funds, \$7,118,098 or 13.7 percent from the General Fund and \$724,871, or 1.4 percent from the Industries for the Blind Manufacturing Fund. The total proposed expenditure is \$3,398,124 more than that estimated to be expended during the current year. The General Fund budget request is \$216,365, or 3.1 percent greater than that estimated to be expended during the current year.

The man-years budgeted to carry out all programs relating to the budget item are as shown in Table 1.

Table 1

<i>Fiscal year</i>	Number of Man-Years, Department of Rehabilitation	<i>Change from prior year</i>
	<i>Total</i>	
1971-72 (proposed) -----	1,797.0	-315.8
1970-71 (estimated) -----	2,112.8	+249.0
1969-70 (actual) -----	1,863.8	-192.9
1968-69 (actual) -----	2,056.7	- 80.8
1967-68 (actual) -----	2,137.5	

The 1971-72 decrease in positions will occur primarily in the Extended Employment element of the vocational rehabilitation of the disabled program. There is a net decrease of 329.0 man-years anticipated for six workshops in the Extended Employment element. Table 2 shows net man-years changes and where they occur.

Table 2

**Difference in Man-Years Budgeted for 1971-72
Over That Estimated for 1970-71 by Program**

<i>Program</i>	<i>Change from 1970-71</i>
Vocational Rehabilitation of the Disabled -----	-313.5
Sensory Disorders -----	(-10.6)
Extended Employment -----	(-329.0)
Physically disabled -----	(-50.4)
Mentally ill -----	(-1.4)
Behavioral Disorders -----	(+58.8)
Alcoholism -----	(+19.1)
Development of Community Resources -----	+0.7
Administration -----	
Management Services -----	-3.0
Total -----	-315.8

VOCATIONAL REHABILITATION OF THE DISABLED PROGRAM

The purpose of this program is to provide vocational rehabilitation services to help disabled persons overcome their physical or mental handicaps and secure employment. Vocational rehabilitation has been defined as the restoration of disabled persons to the fullest physical, mental, vocational and economic usefulness of which they are capable.

Vocational rehabilitation services are broad in scope and include:

- (1) Medical diagnosis to determine the nature and extent of the disability and the need for medical, surgical or psychiatric treatment.
- (2) Counseling and guidance to help discover a suitable employment objective.
- (3) Physical restoration to remove or reduce the employment handicap.

Department of Rehabilitation—Continued

- (4) Academic and vocational training to prepare the client for employment compatible with his physical and mental ability. In addition, sheltered workshops are used to provide training and work experience for severely disabled persons.
- (5) Job placement in keeping with the client's physical condition and vocational ability. This includes providing equipment to help them establish their own businesses and includes followup, adjustment services.

The elements of this program are: Basic Vocational Rehabilitation, Rehabilitation for Daily Living, and Extended Employment. With the exception of Daily Living, these elements are discussed below. Table 3 contains basic accomplishments in the overall program.

Table 3
Vocational Rehabilitation Accomplishments and Cost

<i>Fiscal year</i>	<i>Disabled persons removed from welfare</i>	<i>Total clients returned to employment</i>	<i>Total expenditures</i>	<i>Cost per rehabilitation</i>
1971-72 (proposed) -----	3,854	15,800	\$43,840,641	\$2,774
1970-71 (estimated) ----	3,587	14,000	38,387,252	2,741
1969-70 (actual) -----	3,671	14,358	34,528,544	2,405
1968-69 (actual) -----	3,605	14,450	29,745,353	2,059
1967-68 (actual) -----	3,322	10,389	26,355,489	2,537

Basic Vocational Rehabilitation Element

Basic vocational rehabilitation services are provided to disabled people at or near working age, whose disability is a vocational handicap in that it interferes with obtaining or keeping employment. Services are provided primarily through a statewide system of local offices. Vocational rehabilitation counselors are located in each field office and various state service centers and have the responsibility to (1) establish an effective working relationship with handicapped clients, (2) help clients decide on a plan that will overcome their handicaps, (3) arrange for the necessary services such as training and medical treatment, (4) systematically review the plan during its course, (5) help clients secure employment following completion of employment preparation, and (6) follow up to make sure that services and placements are suitable. Counselors are assisted by vocational psychologists who give and interpret psychological tests for individual clients and by medical consultants who make decisions concerning medical information in the cases.

Within the basic vocational rehabilitation process the department expects to return to employment 15,800 disabled people during the 1971-72 fiscal year. The total expenditures for this element are expected to increase from \$37,976,048 in 1970-71 to \$43,429,437 in 1971-72.

The Basic Vocational Rehabilitation element includes the following six disability categories: (1) physically disabled; (2) mentally ill; (3) alcoholics; (4) mentally retarded; (5) behavioral disorders; and (6) sensory disorders.

The department intends to shift funds and staff from working with the physically disabled to working with persons with behavioral disorders. In addition, the department has budgeted additional funds to increase the level of service to alcoholics.

**Shift in Program Emphasis From Physically Disabled to
Persons With Behavioral Disorders**

In fiscal year 1970-71, the department implemented new cooperative programs with local probation departments, schools, junior colleges, continuation schools, hospitals, and local mental health agencies. The 1971-72 cooperative programs represent a shift in program emphasis from services for the physically handicapped to services for persons with behavioral disorders. The budget states the cooperative programs are a shift in program emphasis rather than an expansion of services. The department proposes to shift 50.4 man-year positions and funds from the services provided the physically disabled to services to persons with behavioral disorders. In addition, there will be a shift of 6.4 man-years from services to persons with sensory disorders and 1.4 man-years from services to the mentally ill to services for persons with behavioral disorders.

The shift in manpower from the physically disabled program to the behavioral disorder program will be accomplished through cooperative agreements with the Departments of Corrections and Youth Authority.

As indicated in Table 4, these shifts appear to be sound from a fiscal (cost-benefit) standpoint. However, their effect will be to diminish traditional services to the physically disabled. Budget estimates indicate that the physically disabled represent about 47 percent of the department's total caseload or 21,376 cases. The budget also indicates the following output regarding this group.

	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Estimated 1971-72</i>
Physically disabled rehabilitated -----	5,721	5,376	5,388

We are in agreement with the shift in emphasis because it appears to achieve the greatest rehabilitations for the dollars spent. However, it should be noted that the shift is contrary to an expression of legislative intent.

The Legislature in its "Supplementary Report of the Committee on Conference Relating to the 1970 Budget Bill" stated: "that the department shall not diminish its program of providing traditional services to those physically disabled from rehabilitation services as soon as possible after their disabling injury has occurred. Services are to be provided prior to the time the person is eligible for a state welfare program, as well as those on welfare."

Table 4 shows the cost benefit by disability groups for 1969-70. The behavioral disorders group is the second most profitable large group to work with from a tax-saving point of view as well as a cost benefit point of view.

Alcoholics

We recommend approval of the department's plan to increase the level of service to alcoholics.

Department of Rehabilitation—Continued

Table 4
Cost-Benefit by Disability Groups for Fiscal Year 1969-70

Disability	Costs			Savings to government	
	Olients rehabili- tated	Total program cost	Average cost per rehabili- tation	Total dollar benefits to government	Percent of costs returned annually
Totals, All Disabilities	14,358	\$34,528,544	\$2,405	\$15,132,397	44%
Physical	5,721	14,337,652	2,506	6,884,705	48%
Mental illness	1,422	3,852,336	2,709	2,304,151	60%
Alcoholism	2,667	4,254,652	1,595	1,810,180	43%
Mental retardation	1,163	3,598,208	3,094	685,221	19%
Behavioral disorders	1,949	4,282,784	2,197	2,378,387	56%
Legally blind	403	2,172,171	5,390	296,115	14%
Other visual impairments	395	858,991	2,175	326,150	38%
Deaf	455	809,562	1,779	325,390	40%
Other hearing impairments	183	362,182	1,979	122,098	34%

The 1971-72 budget indicates that to the extent that additional federal funds are available, the department will increase services to alcoholics. It is intended that \$500,000 of state funds will be available from the Department of Mental Hygiene for federal matching up to \$2 million.

The rehabilitation of alcoholics should reduce the number of patients treated in state hospitals and Short-Doyle clinics. Cost of treatment in these agencies is shared 90 percent by the state and 10 percent by the counties. Costs of treatment through the Department of Rehabilitation is reimbursed on the basis of 80 percent federal, 20 percent state. Many untreated and unrehabilitated alcoholics eventually end up on welfare caseloads as totally disabled. For these reasons we recommend approval of the 20 new positions requested for 1971-72.

Extended Employment Element—Workshops

We recommend approval of the department's plans to transfer six workshops to the private sector.

Three opportunity work centers for the blind provide training and work experience within shops located in San Jose, Berkeley, and Los Angeles. Instruction is provided in various crafts and articles produced in each center are sold by the local community sponsoring organizations.

The department also operates three Industries for the Blind workshops in Berkeley, Los Angeles and San Diego which provide extended employment opportunities to severely impaired persons who cannot work in a competitive situation. The items produced in each of the workshops vary and include mattresses and box springs, dry mops, brooms, brushes, commissary specialties and textile items.

In 1971-72, the department plans to transfer the Industries for the Blind workshops and the opportunity work centers for the blind to privately sponsored groups. These workshops are to be transferred in phases depending on the current workshop lease and contract expirations. Grants of federal funds may be used as necessary to assist the private sector to assume the responsibilities of the workshops. This will

result in a man-year reduction of 329 positions in the extended employment element of the Vocational Rehabilitation of the Disabled Program and 4.2 positions in the Sensory Disorders element of the program. Most of these positions (295) are factory workers in the workshops. The total cost of the extended employment element will decrease from \$2,204,489 in 1970-71 to \$1,371,485 in 1971-72. This is an overall reduction of \$833,004 of which \$224,000 is General Fund.

We concur with the department's proposal to transfer these six workshops to the private sector. We think such a move will result in improved efficiency on the part of the workshops.

It should be noted, however, that many people who are presently offered training and employment at the workshops are not capable of rehabilitation. These are workers for which the state is not presently receiving federal rehabilitation funds because they are not rehabilitatable. There is question if the local agencies that take over these workshops can continue the sheltered employment of these individuals.

After the transfer, the Department of Rehabilitation can purchase rehabilitation services for rehabilitatable workers but not for nonrehabilitatable workers. However, the Department of Social Welfare is authorized to purchase sheltered employment through the Social Security Act for welfare recipients. Thus, the private sector should be encouraged to use the social welfare system as a source of funding for nonrehabilitatable individuals.

DEVELOPMENT OF COMMUNITY RESOURCES PROGRAM

This program is designed to encourage the development and improvement of rehabilitation resources, particularly in rehabilitation facilities and workshops. Through the program the department provides a wide range of advisory services to private organizations interested in workshops for the disabled. Consultation is provided in production engineering, cost accounting, sales promotion, marketing, etc.

Under this program the department also provides consultation and review of requests for (1) project development grants, (2) grants to establish or improve facilities, (3) training service grants, and (4) research and demonstration project grants. Federal funds are available for these activities and the department is responsible for a review of request prior to receipt of federal funds.

Program elements included in this program are: technical consultation; processing applications for grants; vocational training facilities development and educational programs on misuse of alcoholic beverages.

For the 1971-72 fiscal year the cost of the program is budgeted at \$1,230,211, as compared with an estimated cost of \$2,171,377 for the 1970-71 fiscal year. The decrease in expenditures for the development of the community resources program is to occur in the processing of applications for grants element.

Processing Applications for Grants

We recommend the reduction of 3.8 man-years for processing grants for a General Fund savings of approximately \$6,800 plus related operating expenses.

Department of Rehabilitation—Continued

The Department of Health, Education and Welfare, under various sections of the Vocational Rehabilitation Act, makes grants available to local organizations for planning, developing, expanding and improving rehabilitation facilities if the grant applications have been approved by the state rehabilitation agency. The local agency applying for the grant provides a portion of the total funds. The Department of Rehabilitation reviews all applications, before they are forwarded to the federal government, to determine whether the application is a feasible method of furnishing services to the disabled and is consistent with the overall program of extending rehabilitation services to underserved areas. The input for this activity is as follows:

Input	Actual 1969-70	Estimated 1970-71	Estimated 1971-72
Expenditures	\$2,768,307	\$1,819,436	\$861,624
Personnel man-years	9.6	13.4	13.4

Although needed facilities continue to be unavailable in various areas in California, the funding of this program has been reduced. This program is in competition with basic rehabilitation funds and is considered by the department lower in priority than the basic rehabilitation program. Unless additional General Fund money is made available to the department, this program will remain inadequately funded to meet local needs identified by the department.

The department also reviews all applications by institutions of higher learning for federal research projects and training grants related to vocational rehabilitation. Grant applications in these areas do not go through state accounting and are not included in the expenditures listed above. These federal grants generally total between \$6 and \$8 million per year.

The department's justification for maintaining 13.4 man-year positions for processing applications is on an expected increase in the number of applications for federal grants which do not go through state accounting.

We estimate that the total grant applications will be below the 1969-70 level and recommend the staffing for this activity at the 1969-70 level. This will result in total savings of approximately \$34,000 (\$27,200 federal and \$6,800 General Fund).

DISABILITY DETERMINATION PROGRAM

We recommend that the disability reviews conducted for potential recipients of Aid to the Needy Disabled (ATD) and the Aid to the Blind (AB) assistance programs be completed by the Department of Rehabilitation rather than the Department of Social Welfare. This transfer will be in an increase of \$233,770 General Fund cost to this item and will reduce Item 254 by \$333,958. A 30-percent reduction in salary and wages will result with a General Fund savings of \$100,188 plus related operating expenses. There will also be a \$100,188 saving in federal funds for a total saving of \$200,376.

Old Age Survivors Disability Insurance Program (OASDI)

In 1956, the Congress amended the Social Security Act to allow disabled injured workers to receive disability insurance payments under the Old Age Survivors Disability Insurance Program (OASDI). Under the law, payments can be made if the worker is unable to perform substantial gainful activity because of a physical or mental disability. The federal government contracts with the state vocational rehabilitation agencies to make the disability determinations. Each disabled applicant is also considered for vocational rehabilitation referral. The support of the Disability Determination Program is financed entirely from federal funds.

Disability determination counselors work with medical consultants in this program through offices located in Oakland and Los Angeles. The counselors are responsible for evaluating potential vocational capabilities in the disability determinations and the medical consultants are responsible for all medical evaluations. It is the counselor's job to decide which of these applicants should be referred for consideration to the Department of Rehabilitation. The great majority of applicants for disability insurance are older, severely disabled persons.

For the 1971-72 fiscal year, the cost of this program is budgeted at \$7,166,923 as compared to an estimated cost of \$6,799,110 for the 1970-71 fiscal year. The department estimates that during the budget year 129,100 disability determination applications will be processed.

Claims for disability insurance benefits are filed at social security district offices. Federal claims representatives determine whether the applicants have social security insurance coverage. They also secure initial medical and vocational evidence which is forwarded to the disability determination field offices of the Department of Rehabilitation. A doctor and a disability determination counselor team adjudicates the claim. If further information is necessary to make a determination, state agency personnel initiate appropriate development. This may include additional medical examination (in 35-40 percent of the cases, special medical examinations are purchased from community physicians), contact with employers, sheltered workshop evaluations, psychological testing or interview with the applicant.

Social Welfare Disability Review

Applications for ATD are filed at county welfare offices. Social or eligibility workers obtain medical and social history and current medical reports on the applicant. This material is sent to the State Department of Social Welfare where an ATD review team evaluates the medical disability of the applicant and notifies the county of its findings. If further information is necessary to make a determination, county personnel are requested to initiate appropriate development. Authorized positions in this activity for 1971-72 include 23 medical social service consultants and 11 part-time medical consultants.

Applications for AB are processed in the same way that ATD applications are processed except that reports of eye examinations are submitted to one physician at the State Department of Social Welfare for approval. Authorized positions in this activity include 0.5 ophthalmologist and one clerk II.

Department of Rehabilitation—Continued

Under the present procedure the Departments of Social Welfare and Rehabilitation duplicated the review process for approximately 2,300 ATD and AB cases in September 1970. Governmental participation in the cost of reviewing these applications is 50 percent federal, 50 percent state for the Department of Social Welfare and 100 percent federal in the disability determination process.

It appears that the level of review involved is substantially the same between the Departments of Rehabilitation and Social Welfare.

An estimated 30 percent of the ATD and AB recipients file claims for disability insurance benefits in addition to welfare disability applications. Thus, there is a double review of their disability. There will be approximately 550 eye examinations and 8,400 disability welfare examinations monthly in 1971-72. The State Department of Social Welfare salary and wages expenditures for reviewing these applications will be \$667,916 (\$333,958 federal and \$333,958 General Fund). We assume that there could be a 30 percent reduction in staff required to process ATD and AB applications if these activities were transferred to the Department of Rehabilitation. This would result in a savings of \$200,376 (\$100,188 federal and \$100,188 General Fund) in salary and wages plus related operating expenses.

This recommendation requires legislation to change Section 13555 and 13556 of the Welfare and Institutions Code to permit the Department of Rehabilitation to complete the welfare disability reviews. In addition, it may be necessary to petition the federal government to waive the single state agency rule to implement this recommendation.

DEPARTMENTAL ADMINISTRATION PROGRAM

The purpose of this activity is to provide executive direction, planning and policy determination and office services for operation of all department programs. Organization units include the Executive Office, Management Services and Field Support Services. The budget proposes an expenditure of \$2,514,542, most of which is distributed to other programs for the 1971-72 fiscal year. This is \$69,078 above the amount estimated to be expended during the current fiscal year.

SOCIAL WELFARE**SUMMARY**

Proposed total program expenditures 1971-72 (all funds)---	\$2,212,138,489
Estimated total program expenditures 1970-71 (all funds)---	2,326,620,768
Decrease (4.9 percent) -----	114,482,277

GENERAL PROGRAM STATEMENT

For the 1971-72 fiscal year, proposed program expenditures (all funds) for support of public welfare activities total \$2,212,138,489, to be financed by General Fund appropriations, county funds, federal grants and reimbursements. The budget indicates that total expenditures for support of public welfare activities will fall \$114,482,277 below that estimated to be expended during the current fiscal year. Table 1 summarizes the department's proposed expenditures by program and source of funds.

Table 1
Total Proposed 1971-72 Welfare Expenditure Including Administrative
Cost by Category and Source of Funds
Governor's Budget

<i>Program</i>	<i>Total</i>	<i>Federal</i>	<i>General Fund</i>	<i>County</i>
State operations	\$20,809,788	\$11,918,514	\$8,891,274	--
Categorical aid	1,609,566,850	787,609,350	573,573,000	\$248,384,500
Federal aid programs	9,545,000	9,545,000	--	--
Attendant and out-of-home care	58,060,000	--	58,060,000	--
Special needs	18,788,600	--	18,788,600	--
Local administration of public assistance.....	437,949,012	283,932,759	2,200,000	151,816,253
Special social services	57,419,239	42,373,520	15,045,719	--
Total	\$2,212,138,489 *	\$1,135,379,143 *	\$676,558,593	\$400,200,753

*. Governor's Budget is in error by \$100.

Summary—Continued:

The Department of Social Welfare is charged with the following responsibilities:

- (1) To provide, within the limits of public resources, reasonable cash grant assistance to financially needy and dependent persons;
- (2) To furnish social services designed to assist financially needy persons to develop a capacity for self-support;
- (3) To provide protective social services to handicapped or deprived persons who are disabled and, in addition, to persons subject to exploitation which threatens their health, opportunity for development or capacity for independence.

Program Deficit

The budget indicates that the Department of Social Welfare proposes to undertake very substantial cost reductions during 1971-72. Specifically, the budget identifies two undetailed expenditure deletions which total \$606 million (all funds). Furthermore, our analysis of the department's caseload estimates relating to the Aid to Families with Dependent Children program and the Aid to the Needy Disabled program indicates that the budget may be understated by an additional \$133,700,000 (all funds). Thus, assuming continuation of current laws and regulations regarding cash grant assistance, and, in addition, adjusting the department's caseload estimates, public welfare activities during 1971-72 may be underbudgeted by a total of \$739,700,000 of which approximately \$268,200,000 would be borne by the General Fund. Table 2 compares the department's estimated and proposed expenditures with those which we believe to be a reasonable extension of the current level of expenditures.

ADMINISTRATION OF WELFARE IN CALIFORNIA**Recommendation**

We recommend that the Legislature require direct state administration of all categorical aid programs, county general relief programs, and certification for food stamps and Medi-Cal.

The Present Administration of Welfare in California

Currently, the administration of welfare in California is executed within a complicated organizational structure consisting of three levels of government: (1) the federal government—which establishes a framework of laws and regulations which define basic program policy; (2) state government—which is charged with the responsibility of supervising the implementation of the categorical aid and social services programs enacted by the federal government; and (3) county government—which is directed by the Welfare and Institutions Code to determine eligibility, provide assistance grants, and furnish social services designed to reduce dependency. County welfare departments established by the 58 county governments throughout California, constitute the basic administrative arm of the state's welfare system. Each of the 58 county welfare departments is headed by a director appointed by the county board of supervisors.

Table 2
Potential Public Welfare Deficit
1971-72

	<i>SDSW estimated and proposed expenditures shown in printed budget</i>	<i>Estimated expendi- tures assuming continuation of current laws and adjusting SDSW caseload estimates</i>	<i>Estimated total program deficit</i>	<i>Estimated General Fund deficit</i>
1. Actual 69-70 -----	\$1,812,868,136	\$1,812,868,136	--	--
2. Increase for 70-71 over 69-70 -----	515,272,083	515,272,083	--	--
3. Estimated 70-71 -----	2,328,140,219	2,328,140,219	--	--
4. Increase for 71-72 over 70-71 -----	508,179,916	641,879,916 ¹	\$-133,700,000 ¹	\$-48,400,000 ¹
5. Gross total estimated 71-72 -----	2,836,320,135	2,970,020,135	(-133,700,000)	(-48,400,000)
6. Minus reimbursements -----	-18,181,746	-18,181,746	--	--
7. Net total estimated 71-72 -----	2,818,138,389	2,951,838,389	--	--
8. Minus "unilateral" administrative reforms (proposed in printed budget) -----	-220,000,000	--	-220,000,000	-79,800,000
9. Minus additional legislative reforms including some administrative reforms (proposed in printed budget) -----	-386,000,000	--	-386,000,000	-140,000,000
10. Proposed net program requirements 71-72 -----	2,212,138,389	2,951,838,389	-739,700,000	-268,200,000
Total program deficit -----		\$739,700,000		
General Fund deficit -----		\$268,200,000		
County deficit -----		\$124,500,000		
Federal funds deficit -----		\$347,000,000		

¹ Based upon readjusting SDSW caseload estimates for 1971-72.

Summary—Continued

State Administration

The present administration of welfare in California has evolved into a vast, complex organization. The administration of welfare is by its very nature complicated and difficult. However, the system of welfare administration which has developed in California only exacerbates and compounds those complexities and difficulties. The present administrative system is overwhelmed by problems caused by a lack of uniformity, a breakdown of communication, and the extreme difficulty of delegating authority and assessing responsibility.

Perhaps the most fruitless, but at the same time most costly single task undertaken by the State Department of Social Welfare is its effort to adopt and interpret rules and regulations and, in addition, prepare explanatory material for 58 independent county welfare departments. The county welfare departments, in turn, expend at least an equal amount of time and effort attempting to comply with the rules, regulations and interpretations issued by the state department. Nevertheless, the desire on the part of the counties to maintain their autonomy and adequately respond to local demands often frustrates even the most concerted effort to achieve such compliance. In the end, a sufficiently uniform implementation of welfare laws and regulations throughout the state is not realized.

At one time, county administration of welfare served the purpose of helping to reconcile basic long-range program policies designed at the federal and state levels with the demands of a local citizenry. However, the passage of federal and state laws and regulations during the last 20 years has greatly diminished the degree of administrative discretion which enabled county welfare departments to serve such a purpose. Currently, aid requirements, eligibility, staffing ratios, maximum grant ceilings, work procedures and a host of other standards governing welfare administration in California are determined not by the county, but, rather, at the state and federal levels. County administration of welfare has been reduced to a point at which it functions largely in the capacity of a paymaster and bookkeeper for the federal and state governments. Very little administrative discretion remains at the disposal of either county welfare directors or county boards of supervisors.

During 1969, we undertook a survey of the state-administered welfare systems of Michigan and Illinois. Based upon that survey, we estimated that savings of approximately \$50 million in federal and county funds could result from implementation of state administration of welfare in California. The specific improvements which could be expected to occur as a consequence of state administration are as follows:

(1) Improved fiscal support and cost sharing.

County welfare expenditures are supported by recourse to the property tax. The enormous expansion of welfare caseloads during recent years has severely strained this relatively inelastic revenue source.

In addition, the present system at times has even resulted in a loss of federal funds to both the state and the counties. For example, the

federal government funds 50 percent of the welfare grants issued to public assistance recipients in California. Seven percent of the cost of such grants is funded by the counties while the remaining 43 percent is funded by the state. However, under the provisions of the National Social Security Amendment of 1962, the federal government is authorized to fund 75 percent of total program costs if sufficient social services are utilized at the level of program application. Nevertheless, because the federally required social services are treated as administrative costs to be borne solely by the counties, the county's share of total program expenditures increases from \$7 to \$25 per \$100 of services, while the state's share decreases from \$43 to zero. Thus, implementation of the 75-percent federal funding provision of the 1962 social security amendments entails increased county costs. There is, therefore, no incentive for the counties to exploit the increased federal funding participation provided for by the 1962 amendments. The resulting loss of federal funds to the state is substantial.

(2) Increased ability to assess responsibility.

The effectiveness of a large administrative organization is very much dependent upon the ease of assessing responsibility. Administrators must be able to locate the causes of program success or failure. The present structure of welfare administration in California fails in this regard. Incompetent welfare officials find it relatively easy to escape notice within the confusing maze of the existing welfare bureaucracy. On the other hand, effective welfare officials are very often frustrated in their efforts to improve procedures.

(3) Equity and uniformity.

The present system of welfare administration in California has very clearly resulted in a lack of statewide uniformity with regard to the application of laws and regulations governing public assistance programs. This has resulted in the development of program inequities which permit unequal treatment of welfare recipients. For example, the current welfare system provides for the establishment of 58 semi-independent county welfare administrations throughout the state. Recipients who find it necessary to move from one county to another invariably encounter subtle but sometimes significant changes involving program implementation. Such changes can and very often do involve the amount of cash grant issued to the recipient. The implementation of state administration would remedy this and other inequities arising as a consequence of a lack of statewide uniformity.

(4) Greater administrative efficiency.

Implementation of state administration of welfare would result in a considerable enhancement of administrative efficiency. Auditing activities, payment and bookkeeping functions, management analysis, statistical reporting, and most importantly, eligibility and grant determination procedures, would be greatly simplified. A state administered system would allow such activities to be expedited by recourse to central computer operations and consolidated administrative sup-

Summary—Continued

port. It would, of course, be necessary to continue to maintain in local offices on-the-spot funds to support emergency needs; however, all other disbursements could be made and recorded centrally. Under the current system, all expenditures, including well over one million checks issued to recipients, are made by the various administrative units and departments within the 58 counties, each of which employs differing procedures at various stages of automation.

In addition, state administration of welfare could substantially reduce the amount of paperwork by consolidating the number of forms and accounting documents required. County welfare departments often develop additional forms which require slightly different information than do state forms. Indeed, some counties have developed in excess of 500 county forms which are used in addition to the required state forms.

Finally, recipients who move from one county to another generate considerable administrative cost. The welfare staff of the county into which the recipient moves is required to develop new control documents and records. Based upon Sacramento County "transfer-in" data, we estimate that throughout the state there are in excess of 2,000 county transfers each month. Implementation of state administration would end this wasteful duplication of effort.

Integration With Pending Federal Welfare Reform Proposals

The federal government is currently, attempting to design and implement a national welfare reform program, the Family Assistance Plan (FAP). The Family Assistance Plan proposes establishment of a nationwide floor to underlie all cash grant payments, and, in addition, proposes national eligibility standards relating to both children and adult aid categories. However, perhaps the most significant feature of the bill is the thrust which it will generate toward full federal assumption of the administration of all income assistance programs. Specifically, the bill requires that income assistance programs for the working poor must be federally administered in every state. Additionally, it provides funding options to induce states to delegate to the federal government administration of all income assistance programs, including the provision of food stamps, general assistance, and determination of Title XIX eligibility.

The most formidable obstruction hindering a smooth transition in California from the current system to FAP would be the absence of state administration.

It appears inevitable to us that some form of the Family Assistance Plan will become law in the near future. In view of this, we believe that the state should undertake action immediately which would help to ease the transition to the Family Assistance Plan. Such action should clearly involve enactment of state administration of welfare in California.

DEPARTMENT OF SOCIAL WELFARE

Item 254 from the General Fund

Vol. III p. 520

Budget p. 242

Requested 1971-72	-----	\$8,891,274
Estimated 1970-71	-----	20,332,762
Actual 1969-70	-----	16,277,443
Requested decrease \$11,431,488 (56.2 percent)		
Total recommended reduction	-----	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. We withhold recommendation pending receipt of sufficient 680 information with which to analyze this budget.

2. We recommend that during the budget year the Department of Social Welfare initiate phaseout of the IBM 360/30 computer and convert the applications to its Burroughs 3500 computer.

GENERAL PROGRAM STATEMENT

The State Department of Social Welfare is charged with the responsibility of coordinating and integrating public welfare activities throughout the state. In addition, the department is also required to provide fair hearings to welfare applicants upon request and furnish specified reports to the federal government periodically.

The department administers a series of programs designed to provide categorical aid cash grant assistance and special social services to eligible recipients:

- (1) Support and Maintenance programs
- (2) Human Resources Conservation programs
- (3) Public Protection programs
- (4) Community and Local Agency Resources Improvement and Support programs
- (5) Systemwide Planning, Management and Support programs

Support and Maintenance Programs

The Support and Maintenance programs undertaken by the Department of Social Welfare are designed to enable recipients to subsist at a level compatible with an established minimum standard of health and decency. Cash grant assistance, food stamps, and certification of eligibility for Medi-Cal benefits are provided to needy adults and children.

The General Fund support of the department's administration of cash grant assistance programs is included in this item of the budget. Funds for support of categorical aid cash grant assistance are in Item 255 of the Budget Bill.

Human Resources Conservation Programs

The Human Resources Conservation programs provided by the department are designed to (1) strengthen and preserve family life, (2) improve the capacity of recipients to attain full potential for productive, independent living, and (3) furnish protective social service to those recipients who are subject to exploitation.

Department of Social Welfare—Continued
Public Protection Programs

The Public Protection programs of the department are designed to develop and implement health and safety standards for agencies and facilities providing services to children, facilities for aged persons and life-care contracts. The specific content of these programs consists primarily of licensing and inspection activities.

Community and Local Agency Resources Improvement and Support Programs

The Community and Local Agency Resources Improvement and Support programs which have been developed by the department are designed to furnish services which will enable local agencies and communities to develop the resources required to help resolve the difficulties which handicap disadvantaged citizens.

Systemwide Planning, Management and Support Programs

The Systemwide Planning, Management and Support programs developed by the department are designed to provide centralized policy formulation, administration and audit control. In addition, this program supports the activities of a research and statistics bureau and an electronic data processing bureau.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation.

The proposed appropriation from the General Fund for support by this item totals \$8,891,274. This is a decrease of \$11,431,488 from that estimated to be expended during the current fiscal year. However, this decrease is misleading. The budget proposes that funds which in prior years have been included in this item for support of the activities of the Community Services Division (CSD) be secured during 1971-72 from reimbursements, provided on contract with the Department of Mental Hygiene and the Department of Public Health.

Position Reductions

The departmental budget indicates a significant reduction of positions for support of state operations; specifically, the department proposes to transfer 85 positions, abolish 153 positions, and add 80.5 positions, for a net decrease of 157.5 positions.

Of the 85 positions proposed to be transferred, 23 are duplicating machine and storage positions which are to be transferred to the Department of General Services in order to facilitate greater consolidation and more efficient operation of the activities related to these positions. A total of 59 positions are medical assistance program positions to be transferred to the Department of Health Care Services in order to provide more direct fiscal and management accountability of the activities related to the Title XIX (Medi-Cal) program. In addition to the transfer, there is one medical assistance position proposed to be abolished. Two county merit systems bureau positions are to be transferred to the State Personnel Board and one stock clerk position is to be transferred to the Department of General Services.

Of the 80.5 proposed new positions, 7 are management services positions which are to be transferred from the department's special

social services unit which is funded from Item 259 and 20 are field audit positions which are required to support an increased workload relating to the department's field audit function. A total of 50.5 Community Services Division positions are requested to support the department's expanded program for placement of mentally retarded and mentally ill patients from state hospitals to community facilities. Three clerk positions are requested to support an increased workload relating to the department's computer services activities.

The budget deletes 152 specific positions for a saving of \$2,138,466 in salaries and wages. At the same time, the Governor's Budget on page 244, line 22, provides \$1,129,700 in salaries and wages and operating expenses for welfare reform. The budget provides no explanation of the deletions except in very vague terms. There is absolutely no explanation of the \$1,129,700 increase.

We withhold recommendation on this item since the Governor's Budget and the Budget Supplement provide no information which explains the deletion or additions. In addition, when we requested justification material, we were informed by the department it would be supplied at some later date. We have never received it.

Computer Services

We recommend that the Department of Social Welfare begin phase-out during 1971-72 of the IBM 360/30 computer and convert the applications to the Burroughs 3500 computer.

Electronic Data Processing (EDP) supports the department's cash grants programs as well as its fiscal, administrative, research and statistical units. The proposed EDP budget for fiscal year 1971-72 is \$846,352, an increase of 2 percent over the current year estimated expenditures. In addition, the department expects to provide \$496,682 in EDP services to the Department of Health Care Services during the budget year.

The most significant proposed increase for the budget year is in the area of software support. The department proposes to procure a file management program, a program to report computer utilization and other required program products for a total cost of \$49,000. This cost is partially offset by a \$35,000 decrease in program development and conversion costs not being continued next year.

Two Computer Systems Now Installed

The department recently acquired a Burroughs 3500 computer for the implementation of a fiscal and personnel management information system (FPMIS). As part of the acquisition contract, the department was successful in acquiring the assistance of vendor personnel to help design and implement this system. The Burroughs 3500 computer was installed because the department determined this equipment to be a more powerful and flexible machine than either the IBM 360/30 or 360/20. Following purchase of the Burroughs 3500, the IBM 360/20 was released; however, we find that there is considerable unused time on the Burroughs system because FPMIS is not fully implemented.

The department is continuing to utilize the state-owned IBM 360/30 for all of their other EDP services as well as the service provided to the Department of Health Care Services.

Department of Social Welfare—Continued

We understand that the department is not making plans to release the IBM 360/30, even though the Burroughs 3500 computer is capable of processing all the work of the department and its customers at a greater level of efficiency and economy than is now being achieved with existing equipment. In our judgment, with an initial investment of from \$40,000 to \$50,000 (one-third of the annual operating costs of the IBM 360/30) to convert the IBM programs to Burroughs COBOL, and the addition of certain peripheral devices (tape drives, discs, etc.), a potential savings of \$50,000 may be possible. This change should also increase the overall effectiveness of the facility by increasing the volume of work produced, thereby reducing the unit cost of jobs.

We are recommending, therefore, that the Department of Social Welfare take the necessary steps during fiscal year 1971-72 to phase out the IBM 360/30 computer and convert the applications to the Burroughs 3500 computer. We do not anticipate that savings will accrue during 1971-72, due to conversion costs, but expect direct savings in subsequent years.

Department of Social Welfare

CATEGORICAL AID ASSISTANCE

Item 255 from the General Fund

Vol. III p. 560

Budget p. 242

Requested 1971-72	\$573,573,000
Estimated 1970-71	654,036,500
Actual 1969-70	519,549,288
Requested decrease \$80,463,500 (12.3 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. We withhold recommendation with regard to this item pending receipt of proposed legislation and accurate caseload data.

GENERAL PROGRAM STATEMENT

The Welfare and Institutions Code requires the provision of prompt, humane, nondiscriminatory services and cash grant assistance to qualified applicants for public welfare. Public assistance programs in California furnish:

(1) Cash grant assistance to supplement the resources of needy persons, thereby enabling them to secure the necessities of life; and

(2) Those social and medical services required to promote their physical and social well-being, thereby enabling them, to the fullest extent possible, to remain active members of the community.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation pending receipt of proposed legislation and accurate caseload data.

The budget proposes an appropriation of \$573,573,000 for support of categorical aid assistance during 1971-72. This is a decrease of \$80,463,500 or 12.3 percent below that estimated to be expended during the current fiscal year. This decrease reflects proposed reforms to be undertaken by the department during the current and budget years to effect General Fund cost reductions for 1971-72 totaling \$219,800,000 (\$606 million all funds). Moreover, our analysis of the department's caseload estimates relating to the Aid to Families with Dependent Children program and the Aid to the Needy Disabled program indicates that the proposed expenditures for support of categorical assistance during 1971-72 may be understated by an additional \$48,400,000 General Fund (\$133,700,000 all funds). Therefore, assuming continuation of current laws and regulations regarding public welfare, and, in addition, adjusting the department's caseload estimates the proposed 1971-72 General Fund allocation to the categorical aid item may be underbudgeted by a total of \$268,200,000. Table 1 depicts the estimated potential General Fund deficit relating to the department's proposed 1971-72 support for categorical aid assistance.

Table 4
Estimated Potential General Fund Deficit
Relating to Categorical Aid During 1971-72

(1) Estimated required support for categorical aid for fiscal year 1971-72 assuming continuation of current laws and regulations relating to public welfare-----	\$841,773,000
(2) "Unilateral" administrative reforms -----	\$79,800,000
(3) Additional legislative reforms -----	140,000,000
(4) Caseload inaccuracies (combining AFDC understatement and ATD overstatement)-----	48,400,000
Estimated potential General Fund deficit-----	268,200,000
(5) Proposed support for Categorical Aid during 1971-72, Governor's	
Budget -----	\$573,573,000

SUMMARY OF POTENTIAL CATEGORICAL AID DEFICIT

"Unilateral" Administrative Reforms (\$—79,800,000)

The budget identifies, by way of a footnote, approximately \$79,800,000 from the General Fund (\$220,000,000 all funds) which the department proposes to delete during 1971-72 as a result of administrative reforms initiated during 1970-71. No detailed information has been provided to enable us to analyze (1) the feasibility of these reforms, (2) the program implications of these reforms, (3) the impact upon the county property tax, and (4) whether or not these reforms, if feasible and not potentially damaging to the overall welfare activities of the state, will be able to render a General Fund savings of the magnitude of \$79,800,000 (\$220,000,000 all funds).

Legislative Reforms (\$—140,000,000)

In addition to proposing deletion of \$79,800,000 as a result of implementing unilateral administrative reforms, the budget proposes further General Fund reductions totaling \$140,000,000 (\$386,000,000 all funds) as a result of enacting legislative reforms. As in the case of the proposed \$79,800,000 General Fund deletion, no information

Categorical Aid Assistance—Continued

whatever has been provided to permit an analysis of the feasibility, the impact upon counties, the program implications, or the reliability of the savings estimates relating to these unidentified legislative reforms.

Inaccuracy of the Department's AFDC Caseload Estimates (\$—61,300,000)

Beginning in 1959, the United States entered a period of sustained economic expansion and inflation. The economic thrust generated during this period remained unabated until the end of 1969. Between 1959 and 1969, the gross national product expanded from \$484 billion to \$932 billion; the unemployment rate declined from 5.5 percent to 3.5 percent; approximately 13 million new jobs were created, enlarging employment by 20 percent compared with a growth in population of 14.3 percent.

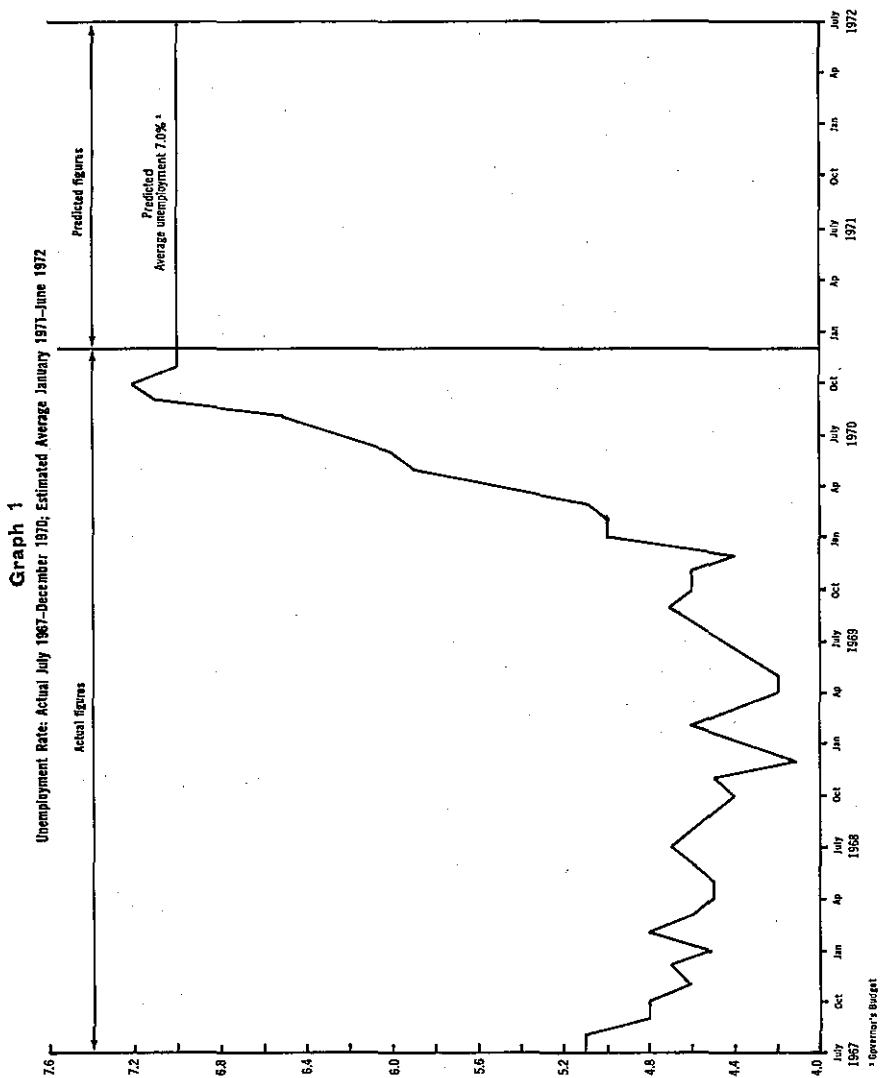
Nevertheless, during this period all welfare categorical aid caseloads throughout the nation, including California, steadily increased. Table 2 depicts California's monthly average caseload for the years 1960-61 to 1968-69.

Table 2
California Recipient and Medi-Cal Population
1960-61 to 1968-69
(all categorical aid programs)

Fiscal year	1960-61 F.Y. to 1968-69 F.Y.		
	Total recipients (monthly average)	Percent increase over prior year	Recipient percent of total population
1960-61	601,952	--	3.8%
1961-62	638,626	6.1%	3.9%
1962-63	743,168	16.4%	4.4%
1963-64	831,626	11.9%	4.8%
1964-65	944,524	13.6%	5.3%
1965-66	1,141,863	20.9%	6.2%
1966-67	1,298,194	13.7%	6.9%
1967-68	1,475,662	13.7%	7.8%
1968-69	1,643,600	11.4%	8.5%

It should be noted that not only did California's monthly average caseload increase in absolute terms during this period, but, in addition, it increased as a percentage of the total population. This reflects that (1) there existed during this period a hard core of poor who did not possess sufficient work skills to enable them to exploit even a rapidly expanding labor market, and (2) the Congress and the Legislature enacted laws during this period which broadened eligibility requirements adding many thousands to the welfare rolls, e.g., the AFDC-Unemployed parent segment.

During the second quarter of the 1969-70 fiscal year, conditions affecting the labor market began to deteriorate rapidly. The seasonally adjusted rate of unemployment climbed from 4.4 percent in December of 1969 to a high of 7.2 percent in October of 1970. Currently, the seasonally adjusted rate of unemployment is at 7 percent (December 1970). Moreover, the Department of Finance has estimated that the average rate of unemployment for the budget year, 1971-72, will not fall below the current 7-percent rate. Graph # 1 depicts the actual



Categorical Aid Assistance—Continued

rate of unemployment from July of 1967 to December of 1970 and the average rate of unemployment from January of 1971 to July 1972 as predicted by the Department of Finance.

Aid to Families with Dependent Children—Unemployed Parent Caseload Estimates

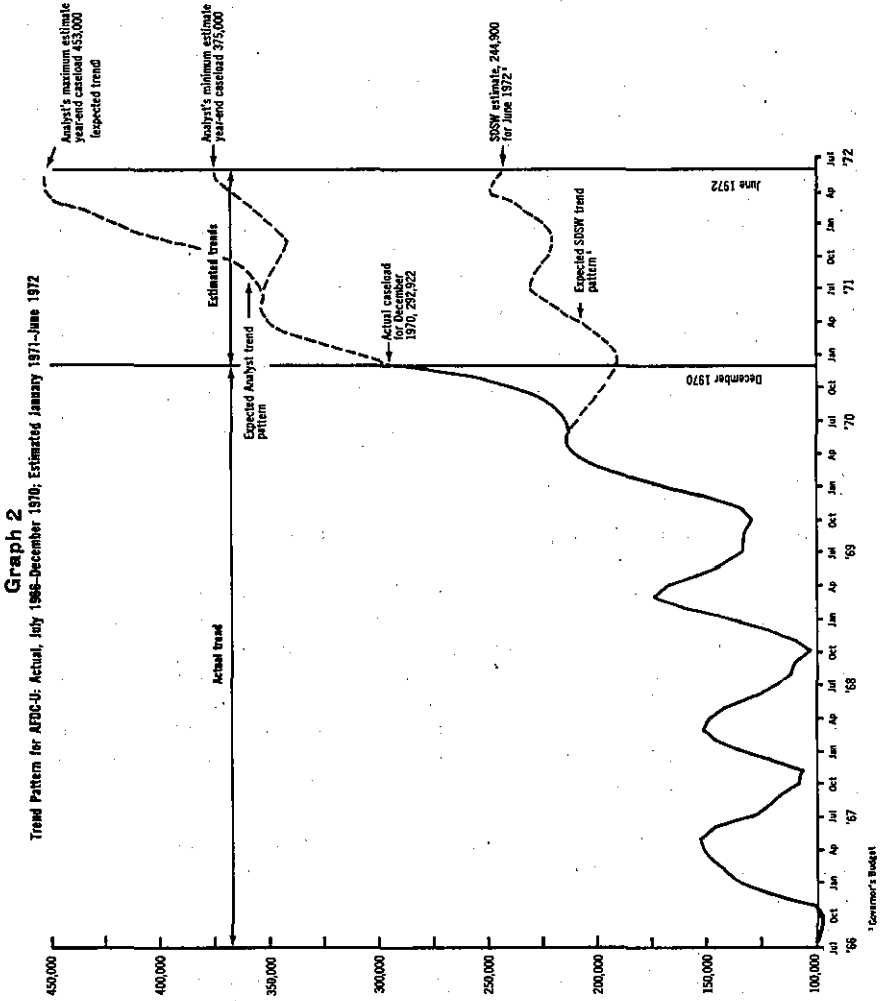
As the labor market began to contract during the fall and winter of 1969, the already significantly expanding welfare caseloads in California began to accelerate even more rapidly. The AFDC-U (Aid to Families with Dependent Children—Unemployed Parent) caseload, in particular, reflected the impact of the declining economy. Normally, the AFDC-U caseload traces a cyclical pattern throughout the course of a fiscal year, peaking during March and April of each year and declining steadily thereafter until October and November at which point a gradual increase in caseload is resumed. However, during 1970-71, for the first time in the history of the AFDC-U program, the caseload did not peak during March and April. Rather, it held steady from April to June and, then, resumed an upward climb through the summer of 1970. Graph #2 depicts the trend pattern for the AFDC-U program from July of 1966 to December 1970. In addition, it compares our estimated trend through June of 1972 with the trend estimated by the department. It is quite clear that this break from the past pattern is directly related to the steadily increasing rate of unemployment which has prevailed throughout California since the fall and winter of 1969.

It is evident that the Department of Social Welfare did not anticipate the possibility that the AFDC-U caseload would not peak during the spring of 1970. Consequently, the department's year-end and average monthly caseload estimates for 1970-71 are considerably below what we believe to be reasonably accurate. The caseload estimates presented in the budget for the 1970-71 and 1971-72 fiscal years are based upon estimates made in August 1970 rather than December 1970. Why there was no updating of the August estimates (which are based on May 1970 latest actual data) is not explained.

As a result of underestimating the 1970-71 caseload, the department we believe, has very seriously underestimated the caseload for 1971-72. Table 3 compares the department's AFDC-U year-end average monthly caseload estimates for 1970-71 and 1971-72 with those which we have developed.

Table 3
Comparison of State Department of Social Welfare and Legislative Analyst
Estimates for the AFDC-U Year-End and Average Monthly
Caseload, 1970-71 and 1971-72

Fiscal year	Year-end caseload estimate		Average monthly estimate	
	SDSW estimate	Analyst estimate	SDSW estimate	Analyst estimate
1970-71	232,000	353,000	228,900	291,000
1971-72	244,900	453,000	233,800	407,000



Categorical Aid Assistance—Continued

It is to be noted from Graph #2 that, unlike the Department of Social Welfare, we do not anticipate that the AFDC-U trend will revert to its more normal cyclical pattern during the 1971-72 fiscal year. Rather, we expect that the 1971-72 AFDC-U caseload trend pattern will correspond closely to the 1970-71 pattern; specifically, that most likely it will not peak during March and April of 1971 but will, instead, hold steady during March, April and June and then continue its upward climb throughout the summer. This expectation is based upon our belief that this more anomalous trend pattern is "normal" during periods characterized by poor labor market conditions. (See Graph 1 which depicts the high 7 percent unemployment rate estimated for the 1971-72 fiscal year.) If our maximum estimate regarding the 1971-72 AFDC-U caseload is accurate, the Department of Social Welfare has underbudgeted the AFDC-U program by approximately \$102,800,000 total program dollars and \$41,200,000 General Fund dollars. However, our estimate of the 1971-72 AFDC-U caseload must remain somewhat tentative until at least April or May of the current fiscal year. At that time, sufficient data should be available to either confirm or adjust our estimate. Nevertheless, we do believe that sufficient data are available at this point to enable us to conclude that the actual AFDC-U average monthly caseload for 1971-72 will be considerably in excess of the 233,800 persons estimated by the Department of Social Welfare.

Aid to Families with Dependent Children—Family Group
Caseload Estimates

We anticipate that because of the contracting labor market throughout California, the AFDC-FG caseload, like the AFDC-U caseload, will also enlarge more rapidly during 1971-72 than might otherwise be expected. This estimate assumes that there exists a correlation between the AFDC-FG caseload and the rate of unemployment. Although the AFDC-FG caseload has increased during periods of high employment there is clear evidence that the caseload has increased at an accelerated rate during periods of high unemployment. Based upon an analysis of caseload increases reported by various welfare district offices in the County of Los Angeles, it can be clearly seen that there does exist a direct correlation between the AFDC-FG caseload and a *contracting* labor market.

The County of Los Angeles reports that significant AFDC-U caseload increases occurred in several of its middle class, suburban communities during the one-year period from November 1969 to November 1970. These communities are largely those in which airframe and aerospace industries are located. The AFDC-U caseload increases which have occurred in these communities, therefore, can be directly related to the large layoffs which have taken place in those industries. The fact that the AFDC-U caseload has increased in these communities should not be surprising. No one seriously questions the relationship between high unemployment and increases in the AFDC-U caseload.

However, what has proved to be surprising to many is the fact that in these same communities very substantial above average caseload increases have occurred also in the AFDC-FG program. For example, among the four communities in the County of Los Angeles in which welfare department district offices reported the largest percentage AFDC-U caseload increases are the middle class, suburban communities of Inglewood, Long Beach, and Glendale-Burbank. These same communities, in addition to reporting high percentage AFDC-U caseload increases, were also among the six communities reporting the highest percentage increases in the AFDC-FG caseload. Indeed, the Inglewood and the Glendale-Burbank district offices reported the second and third highest percentage increases respectively in the county. It is reasonable to conclude from this that the factor underlying acceleration of the AFDC-U caseload increase in these communities, unemployment, is the same factor underlying the recent acceleration of the AFDC-FG caseload increases in these communities. This is particularly apparent since the south central and central Los Angeles areas report caseload increases which are less than half the county average.

In summary we anticipate that the poor labor market conditions which are expected to prevail during 1971-72 will bear a significant impact upon the rate of the AFDC-FG caseload expansion. Table 4 compares our estimates of the AFDC-FG caseload with those prepared by SDSW.

Table 4
Comparison of State Department of Social Welfare and Legislative Analyst
Estimates for the AFDC-FG Year-End and Average
Monthly Caseload, 1970-71 and 1971-72

<i>Fiscal year</i>	<i>Year-end caseload estimate</i>		<i>Average monthly caseload estimate</i>	
	<i>SDSW estimate</i>	<i>Analyst estimate</i>	<i>SDSW estimate</i>	<i>Analyst estimate</i>
1970-71-----	1,341,300	1,370,000	1,232,000	1,246,000
1971-72-----	1,588,900	1,712,000	1,475,000	1,557,000

Table 4 indicates that we anticipate that the average monthly AFDC-FG caseload for 1971-72 will exceed by 82,000 persons the estimate developed by the Department of Social Welfare. Based upon this, we believe that the proposed 1971-72 expenditure relating to the AFDC-FG program is underbudgeted by \$60,400,000 total program dollars and \$20,100,000 General Fund dollars.

**Innaccuracy of the Department's Aid to the Total Disabled Program
Caseload Estimate (Plus \$12,900,000)**

The departmental budget indicates an anticipated 1970-71 average monthly ATD caseload of 211,875 persons and a 1971-72 average monthly caseload of 247,400 cases. Based upon data contained in the department's publication "Public Welfare in California," we have estimated that the average monthly caseload for the current and budget years will not exceed 186,800 and 214,800 persons respectively. In discussions with the department with regard to these estimates, we have been told that the departmental estimates differ from the ones which we have projected because in addition to including actual cash grant

Categorical Aid Assistance—Continued

recipients the departmental estimates also include (1) persons approved for aid during a report month who will receive an initial grant dated the following month, (2) persons who have secured authorization to receive aid but who have been discontinued during the report month, and (3) persons who received a zero grant in order to adjust for an overpayment during the preceding month. However, we estimate that an appropriate adjustment of our estimates to include such persons will result in only an additional 14,000 average monthly cases for 1970-71, increasing our average monthly ATD caseload estimate from 186,000 to 200,000 for the current year. Assuming a 14.5 percent rate of expansion during the budget year, our average monthly caseload for 1971-72 would be 229,000, still considerably below that estimated by the department, 247,400. Consequently, we believe that support for the ATD program is overbudgeted for 1971-72 by approximately \$12.9 million General Fund and \$29.5 million total program dollars.

REORGANIZATION OF INCOME MAINTENANCE PROGRAMS**CHILDREN'S PROGRAMS**

The Aid to Families with Dependent Children (AFDC) program is a public assistance program designed for needy children up to 21 years of age. Children between 18 and 21 years of age are eligible for aid only if in need and attending school or a training program regularly, or are employed and are contributing to the family. The AFDC program consists of three basic elements: The first element is designed to provide aid to dependent children who are in need of cash grant assistance and who are deprived of parental support and care because of death, continued absence from the home, or incapacity of one or both parents. This element is titled AFDC-FG (Family Group) assistance. The second element is designed to provide aid to children who are in need of cash grant assistance and who are deprived of parental support and care because of unemployment of one or both parents. This element is titled AFDC-U (Unemployed) assistance. The third element is designed to provide aid to needy children living outside of their own home. These are children living in 24-hour foster care homes.

In general, the eligibility requirements relating to the AFDC program are: (1) the family's income or resources is insufficient to fund basic needs and (2) the family does not own real property in excess of \$5,000 of assessed value or personal property valued in excess of \$600.

AFDC grants are made to families in which a member of the family is employed only under the following specific circumstances.

- (1) The employed member is employed less than three-fourths time.
- (2) The employed member is a stepfather, since the legal responsibility for support of an AFDC minor child is that of the natural parent or parents.
- (3) The employed member is the mother of a family in which the father is absent.
- (4) The employed member is the father of a family in which the mother is absent.

Aid to Families with Dependent Children—Financial Characteristics Survey

In a report prepared by our office dated January 11, 1971, entitled "Aid to Families with Dependent Children—Financial Characteristics Survey" we make several recommendations suggesting ways of reducing costs in the AFDC program. We are presenting here only the recommendations and estimated savings which can be identified.

The material which resulted in the recommendations is included in the report.

I. Earned Income Exemptions—Work Incentive Exemption

We recommend that the Legislature: adopt a resolution requesting the Congress of the United States to (a) abolish the present earned income exemption provisions of the Social Security Act; (b) amend the Social Security Act to permit earned income exemptions to augment total gross income (grant plus earned income) up to but in no case in excess of one-third more than the Standard of Assistance; and (c) amend the Social Security Act to render ineligible for public assistance all persons whose total gross earned income exceeds one-third more than the Standard of Assistance.

We estimate that a total savings of \$83,500,000 will result from implementation of our recommendation. Our estimate of these savings has been based upon a recomputation of the grants paid to the earned income cases included in our sample. The recomputation assumes, in addition to implementation of our recommendations, elimination of the Maximum Participating Base. Savings to the state alone should be approximately \$29,200,000. Savings to all levels of government, state, county and federal, should be as follows:

(a) State	\$29,200,000
(b) County	14,000,000
(c) Federal	40,300,000
Total	\$83,500,000

II. Earned Income Exemptions—Work Related Expenses

In lieu of an amendment of the Social Security Act by the Congress limiting the present earned income exemptions it is recommended that the Welfare and Institutions Code be amended to establish an absolute ceiling of \$125 upon all work related expense exemptions.

We estimate that a total statewide savings of \$23,600,000 will result from implementation of this recommendation. Savings to the state government alone should be approximately \$8,200,000. Savings to all levels of government, state, county and federal should be as follows:

(a) State	\$8,200,000
(b) County	4,000,000
(c) Federal	11,400,000
Total	\$23,600,000

Continued study of this problem is warranted, and a more extensive analysis may perhaps indicate that the ceiling which we have recommended, \$125, should be decreased even further.

The savings projected above would be preempted if Congress amended the Social Security Act limiting the present earned income

Childrens' Programs—Continued

exemptions proposed in the previous recommendation. The savings presented here would be a portion of the savings projected in that recommendation.

III. Family Responsibility—Natural Parent Responsibility

Amend the state and county regulations to conform with Section 206 of the Civil Code and Section 17300 of the Welfare and Institutions Code. These statutes clearly enunciate the principle that a parent is responsible for funding the needs of a minor child until that child reaches majority. The SDSW regulations do not incorporate this concept of parental responsibility with regard to minor mothers applying for AFDC, minors applying for general assistance, or minors applying for Medi-Cal.

Similarly, a recommendation should be made to the federal government requesting that it also amend the eligibility criteria for the Food Stamp Program to incorporate the concept of parental responsibility.

IV. Family Responsibility—Stepfather Cases

California Codes should be amended to provide that a stepfather be required to support stepchildren to the same extent as a natural father. Such amendments must conform with a recent Supreme Court decision declaring invalid current state statutes relating to stepfathers.

V. Family Responsibility—Unborn Children

We recommend that legislation be enacted providing that only needy children between birth and 21 years of age receive public assistance.

At the present time mothers of unborn children are eligible to receive an AFDC grant, Medi-Cal benefits and food stamps upon verification of pregnancy.

Savings resulting from the reduction in grants because of this recommendation depend upon pending court litigation and Department of Health, Education and Welfare action regarding California's Maximum State Participation Base (MPB), as well as our recommendation to eliminate the MPB. Assuming that MPB is eliminated, this recommendation should result in savings for all levels of government, state, county and federal as follows:

State -----	\$8,900,000
County -----	4,300,000
Federal -----	13,200,000
Total -----	\$26,400,000

VI. Shared Housing

We recommend that the State Department of Social Welfare plan for the reduction of grants in combined welfare cases and in cases in which the AFDC family is sharing housing with others.

Presently, AFDC families living with grandparents and others are established as separate independent household units. The only consideration in the public assistance budget computation for AFDC families living in shared housing arrangements is for the housing cost itself. There is no consideration of shared expenses for food, transportation and child care in those cases in which others are living in the household.

Family Planning Services

We recommend that complete family planning services be made available to all AFDC recipients at local welfare offices. We further recommend that these services be supported by federal funds.

Among California women of childbearing age with family incomes of below \$5,000 per year, there are approximately 800,000 women who want and need family planning services. Only 160,000 of these women receive such services. An estimated 200,000 women of childbearing age receive grants under the AFDC program. However the Medi-Cal program for which AFDC recipients are eligible provided family planning services to only 23,258 of these women in 1969.

History

Family planning services were not included in the state program for public health until December 2, 1966, at which time the State Board of Health amended the California Administrative Code to require the inclusion of family planning services in local health department programs. (Local health departments which did not provide such services were no longer eligible for state assistance.) In December 1967, the State Department of Social Welfare authorized social workers in county welfare departments to provide recipients access to birth control information and counsel, if desired by the recipients. (Previously social workers were not allowed to even discuss the subject with recipients.)

Current Resources and Services

At present, all county health departments provide information and referral services for those interested in family planning. In addition, some local health departments have established family planning clinics. There are also private family planning clinics which furnish limited free services. A statewide directory, organized by county and containing all public and private family planning services, will be published by the State Department of Public Health during the current year. Finally, county welfare offices provide interested recipients with information regarding available family planning services.

Federal Funds

Federal funds for family planning services are available under several categories of funding. In fiscal year 1970-71, various private and public California agencies received \$5,425,732 in federal funds to support family planning projects. As a result of 1970 federal legislation, there will be a substantial increase in funds available for family planning services in fiscal year 1971-72.

Unmet Need

Despite the current efforts to provide family planning services, the unmet need is still very great. A 1968 study, undertaken by Planned Parenthood-World Population, revealed that 10 percent of the counties in the United States (313 counties) contain 50 percent of the unmet

Childrens' Programs—Continued

need for subsidized family planning services in the United States. In these counties, 80 percent of the indigent women in need of family planning are not being served. Twenty-one of California's 58 counties were included in this group of counties with severe unmet needs.

District of Columbia Study

Recently the District of Columbia's Department of Public Health completed a study which revealed that making family planning services readily available to low-income women was possibly the single most important factor responsible for making family planning services effective. The two-year study in which a group of low-income mothers were provided birth control information and contraceptives soon after delivery of a child along with followup care indicated a 43 percent decrease in the number of expected pregnancies.

We are recommending that complete family planning services be made available to all AFDC recipients at local welfare offices. We are further recommending that these services be supported by federal funds. All of the women served by the AFDC program are among the group of low-income women in need of convenient and easily accessible family planning services. The same Medi-Cal records which revealed that only 23,000 of the 475,000 women served by Medi-Cal received family planning services point up the fact that these women are not currently being adequately served. If the state is to provide services to the 80 percent of indigent women who have unmet family planning needs, it must do so in a manner which will accommodate to the daily living patterns of these women. Welfare offices, we believe, most readily serve such an end: (1) they are conveniently located, (2) easily accessible by public transportation, and (3) familiar to welfare recipients. In addition, the supportive services of social workers and community aides, which are often so essential to facilitate effective use of family planning services, are easily available at welfare offices.

The Department of Public Health has published very thorough standards and guides for the establishment of family planning clinics. Through its Maternal and Child Health element, the department provides assistance to interested parties regarding the establishment and maintenance of family planning clinics.

Federal funds for establishment and support of welfare family planning services are available under Title 4a of the Social Security Act. These funds are specifically designated for support of family planning information, services, and supplies. In addition the funds may be used to provide contraceptives as well as babysitting and transportation to clinics for participating mothers. Currently, the program is supported on a matching basis, 75 percent federal and 25 percent state funds. However, in the current year, federal legislation is expected to pass which will provide funds for 100 percent federal support of the family planning program conducted by welfare departments.

REORGANIZATION OF INCOME MAINTENANCE PROGRAMS**ADULT PROGRAMS**

(1) *We recommend that the Legislature amend the Welfare and Institutions Code to require the establishment of a single adult aid program based upon a single standard of assistance.*

(2) *We recommend that adults eligible to secure aid under the provisions of this program be required to reaffirm their eligibility only once every three years.*

(3) *We recommend that the provision of social services to adult aid recipients be made strictly voluntary.*

Currently, the provision of public assistance to needy adults is organized within three independent programs:

(1) Old Age Security program—is designed to furnish aid to needy persons 65 years of age or older. Eligibility standards preclude the ownership of real property, other than a home, in excess of \$5,000 of assessed value. In addition, liquid assets must not exceed \$1,200 (\$2,000 for married couples). Eligible persons are entitled to a minimum income (public assistance grant plus outside income) of \$136; maximum income is not permitted to exceed \$201.

(2) Aid to the Needy Disabled program—is designed to furnish social services and cash grant assistance to permanently and totally disabled persons between 18 and 64 years of age. Eligibility requirements relating to real and liquid assets coincide with those established for the Old Age Security program. In addition, however, persons applying for assistance under the provisions governing the Aid to the Needy Disabled program must be examined by a team of physicians. Eligible persons are entitled to a minimum income (public assistance grant plus outside income) of \$109. The current maximum grant, \$128 per month, is based upon a statewide grant average for the 1970-71 fiscal year.

(3) Aid to the Blind program—is a program designed to provide assistance to needy persons who are either without sight or who are suffering from severely impaired sight. The eligibility requirements permit assistance to be rendered only to persons who are over 16 years of age. In addition, the degree of sight impairment must be verified by an eye examination. Eligibility requirements relating to real and personal property coincide with those of the two other adult aid programs. Eligible persons are entitled to a minimum income (public assistance grant plus outside income) of \$159. Maximum total income is not permitted to exceed \$209.

Consolidation of the existing adult aid programs has occurred in many other states. Eighteen states, including New York and Illinois, have implemented a combined Aid to the Aged, Blind and Disabled program. A persuasive rationale, we believe, underlies the establishment of a single public assistance program designed to serve needy disabled adults.

Stable Clientele: The clientele served by such program would consist of needy adults who, by nature of their age or physical state, are

Adult Programs—Continued

quite likely to require the provision of public assistance for the remainder of their lives. In short, the focus of the program would be centered upon the semipermanent nature of the clientele.

Program Reorientation: Consolidation of the existing adult aid programs and establishment of a single standard of assistance should help to reorient the provision of services and cash grant assistance to needy adults on the basis of the existence of an incapacitating disability, whatever its source or nature, rather than the *nature* of the disability itself, e.g. blindness, old age, mental retardation, etc. The nature or source of an incapacitating disability is, we believe, clearly secondary to and of far less consequence than the fact that the disability, whatever its nature, exists and is incapacitating. We continue to believe that it is reasonable to require that in addition to demonstrating need, the provision of public assistance to adults should be made contingent upon the existence of a permanently incapacitating disability. However, there appears to be no logic underlying current law requiring a further determination as to the nature of the disability.

Establishment of uniform eligibility criteria relating to a single adult aid program would result in substantial savings of administrative expenditures at the operational level. Unfortunately, however, this state is precluded from unilaterally establishing a single criterion of eligibility: Establishment of such a criterion would require amendment of the federal Social Security Act. Nevertheless, implementation of our recommendation, while not establishing a single criterion of eligibility, would certainly mitigate the effects of the present multicriteria base for establishing eligibility for aid.

Equity. Each of the adult aid programs has developed separately; consequently, the need standards and the maximum, minimum and average grant levels for the three programs do not coincide. As a result, persons of equal needs are not always granted equal levels of services and cash grant assistance. Table 5 depicts the need standards relating to the Aid to the Blind, Aid to the Needy Disabled, and Old Age Security programs:

Table 5 indicates that the minimum need allowance of recipients of the Aid to the Blind program is \$50 in excess of the minimum need allowance of recipients of the Aid to the Needy Disabled program and \$23 in excess of the minimum need allowance of recipients of the Old Age Security program. Those advocating retention of these differentials suggest that AB recipients are more "needy" than the aged, and that, likewise, the aged are more "needy" than the disabled. However, it is difficult to discern the logic underlying such a judgment. In many respects, a crippled adult restricted to a wheel chair or a mentally retarded adult is more needy than many of the recipients of either of the two other programs. It appears clear to us that the minimum need standards relating to the three adult aid programs incorporate unfounded biases which favor recipients of the blind program and to a lesser extent recipients of the Old Age Security program. We propose the establishment of a single standard of assistance which reflects equal assessment of costs for housing, utilities, food, transportation,

Table 5
Need Standards
Aid to the Blind, Aid to the Needy Disabled, Old Age Security
Need allowance by program

Item	Aid to the blind		Aid to the needy disabled		Old age security	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Minimum needs common to every adult aid recipient -----	\$92	\$92	\$92	\$92	\$92	\$92
Minimum needs related to age, blindness or disability -----	30	30	11	11	17	17
Cost of living increase -----	7	7	6	6	6	6
Minimum housing need -----	30	63	--	63	21	63
Total Need -----	\$159	\$192	\$109	\$172	\$136	\$178

recreation and all other activities required for basic normal subsistence. The standard should not incorporate any provision which embodies a before-the-fact assessment of differential needs among recipients.

Integration With Pending Federal Welfare Reform Proposals: The federal government is currently attempting to design and implement a federal welfare reform program (the Family Assistance Plan, H.R. 16311, 1970 session). Title II, Section 1603 of H.R. 16311, proposes implementation of policy changes which will result in consolidation of the adult aid programs. We believe that consolidation of the three adult aid programs at the state level will better prepare California to facilitate a relatively smooth integration of its public assistance programs with the pending federal legislation.

Eligibility Reaffirmation

Needy adults who establish their eligibility for services and cash grant assistance provided by the single adult aid program which we have proposed should be required to reaffirm their eligibility only once every three years. The relative stability which distinguishes the need and disability characteristics of the persons who would comprise the clientele of this program should permit this procedural change. The consequent reduction of administrative costs relating to eligibility reaffirmation should be substantial.

Social Services

In addition, the provision of social services to adult aid recipients should be made voluntary. The rationale underlying passage of the 1956 and 1962 "social services" amendments of the Social Security Act embodied the assumption that professional social work manpower would be capable of stemming the rising tide of public assistance case-loads and expenditures. Such an assumption, while perhaps partially valid with respect to children's programs, is certainly not very persuasive with respect to adult aid recipients. The likelihood of social serv-

Adult Programs—Continued

ices effecting a significant decline in the rate of expansion for the adult aid programs is negligible. We do not propose that *availability* of social services to adult aid recipients be terminated; rather, we propose only that the provision of such services no longer be made mandatory.

Finally, the Department of Social Welfare should be charged with the responsibility of administering the single adult aid program which we have proposed. We do not believe that any of the savings resulting from consolidation of the existing adult aid programs could be realized in the absence of requiring state administration. Establishment of a single adult aid program is contingent, therefore, upon implementation of our first recommendation proposing state administration of welfare.

Department of Social Welfare

ATTENDANT AND OUT-OF-HOME CARE

Item 256 from the General Fund Vol. III p. 561 Budget p. 244

Requested 1971-72	\$58,060,000
Estimated 1970-71	48,444,100
Actual 1969-70	42,039,300
Requested increase \$9,615,900 (19.8 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The funds proposed in this item, are for support of three major program elements:

(1) Attendant and Homemaker Services: Attendant and homemaker services are designed to assist infirm recipients to remain in their own homes, thereby avoiding institutionalization. The services consist primarily of housekeeping and personal care services. State law requires gradual conversion from the existing attendant care program to homemaker services. This conversion will permit utilization of a more favorable federal funding ratio. Regulations require all counties to convert to homemaker services by December 31, 1972.

(2) Out-of-Home Care: Out-of-home care consists of a protective living arrangement apart from the recipient's own home. The services provided include board, room, personal care, and designated supplementary services related to the recipient's individual needs.

(3) Intermediate Care: Intermediate care consists of a protective living arrangement which, in addition to providing board, room and personal care, includes the provision of health-related services designed to prevent physical deterioration and restore, to the greatest extent possible, full health. The level of nursing care furnished by intermediate care facilities is less than that provided by skilled nursing homes. The intermediate care program was established during the cur-

rent fiscal year in cooperation with the State Department of Health Care Services and the State Department of Public Health. The vendor payments for board, room and personal care and supervision are categorical aid payments funded by the department. However, by contract the actual payments are furnished by the Department of Health Care Services.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes a total General Fund appropriation of \$58,060,000 for support of attendant, out-of-home and intermediate care services. This is an increase of \$9,615,900 or 19.8 percent in excess of that estimated to be expended during the current fiscal year. \$7,606,500 of this increase reflects the newly established intermediate care program. These funds were secured from savings estimated to accrue to the skilled nursing services program as a result of establishment of intermediate care. (Funds for support of skilled nursing services are appropriated to the Department of Health Care Services.) Table 1 depicts the attendant, out-of-home, and intermediate care costs estimated for 1970-71 and 1971-72:

Table 1
Attendant, Out-of-home, and Intermediate Care Cost to the
General Fund by Fiscal Year

Type of service	1970-71	1971-72
Attendant care -----	\$24,465,700	\$20,475,500
Out-of-home care -----	23,978,400	29,978,000
Intermediate care -----	--	7,606,500
Total -----	\$48,444,100	\$58,060,000

Department of Social Welfare

SPECIAL NEEDS

Item 257 from the General Fund Vol. III p. 560 Budget p. 244

Requested 1971-72 -----	\$18,788,600
Estimated 1970-71 -----	20,693,700
Actual 1969-70 -----	19,940,811
Requested decrease \$1,905,100 (9.2 percent)	
Total recommended reduction -----	None

GENERAL PROGRAM STATEMENT

Special need items consist of those items which are not commonly required by all recipients. The need for such items are most often related to physical infirmities or other conditions peculiar to individual or family circumstances. Funds for support of such special need items are not included in the basic grants. Therefore, departmental regulations permit the issuance of special grants to fund the cost of such needs. The costs are borne in this item.

Special Needs—Continued

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

In past years, funds for support of special need items were included in the basic grant and funded from the appropriation to the categorical assistance item. Additional special needs were appropriated to the unmet shelter needs item. The 1971-72 budget, however, provides for a separate appropriation item which includes all special need funds. The department believes that establishment of this item will permit greater fiscal control to be exercised with regard to allocation of special need funds.

The budget proposes \$18,788,600 for support of special need items. This is a decrease of \$1,905,100 or 9.2 percent below that estimated to be expended during the current fiscal year. This decrease is attributable to cost reductions which the department has undertaken in the categorical aid assistance item.

Department of Social Welfare**WORK INCENTIVE PROGRAM**

Item 258 from the General Fund Vol. III p. 258 Budget p. 244

Requested 1971-72	\$2,200,000
Estimated 1970-71	1,163,381
Actual 1969-70	893,719
Requested increase \$1,036,619 (89.1 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The cost of local administration of public assistance programs is funded primarily by the county and federal governments. However, specific case service costs relating to the Work Incentive Program (WIN) are funded by the state government under the provisions of Chapter 1313, Statutes of 1968. The Work Incentive Program was established to provide counseling, training, and job placement services designed to assist AFDC recipients to secure regular employment. The program has been implemented in the 27 counties with the largest AFDC caseloads. It will be extended to additional counties as federal funds become available.

The primary responsibility for implementation of the WIN program has been assigned to the Department of Human Resources Development. However, important support responsibilities have been assigned to county welfare departments:

(1) Referral of federally eligible AFDC recipients to the State Department of Human Resources Development;

(2) The provision, as required, of social services to the families of those enrolled in the program; and

(3) The provision of child care and training or work-related expenses to recipients enrolled in the program.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The Department of Social Welfare has proposed a total of \$2,200,000 to support the department's responsibilities with regard to the WIN program. This is \$1,036,619 or 89.1 percent in excess of the amount estimated to be expended during the current fiscal year. This increase, however, does not reflect a boost in the level of services provided. Total expenditures during the 1970-71 fiscal year for support of WIN-related services are estimated to be \$2,200,000. However, \$1,036,619 of this total is being funded by the federal government. These federal funds will not be available for the budget year; consequently, in order to maintain the 1970-71 level of services during 1971-72, it is necessary to increase General Fund expenditures by an amount equal to the current level of federal funding, \$1,036,619.

Department of Social Welfare

SPECIAL SOCIAL SERVICES

Item 259 from the General Fund Vol. III p. 556 Budget p. 242

Requested 1971-72	\$5,923,385
Estimated 1970-71	14,472,109
Actual 1969-70	16,057,532
Requested decrease \$8,548,724 (59.1 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. We withhold recommendation with regard to this item until 701 we are informed what the functions of the National Demonstration are to be.

GENERAL PROGRAM STATEMENT

The programs funded under this item are highly specialized social services, staff development, public assistance and experimental and improvement programs. They include: (1) the Self-Support Program, (2) Family and Child Development Program, (3) the Child Protection Program, (4) the Adoption Program, (5) the Public Protection Program, (6) the Public Welfare Manpower Program, (7) the Demonstration Program, and (8) the Nationwide Social Information System.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on this item until we are presented information on the National Demonstration Proposal (NDP).

The budget proposes an appropriation of \$5,923,385 for support of the department's specialized social services programs. This is a decrease of \$8,548,724, or 59.1 percent, below that estimated to be expended during the current fiscal year. However, this decrease is misleading. The budget indicates that an additional \$9,122,334 from the General Fund will be made available for support of the department's

Special Social Services—Continued

special social services programs by way of a transfer from the appropriation to the Department of Education in the 1971 Budget Act. These funds relate to the Department of Education's compensatory education program and children's centers program. Thus, a total of \$15,045,719 from the General Fund is proposed for support of the department's special social services programs during 1971-72. The department estimates that an additional \$42,373,520 will be provided by the federal government increasing, thereby, total support for the department's special social services programs to \$57,419,239 during 1971-72.

Educational Stipends

In past years, major expenditures for support of educational stipends have been funded by this item. It is estimated that \$1,126,800 will be expended during 1970-71 for support of the department's stipend program. However, the budget proposes that during 1971-72 the department's stipend program be abolished. The department indicates that educational stipends are no longer necessary to induce students to matriculate in courses leading to advanced degrees in the field of social welfare. Increased interest in the profession on the part of students, the department asserts, has eliminated the need for recourse to any monetary inducements.

Nationwide Demonstration Program for Social Service Information Systems

The Nationwide Demonstration Project (NDP) is a federally sponsored program for the development of a standardized state and local computer-based social information system. Implementation of the project was authorized under Chapter 1418, Statutes of 1969 (Intergovernmental Welfare Management and Information Systems Act of 1969). The 1969 statute also appropriated \$108,000 from the General Fund for support of the project. In our analysis of the 1970-71 budget, we recommended that the NDP staff, the Department of Social Welfare and the Human Relations Agency reconcile their completed and planned activities with the provisions of the 1969 act. In addition, we recommend that the \$319,500 from the General Fund (matched by \$745,500 federal funds) requested for 1970-71 be withheld until reconciliation was achieved. Although the agencies involved complied with this recommendation, the state funds were deleted from the budget by the Legislature due to other priorities. Following this legislative action, the Human Relations Agency and the Department of Social Welfare obtained federal funds totaling \$482,040 (approximately 40 percent of the original federal-state request) and the project was continued at a reduced level without state support.

Although the 1971-72 budget does not specifically identify General Fund support for the NDP project, we have been informed by the Department of Finance that approximately \$700,000 from the General Fund will be available for support of NDP. It is our understanding that these funds will be augmented by an additional \$1.2 million in federal funds.

We are withholding recommendation with regard to this item because we have not been supplied any detailed information as to what this project is to achieve. On the basis of discussions with departmental personnel, there appears to be a considerable change from 1969 in the objective of the project.

Human Relations Agency

WORKMEN'S COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES

Item 260 from the General Fund Vol. III p. 581 Budget p. 247

Requested 1971-72	\$1,770,000
Estimated 1970-71	1,699,000
Actual 1969-70	1,526,698
Requested increase \$71,000 (4.2 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *We recommend that future costs of this program be funded from no-dependency industrial death benefit claims paid to the state.* Implementation of this recommendation would require a constitutional amendment to permit the funding of the program through the insurance liability of the employer rather than by the state's General Fund.

GENERAL PROGRAM STATEMENT

This annual appropriation funds the state's obligation for payment of injury compensation claims awarded by the Workmen's Compensation Appeals Board to workers who, after suffering a permanent disability or physical impairment in the course of their employment, again suffer an industrial injury. The award payments are administered by the State Compensation Insurance Fund (a public enterprise), and the money appropriated by this item includes the service charges of that agency and those of the Attorney General who represents the state's interests in the hearings before the appeals board or court.

The purpose of the program is to provide an incentive for employers to hire persons who have been involved in a prior industrial accident which resulted in an award for partial disability or physical impairment by the appeals board. Under this program, the liability of the employer for any subsequent injury which aggravates the original injury is limited to that portion of the combined disability which is directly attributable to the latter injury. The difference between the employer's portion of the award and the total award, as determined by the appeals board, is funded through this appropriation.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Table 1 shows the growth of the appropriation and the outstanding liabilities of the state for the years indicated.

Workmen's Compensation Benefits—Continued

Table 1

Selected Data, Workmen's Compensation for Subsequent Injuries

	1968-69	1969-70	1970-71 ¹	1971-72 ¹
Benefits Paid -----	\$1,158,037	\$1,312,828	\$1,699,000	\$1,538,000
Service Charges-S.C.I.F. -----	57,901	65,654	35,023 ²	77,000
Attorney General Fees -----	145,266	148,219	18,397 ²	160,000
General Fund Appropriations -----	1,300,000	1,444,000	1,653,000	1,770,000
Emergency Fund Allocations -----	61,206	82,697	46,000	---
Number Claims -----	229	238	123 ²	N.A.
Outstanding Obligations -----	22,110,715	23,176,542	23,517,961	N.A.

¹ Estimated full-year.² Actual mid-year.

ALTERNATE SOURCE OF FUNDING

We again recommend that consideration be given to funding this program from a source other than the General Fund.

Implementation of this recommendation would require a constitutional amendment, similar to ACA 72 of the 1961 session, followed by appropriate legislation to permit the program to be funded by no-dependency death benefit claims paid to the state. Twenty-six states now fund subsequent injury totally or partially in this manner.

Under current law, the statutory death benefits which normally are paid to legal heirs are paid to no one if legal heirs cannot be found. Only a burial expense of not to exceed \$1,000 is paid under these circumstances. It does not seem reasonable, however, that when an employee who has no legal heirs dies as a result of an industrial accident the employer should be relieved of an insurable liability which he must assume if heirs exist.

ACA 72 provided that in cases of an accidental industrial death of an employee who had no legal heirs to whom the statutory death benefit could be paid, legislation could require that the death benefit be paid to the state and used for the payment of subsequent injury claims. It is estimated that such a provision would eliminate or substantially reduce General Fund expenditures for this program.

Office of Emergency Services

WORKMEN'S COMPENSATION FOR DISASTER
SERVICE WORKERS

Item 261 from the General Fund Vol. I p. 582 Budget p. 247

Requested 1971-72 -----	\$ 110,000
Estimated 1970-71 -----	106,000
Actual 1969-70 -----	100,107
Requested increase \$4,000 (3.8 percent)	
Total recommended reduction -----	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Disaster service workers usually perform their duties on a voluntary basis, without regular compensation. In recognition of the risks and

hazards of such work, the state first accepted responsibility in 1943 to compensate "civilian defense workers" for injuries or deaths occurring in the line of duty. Subsequently, this was changed to disaster service workers and is covered by Section 4351 through 4386, comprising Chapter 10 of Part 1 of Division 4 of the Labor Code.

The state appropriates annually for injury and death compensations based on estimates made by the State Compensation Insurance Fund, which handles the compensation service. The Budget Act of 1969 appropriated \$51,000 for this purpose which was subsequently increased by a like amount allocated from the Emergency Fund. The Budget Act of 1970 appropriated \$56,000 and it is currently estimated that an additional \$50,000 will be required from the Emergency Fund. Both of these allocations result from the heavy fire and flood incidents that occurred during those fiscal years. The current estimates indicate that there will be a carry over of injury claims from the current fiscal year and as a consequence it is proposed to provide \$110,000 which appears to be a reasonable amount under the circumstances.