

Health and Welfare Agency
OFFICE OF EDUCATIONAL LIAISON

Item 237 from the General
Fund

Budget p. 155 Program p. II-1

Requested 1973-74	\$1,238,000
Estimated 1972-73	NA
Actual 1971-72	NA
Total recommended reduction	Pending

GENERAL PROGRAM STATEMENT

The Office of Educational Liaison within the Health and Welfare Agency was established by the Child Development Act of 1972 (Chapter 670, Statutes of 1972) and is responsible for planning, development, and other educational activities as appropriate.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$1,238,000 for the 1973-74 fiscal year. No valid comparison can be made with the current fiscal year since the office was just established during this year.

The office has two programs that it administers. The first program, Coordination of Education and Child Development programs, was created by Chapter 670, Statutes of 1972. The second program, the Family Practitioner program, is a new program proposed in this budget.

Coordination of Education and Child Development

This program has as its objective the coordination of departments of state government in the development of effective, integrated, and comprehensive child-development services including but not limited to, the following programs: preschools, day care for children of migrant families, children's centers, neighborhood family day care, homemaker services to meet emergency conditions, experimental projects in providing child care and adjunctive services, health screening and health treatment, and social services as necessary to insure parent/child adjustments to out-of-home child care and to assist in promotion and development of the neighborhood day care system.

The budget proposes a level of administrative support of \$238,000 from the General Fund for 8.7 positions and operating expenses for the coordination of the program in the Office of Educational Liaison. This staff has the responsibility in cooperation with the Department of Education of allocating \$3 million in local assistance funds for the 1973-74 fiscal year which are available from an appropriation in Chapter 670, Statutes of 1972.

Family Practitioner Program

The budget proposes a total of \$1 million which would be used to enter into contracts with accredited medical schools located in California for the development, organization, expansion and operation, in whole or in part, of departments of family practice. This contracting responsibility will in-

clude allocation of funds, the specific uses to be made of such funds in training family practice practitioners, and the criteria for evaluating the training program. The Secretary of the Health and Welfare Agency is to have the authority to terminate any such contract if the training program does not meet established evaluation criteria. The Office of Educational Liaison within the Health and Welfare Agency will provide coordination, monitoring and accountability for the expenditure of this state appropriation.

The funds would also be used to develop and support medical residences in family practice to increase the number of physicians prepared to serve in family practice, especially in rural parts of the state.

Withhold Recommendation on Family Practitioner Program

We withhold recommendation on the proposed \$1 million appropriation for the Family Practitioner Program pending receipt of additional information. The following areas are of concern:

1. The detail of the proposed program is unclear. The budget narrative states that the "administration will be sponsoring legislation to implement this program" but we have seen no proposed legislation.
2. The narrative in the University of California section of the Governor's Budget notes "the University will compete with other medical education institutions for funds proposed in the budget of the Health and Welfare Agency for the purpose of increasing the output of primary care specialists." This implies these funds may be allocated to private medical schools (Stanford, USC, Loma Linda) as well as the University. If so, we would question the further state support for private medical schools when we already provide \$12,000 per student for enrollment increases through the Scholarship and Loan Commission program.
3. The stated goal to increase the output of primary care physicians appears to be inconsistent with other budget action. The Governor's Budget reduced the health science enrollments for the University by 409 FTE students below that requested. Of these, a total of 104 residencies in the primary health care fields of pediatrician, internist and family practitioner were eliminated.

Health and Welfare Agency
CALIFORNIA JOB DEVELOPMENT CORPORATION LAW
EXECUTIVE BOARD

Item 238 from the General
 Fund

Budget p. 156 Program p. II-4

Requested 1973-74	\$874,660
Estimated 1972-73.....	872,774
Actual 1971-72	483,735
Requested increase \$1,886 (0.2 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Fund Status. Recommend future budget documents contain a summary statement of encumbrances and expenditures of appropriations to the Job Development Loan Guarantee Fund. 510

GENERAL PROGRAM STATEMENT

The California Job Development Corporation Law Executive Board is composed of 19 members, who are the Superintendent of Banks, the Secretary of the Health and Welfare Agency, the Director of the Department of Commerce, nine members appointed by the Governor (two persons residing in and leaders of disadvantaged areas, four persons experienced in financial matters, two persons from the business community, and one person who is an officer of a labor organization), two legislators (one Senator, one Assemblyman) and one person from each regional job development corporation.

The board has the statutory responsibility for the administration of two programs: Approval and supervision of California Job Development Corporation Law (Cal-Jobs) and the Small Business Assistance program.

Cal-Jobs

The Cal-Jobs program has as its objective the establishment and supervision of nonprofit regional California job development corporations through which the goal of the program is to be accomplished. The goal is to ease unemployment in low-income areas by facilitating the granting of loans to disadvantaged businesses. The program is carried out by the board guaranteeing the loans made by the regional job development corporations.

There are now three regional job development corporations located in San Francisco, Los Angeles, and San Diego areas. These corporations are composed of local financial institutions and will provide a source of risk capital when no other source is available to those persons who wish to establish or expand a business in an economically disadvantaged area.

clude allocation of funds, the specific uses to be made of such funds in training family practice practitioners, and the criteria for evaluating the training program. The Secretary of the Health and Welfare Agency is to have the authority to terminate any such contract if the training program does not meet established evaluation criteria. The Office of Educational Liaison within the Health and Welfare Agency will provide coordination, monitoring and accountability for the expenditure of this state appropriation.

The funds would also be used to develop and support medical residencies in family practice to increase the number of physicians prepared to serve in family practice, especially in rural parts of the state.

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Small Business Assistance

The Small Business Assistance program goal is to provide technical and management assistance to small businesses in economically disadvantaged areas in order to improve the viability and expansion of such firms. The program is carried out by the board contracting with nonprofit management consultant firms.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes a General Fund appropriation of \$874,660, which is \$1,886 or 0.2 percent more than is estimated to be expended during the current fiscal year. The Budget Act appropriation for 1972-73 was \$406,988 and was supplemented by Chapter 669, Statutes of 1972, which appropriated an additional \$463,914. The purpose of the additional appropriation was to (1) augment the Loan Guarantee Fund partially as a replacement of losses to the fund sustained due to loan defaults and (2) provide for the expansion of the Small Business Assistance program.

Approval and Supervision of California Job Development Corporation Law

The Cal-Jobs program, operating through the three regional job development corporations, has approved \$4.4 million in loans for 105 businesses in economically disadvantaged areas through August 1972. The businesses receiving loans employ approximately 957 persons. As compared with August 1971 this represents a 9 percent increase of businesses receiving loans, a 38 percent increase in total loans negotiated, and a 20 percent increase in persons employed by the businesses assisted (see Table 1).

**Table 1
Jobs Generated Through Cal-Jobs Guaranteed Loans**

	<i>Cumulative through August 1971</i>	<i>Cumulative through August 1972</i>	<i>Percent increase</i>
Number of businesses granted loans	96	105	9.4%
Total amount of loans granted.....	\$3,194,200	\$4,405,725	37.9
Number of persons employed	800	957	19.6

Problem Areas

The rate of growth that prevailed in 1971 slowed in 1972 primarily as a result of the lack of additional capital available to the corporations. Member banks initially deposited funds with the corporation for capitalizing loans. Once these funds were exhausted, no additional loans could be made.

Additionally, the cost of administration of the corporations has been more than the member banks are willing to sustain on a continuing basis. Los Angeles Job Development Corporation has decentralized operations to each of the nine member banks, eliminating the necessity of staff and facilities for a central operation. San Diego Job Development Corporation, which was incorporated in June 1971, has had difficulty getting started. It has adopted the L.A. decentralization plan but to date it has not negotiated any loans.

There are also some problems with loan defaults which are being eva-

CALIFORNIA JOB DEVELOPMENT CORPORATION LAW—Continued

luated. Changes are being made which will allow job development corporations to join with other loan agencies providing loans to minority businesses, thus reducing the extent of exposure of the job development corporation on any single loan.

Small Business Assistance Program

The Small Business Assistance Program has as its stated purpose the assisting of small businesses in the provision of necessary management and technical skills. Through August 1972, SBAP has provided management and technical assistance to 629 businesses. Of this number, 113 were given assistance in obtaining business loans from sources other than the regional job development corporations. The total amount of loans obtained was \$4,362,516 with an estimated number of jobs retained or created of 1,042. The growth of the Small Business Assistance Program can be seen in Table 2.

Table 2
Jobs Generated Through SBAP Assistance

	<i>Cumulative through August 1971</i>	<i>Cumulative through August 1972</i>	<i>Percent increase</i>
Businesses provided management and technical assistance.....	205	629	207%
Businesses assisted in obtaining loans.....	42	113	169
Total amount of loans obtained	\$1,999,516	\$4,362,516	118
Number of persons employed	400	1,042	160

Job Development Loan Guarantee Fund

We recommend that the budget document in future years contain a statement as to the balance available from all appropriations to, and the encumbrances and expenditures from, the Job Development Loan Guarantee Fund.

The moneys appropriated to the fund remain in the General Fund until such time as an expenditure or loan guarantee encumbrance of the Loan Guarantee Fund is authorized by the board. At such time, the Controller transfers the amount authorized for expenditure or encumbrance to the fund. The board has informed us that through this current year a total of \$1,002,929 has been transferred into the Loan Guarantee Fund, of which \$528,667 has been expended for the total operation of Cal-Jobs, including purchase of loan defaults and the Small Business Administration program. As of June 1972 there was \$474,252 in the fund which had not been encumbered and thus was available to guarantee additional loans.

Table 3 summarizes the expenditures of the program through June 30, 1972.

Table 3
Expenditures, California Job Development Corporation Law Executive Board

<i>General Fund transfer to</i>	<i>Total administrative costs</i>	<i>Purchase of defaulted loans</i>	<i>Small business contractual services</i>	<i>Total expenditures</i>	<i>Unencumbered balance 6-30-72</i>
\$1,002,929	\$113,904	\$254,763	\$160,000	\$528,667	\$474,262

As of January 1973 there are additional loan defaults pending totaling \$264,329 which will bring the fund balance to \$209,933.

California Plan

The executive board has recognized the urgent need for the development of regional planning for California economic development. As the first step in coordinated planning, the *California Plan* was developed for the San Francisco Bay Area. The plan can be adapted to meet the conditions of any regional area. It provides a method for comprehensive coordination of government and private management resources at the local level to maximize program effectiveness, minimize costs and eliminate program duplication. Efforts are being made to bring together under one umbrella the existing organizations that provide pre- and postinvestment services to small business enterprises within specific geographical areas in the state.

Economic development is an area receiving increasing attention on the national scene. It will be of major importance for the administration and the Legislature to have available information regarding all forms of business assistance programs operating in the state in order to make future decisions for a coordinated approach to economic development in the state.

OFFICE OF
SPECIAL
SERVICES

**Health and Welfare Agency
OFFICE OF SPECIAL SERVICES**

Item 239 from the General
Fund

Budget p. 157 Program p. II-7

Requested 1973-74	\$205,319
Estimated 1972-73.....	50,000
Actual 1971-72	—
Requested increase \$155,319 (310.6 percent)	
Total recommended reduction	\$205,319

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. We recommend elimination of support for the Office of Special Services. 512

GENERAL PROGRAM STATEMENT

The Office of Special Services, Health and Welfare Agency, was created during the current year with the passage of Chapter 918, Statutes of 1972. The statutory duties of the office are to coordinate, oversee, direct and harmonize the work of the several offices, councils, commissions and boards in the Health and Welfare Agency.

OFFICE OF SPECIAL SERVICES—Continued

ANALYSIS AND RECOMMENDATIONS

We recommend elimination of support for the Office of Special Services, and transfer of its functions to the Department of Health.

The budget proposes a General Fund appropriation of \$205,319 to support the management planning functions of the Office of Special Services. This is a fourfold increase above the \$50,000 which was appropriated by Chapter 918 during the current year for the support of this office. The budget also proposes the addition of one professional position to the three professional and two clerical positions added administratively during the current year.

The statutory duties and actual performance of the Office of Special Services are sufficiently nebulous to give us cause to question the continued need for its existence. The creation of a single Department of Health, having operational responsibility for the programs proposed to be coordinated by the office, appears to us to be sufficient justification for the elimination of the office. Beyond the already sizable staff of the Secretary of Health and Welfare, we can see no need for an additional coordinating unit at the agency level. While the Office of Special Services may have been justified during the current year in helping to solve problems relating to the formation of the Department of Health, its continued existence is not. We therefore recommend elimination of support for the Office of Special Services for a General Fund savings of \$205,319. We believe that management planning services relating to programs directly administered by the Department of Health should be performed by that department.

This recommendation is consistent with our recommendations concerning the appropriations for Developmental Disabilities and Alcoholism programs which are discussed on pages 528 and 530 of the Analysis.

Health and Welfare Agency

OFFICE OF SPECIAL SERVICES ALCOHOLISM PROGRAM

Item 240 from the General Fund

Budget p. L-38 Program p. II-7

Requested 1973-74	\$24,375,804
Estimated 1972-73.....	NA
Actual 1971-72	NA
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Recommend appropriation for support of alcoholism programs be made directly to the Department of Health. 530

Health and Welfare Agency
OFFICE OF SPECIAL SERVICES DEVELOPMENTAL
DISABILITIES PROGRAM

Item 241 from the General
 Fund

Budget p. L-38 Program p. II-10

Requested 1973-74	\$144,183,370
Estimated 1972-73.....	117,785,406
Actual 1971-72	NA
Requested increase \$26,397,964 (22.4 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Recommend appropriation to support services to the mentally retarded/developmentally disabled be made directly to the Department of Health. 528

Health and Welfare Agency
HEALTH AND WELFARE CONSOLIDATED DATA CENTER

Item 242 Transfers from other
 items and reimbursements
 from various funds.

Budget p. 159 Program p. II-27

Transfers and reimbursements	
Requested 1973-74	\$5,105,552
Estimated 1972-73.....	348,495
Requested increase \$4,757,057	
Total recommended reduction in spending authorization	\$184,796

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *New Positions. Reduce \$184,796.* Recommend deletion of 13 of 21 new positions proposed. 516
2. Department of Finance Participation. Recommend active participation by the State Data Processing Officer and the EDP Control and Development Unit of the Department of Finance in the various aspects of the Health and Welfare Consolidated Data Center implementation, which have statewide implications. 517

GENERAL PROGRAM STATEMENT

The Health and Welfare Consolidated Data Center, one of four such centers authorized by the Legislature (Chapter 787, Statutes of 1972), will provide electronic data processing (EDP) services to the eight departments constituting the Health and Welfare Agency. It is the only con-

HEALTH AND WELFARE CONSOLIDATED DATA CENTER—Continued

solidated data center both reporting to and serving one agency only.

Implementation of this center is intended to contribute to a net reduction in the cost of state data processing and improve the effective use of EDP within the agency. Savings will occur through the elimination of excess computers and associated computer operations personnel that will result from the consolidation of computing resources. Additional savings are anticipated from the implementation of agencywide systems and standards and the elimination of independent and redundant system development by departments within the agency.

Program categories which have been developed in order to achieve the center's objectives are: (1) facilities consolidation and operation, (2) consolidation of common applications and data bases, (3) supervision of departmental EDP activities, (4) coordination of health and welfare data collection, and (5) implementation of Health and Welfare Agency information systems.

ANALYSIS AND RECOMMENDATIONS

We recommend reduction of 13 of the 21 new positions requested and a corresponding reduction of \$184,796 in the spending authority.

The Budget Act of 1972 provides for the support of the Human Relations Consolidated Data Center (now renamed the Health and Welfare Consolidated Data Center) contingent upon legislation expressly authorizing such a center. Chapter 787 (Statutes of 1972) provides this authority. This legislation establishes the center in the Health and Welfare Agency and approved the transfer to the center of funds identified in the Budget Act for support of the consolidated data center.

Sources of Funds

Because consolidated data centers are intended to replace existing decentralized and more costly computer operations in the interests of economy and overall EDP effectiveness, the support of these centers is provided by reimbursements from the departments which will now buy services from the center rather than their own installation or some other data-processing facility.

The Budget Act of 1972 identified \$6,800,604 in the current year as funds available for transfer or reimbursement to the center. The Budget Act also appropriated \$1 million from the General Fund for initial implementation of the center.

The Governor's Budget proposes an expenditure program for this data center totaling \$348,495 in the current year and \$5,105,552 in the budget year. The increase in proposed expenditures reflects the continuing development of this data center, which is scheduled for initial startup on June 1, 1973. Expenditures proposed for the budget year represent the total amount of EDP computer operations funds budgeted by each of the departments designated to receive services from the data center. These funds will be available for transfer to the data center as actual consolidation takes place. Because no interim consolidation plan has been selected by the Health and Welfare Agency, it is not possible to present an accurate or realistic spending program at this time.

The expenditure level in the current year is indicative of a very gradual implementation schedule for the center. The expenditure of the \$1 million appropriation is planned over a period of two fiscal years. The transfer of computer operations personnel to the center, originally anticipated during the current year, is now scheduled to be accomplished on June 1, 1973. At that time, 92 positions will be transferred to the consolidated data center.

Legislature Provides Seed Money

The \$1 million appropriated in Item 61.2 of the Budget Act of 1972 is intended to cover center startup costs, departmental computer program conversion and other necessary costs associated with the initial implementation of the consolidated data center concept. As indicated by the Governor's Budget, the bulk of these funds (\$724,505) is for expenditure in the 1973-74 fiscal year through a requested reappropriation which will be identified in a control section of the Budget Bill of 1973.

Administration EDP Plan Silent on Health and Welfare Agency

The *Implementation Plan for the Consolidation of Electronic Data Processing in the State of California* approved by the administration in April 1972 did not provide for initial development of a consolidated data center in the Health and Welfare Agency concurrent with other planned consolidation efforts. In fact, little detail was provided regarding this agency. We have in previous analyses recommended the consolidation of EDP operations within this agency, and because the administration plan did not provide the details for a Health and Welfare Consolidated Data Center, we developed a possible plan for the agency which would complement the administration plan.

This plan was presented to the California Information Systems Implementation Committee in May 1972. The legislative members of the committee adopted our report as submitted. Based on the recommendations contained in a May 17, 1972, report prepared by this committee, \$1 million was provided in the Budget Act of 1972.

Substantial Savings Indicated

Our study of consolidation and the Health and Welfare Agency indicated that consolidation based on the use of the Department of Human Resources Development's new computer facility would generate net savings (excluding cost avoidance) ranging between \$4,000,000 and \$14,500,000 over a five-year period, depending upon the options employed.

The study recommended: (1) establishment of a consolidated data center in the Health and Welfare Agency, (2) appointment of a data center director early in the fiscal year 1972-73, (3) development of an agency data processing plan, (4) preparation of a program conversion plan, (5) establishment of a data-processing revolving fund for support of the consolidated data center, (6) transfer of computer operations funds for support of the consolidated data center, and (7) the provision of \$1 million for program conversion and other necessary initial implementation costs.

HEALTH AND WELFARE CONSOLIDATED DATA CENTER—Continued**Required Agency Plan Submitted**

The Budget Act of 1972 required that the Health and Welfare Agency develop a plan providing for program conversion and “. . . the orderly establishment of a consolidated data center in the agency which serves all member departments.” The agency was directed to submit its plan to the Joint Legislative Budget Committee and the chairman of the committee in each house which considers appropriations no later than December 1, 1972.

As we had recommended in our report to the California Information Systems Implementation Committee, the Health and Welfare Agency appointed a consolidated data center director early in the current year. The new director was given the responsibility for developing the required plan.

We have reviewed the agency's plan and find that although it does not provide for a rapid consolidation program when compared to the current efforts to develop the Stephen P. Teale Consolidated Data Center, it does provide for a methodical and orderly approach to consolidation within the agency.

In certain instances, we find this plan to be more balanced and prudent than the Department of Finance plan. For example, the plan calls for the early establishment in the agency of separate user groups representing both top-level management and EDP management. We note also the early appointment of a center director.

The plan indicates a phased approach to consolidation, the first major phase being the selection of one of four identified interim consolidation alternatives. This selection is scheduled to be made by March 1973. Because the formulation of any long-range consolidation plan must await final decisions regarding both the Medi-Cal Management System and the proposed Expanded Data Reporting System (expected by the agency in July 1973) the agency's long-range EDP plan is scheduled for completion by January 1974. According to the plan, operation of the consolidated facility resulting from implementation of the long-range plan is scheduled to begin by October 1975.

Initial Center Staffing Excessive

We recommend that the spending authority for the budget year be reduced by \$184,796 by deleting the following positions: administrative services officer II (1), fiscal officer II (1), business services officer II (1), secretary I (1), data processing manager IV (1), supervising data processing systems analyst (3), stenographer II (1), and temporary help (4).

The request in the Governor's Budget for 21 new positions for the budget year represents in our judgment an excessive level of initial staffing. By contrast, the Business and Services Consolidated Data Center implementation effort has been proceeding with no initial staffing, that is, no new positions. That effort has instead relied on personnel (over 50) made available by the departments involved and the EDP Control and Development Unit of the Department of Finance. We feel that that approach represents one extreme while the request of 21 new positions for

the Health and Welfare Consolidated Data Center represents another extreme. A more appropriate staffing level is in our judgment somewhere in between.

A number of the new positions requested for the Health and Welfare Consolidated Data Center currently exist (or classes very similar exist) in departments in the agency. Some of these are top level EDP management positions. Because consolidation will remove computer operations from all departments, some corresponding EDP management adjustments must occur in the departments. We also believe that the establishment of many new positions in the face of a coming surplus of EDP personnel in various classes represents an incompatible action.

We are not suggesting that consolidation in the Health and Welfare Agency should proceed in the same manner regarding staffing as the Teale Consolidated Data Center effort. However, while we have noted some deficiencies regarding the staffing of the Teale Center effort, we agree with the basic approach of borrowing from the departments involved, and encourage a similar approach for the Health and Welfare Agency effort. We therefore recommend that 13 of the 21 positions be denied.

The eight new positions for which we recommend approval include the data center director, who was appointed in order to begin implementation of the center in accordance with Chapter 787, Statutes of 1972, and the following positions: staff personnel analyst (1), accounting officer II (1), senior clerk-typist (1), stenographer II (1), account clerk II (1), and staff data processing systems analyst (2).

These positions, combined with personnel drawn from departments within the agency, will provide sufficient expertise and resources at this very early stage of the center's development. This effort is proceeding at a much more deliberate pace than the first center and permanent staffing for the center can therefore more appropriately take place as the need is demonstrated.

Absence of Coordination

We recommend that the implementation of the Health and Welfare Consolidated Data Center proceed with the active participation of the State Data Processing Officer and the EDP Control and Development Unit of the Department of Finance in order that considerations such as statewide data communications, standards, and workload distribution receive proper coordination.

In our discussion of Statewide EDP under the Department of Finance analysis we discuss the question of coordination between the various consolidation efforts. It is apparent that the Health and Welfare Agency EDP consolidation is proceeding in a somewhat independent manner. Although the Department of Finance is involved to the extent that it is given certain responsibilities through Section 4 of the Budget Act of 1972 and Chapter 787, we believe that the statewide implications inherent in the Health and Welfare Agency consolidation effort mandate an adequate degree of control, coordination and cooperation with the Department of Finance. In matters such as the development of a state data communica-

HEALTH AND WELFARE CONSOLIDATED DATA CENTER—Continued

tions network, implementation of standard procedures and workload distribution, statewide coordination is essential.

**Health and Welfare Agency
DEPARTMENT OF HEALTH**

Items 243 through 265 from
various funds

Budget p. 160 Program p. II-34

Requested 1973-74	\$947,050,119
Estimated 1972-73	NA
Actual 1971-72	NA
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Withhold recommendation on local mental health services (Item 262) until adequate funding level is determined. 525
2. Recommend appropriation to support services to mentally retarded/developmentally disabled be made directly to Department of Health. 528
3. Recommend appropriation to support alcoholism services be made directly to Department of Health. 530
4. Withhold recommendation on Neuropsychiatric Institutes pending organizational disposition. 530
5. Withhold recommendation of Medi-Cal program pending review of spring caseload and impact of HR 1. 534, 536
6. Recommend department conduct study on feasibility of combining eligibility processes for medically needy and medically indigent with report to 1973 Legislature. 538
7. Recommend continuation of Department of Finance task force which is aiding Department of Health in determining realistic measures of program effectiveness. 545
8. Withhold recommendation on special social services (Item 263) pending receipt of further information. 548
9. Withhold recommendation on administrative support (Item 243) pending breakdown of funding sources and potential position reduction. 555

GENERAL PROGRAM STATEMENT

The Department of Health appears in the Governor's Budget for the first time this fiscal year. This department was created pursuant to the Governor's Reorganization Plan No. 1 of 1970, as approved by the Legislature. Subsequent to the approval of the reorganization plan, the Legislature enacted Chapter 1593, Statutes of 1971, which delayed implementation of the plan until July 1, 1973.

This budget reflects the consolidation of the Departments of Mental Hygiene, Health Care Services, and Public Health, together with certain programs within the Departments of Consumer Affairs and Social Welfare into a single Health Department.

23 items

Table 1
DEPARTMENT OF HEALTH BUDGET ITEMS

Analysis page	Item No.	Description	Amount	Fund
555	243	Departmental support	\$17,665,497	General
530	244	Neuropsychiatric institutes	16,033,003	General
531	245	Services to mentally ill— judicially committed	23,024,098	General
536	246	Departmental support	(24,264,607)	Health Care Deposit
545	247	Departmental support	134,696	State Transportation
552	248	Behavioral science examiners	173,575	Behavioral Science Examiners
552	249	Chiropractic examiners.....	135,014	Chiropractic Examiners
552	250	Dental examiners	406,963	State Dentistry
553	251	Medical examiners	1,913,090	Board of Medical Examiners Contingent
553	252	Medical examiners	79,716	Physical Therapy
553	253	Medical examiners	88,842	Hearing Aid Dispensers
553	254	Nursing home administrators	99,252	Nursing Home Administrators
553	255	Nursing education and nurse registration	887,254	Nursing Education and Nurse Registration
554	256	Board of optometry	94,796	State Optometry
554	257	Osteopathic examiners	16,809	Osteopathic Examiners Contingent
554	258	Board of pharmacy	815,091	Pharmacy Board Contingent
554	259	Examiners in veterinary medicine	107,219	Veterinary Examiners Contingent
555	260-261	Vocational nurse and psychiatric technician examiners	674,055	Vocational Nurse and Psychiatric Technician Examiners
524	262	Local mental health services.....	186,517,842	General
548	263	Special social services	5,845,145	General
532	264	Medical assistance program.....	667,463,036	Health Care Deposit
547	265	Local health services	24,875,126	General
		Sub total	\$947,050,119	
		Transfer from Department of Education	11,868,550	General
		Other funds available	1,056,195	Various
		Total expenditures	\$959,974,864	

DEPARTMENT OF HEALTH

In any reorganization of this magnitude, any analysis of performance and costs is difficult until programs have stabilized. It is our understanding that the Health and Welfare Agency is already considering changes in the organization of the Department of Health from that which appears in the printed budget. For this reason, and because we do not have specific information on many of the proposed program changes involving the department, the 1973-74 analysis of the Department of Health will present a general outline of the proposed departmental organization and frame issues for legislative consideration concerning program, policy and budgetary matters. For this reason, the Analysis will not be done on an item-by-item basis, but will attempt to follow the proposed organizational structure. Table 1 lists each budget item included in the support of the department, together with reference to a page of the Analysis where discussion of that item can be found.

DEPARTMENT OF HEALTH—Continued

As soon as is feasible during the Legislature's review of the Governor's Budget, we will prepare supplementary analyses which will contain specific recommendations with regard to each item of appropriation.

DEPARTMENT OF HEALTH—ORGANIZATION

The budget proposes total direct appropriations and expenditures of \$959,974,864 from various state funds to support the Department of Health. An additional \$178,559,174 is proposed to be appropriated to other agencies in support of programs which will be administered by the department. Federal and other funds in the amount of \$1,488,912,031 are also proposed to be expended by the department, bringing total proposed expenditures for 1973-74 to \$2,627,446,069.

The proposed organization of the Department of Health consists of four health system line organizations administering four major programs. In addition, the administrative functions which previously supported these program activities have been consolidated into a health administrative system.

The four major programs are: (1) Health Treatment Systems, (2) Health Financing Systems, (3) Health Protection Systems, and (4) Health Quality Systems. Together, these four programs plus the Health Administrative System incorporate the manpower and financial resources to carry out those programs previously operated by the Departments of Mental Hygiene, Health Care Services, and Public Health. In addition, program elements from the Departments of Consumer Affairs and Social Welfare are incorporated into the Department of Health. An abbreviated organizational outline of the proposed department is shown in Chart I.

Health Treatment Systems

The Health Treatment Systems program of the Department of Health encompasses nearly all the line functions and programs formerly carried out by the Department of Mental Hygiene. These functions include the administration and operation of the state hospitals for the mentally ill and mentally retarded, the administration of the Developmental Disabilities program, and the financial support and evaluation of the state's Community Mental Health Programs.

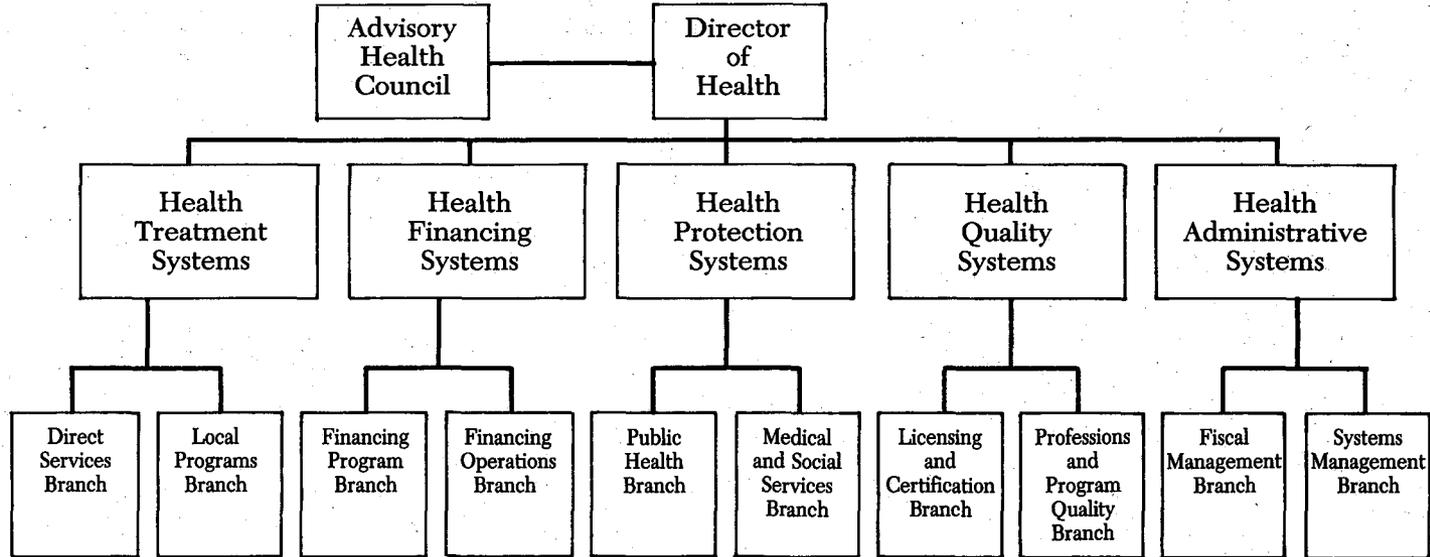
Total support for this program is proposed to be \$498.3 million, with 17,476.4 authorized positions.

Health Financing Systems

The Health Financing Systems program of the Department of Health consists primarily of the California Medical Assistance program (Medi-Cal), formerly administered by the Department of Health Care Services, together with the Crippled Children's Services program formerly administered by the Department of Public Health.

Total support for this program is proposed to be \$1.68 billion, with 1,049.0 authorized positions.

Chart I
TENTATIVE ORGANIZATION—DEPARTMENT OF HEALTH
December 1972



DEPARTMENT OF HEALTH—Continued**Health Protection Systems**

The Health Protection Systems program of the Department of Health incorporates programs formerly administered by the Departments of Public Health and Social Welfare. These programs include Environmental Health and Consumer Protection, Preventive Medical Services, Aid to Local Health Departments, Laboratory Services, and Protective Social Services relating to adoptions and child welfare.

Total support for this program is proposed to be \$425.6 million, with 863.2 authorized positions.

Health Quality Systems

The Health Quality Systems program of the Department of Health combines programs and elements formerly carried out by each of the several agencies which now make up the department. These include facilities licensing and certification, facilities planning and construction, laboratory licensing and certification, social service quality control, Medi-Cal provider review, Comprehensive Health Planning, and the Healing Arts Boards.

Total support for this program is proposed to be \$27.6 million, with 659.9 authorized positions.

Health Administrative Systems

The Health Administrative Systems program of the Department of Health provides the staff support necessary for the operational control of the four main line programs. This includes fiscal and budgetary control, personnel operations, training and staff development, and data processing services. This program combines the various administrative staff services of the departments into a single unit.

Total support for this program is proposed to be \$17.2 million, with 1,091.1 authorized positions.

With total proposed expenditures of \$2.6 billion, and nearly 21,000 authorized positions, the Department of Health will become, with the exception of the University and State Colleges, the largest department in state government.

Table 2 outlines the crossover of the proposed allocation of authorized positions between the component departments which are merged into the Department of Health and the various departmental programs to which positions are proposed to be assigned.

Changes in Authorized Positions

The Governor's Budget for the Department of Health proposes changes in the number of authorized positions which result in a net increase of 94.2 positions requested for 1973-74. Table 3 outlines the proposed changes in authorized positions.

With the following exception, details of these proposed changes are to be found in the analyses of the various programs of the department.

Table 2
PROPOSED ALLOCATION OF MAN-YEARS
1973-74 Authorized Positions

		Department of Health						
	<i>Department</i>	<i>Health treatment systems</i>	<i>Health financing systems</i>	<i>Health protection systems</i>	<i>Health quality systems</i>	<i>Health administrative systems</i>	<i>Director's office</i>	<i>Total</i>
Consolidation	Mental							
	Hygiene	17,464.4	179.8	—	16.0	301.3	9.0	17,970.5
	Public Health	12.0	64.0	762.2	207.7	465.5	23.0	1,534.4
	Care Services	—	805.2	—	130.5	244.3	11.5	1,191.5
	Subtotal	17,476.4	1,049.0	762.2	354.2	1,011.1	43.5	20,696.4
Transfer	Consumer Affairs	—	—	—	214.7	—	—	214.7
	Social Welfare	—	—	101.0	91.0	80.0	—	272.0
	Totals	17,476.4	1,049.0	863.2	659.9	1,091.1	43.5	21,183.1

DEPARTMENT OF HEALTH—Continued

**Table 3
Proposed Changes in Authorized Positions**

Total authorized positions	20,696.4
Transfer—Consumer Affairs	+214.7
Transfer—Department of Social Welfare.....	+272.0
Adjustment—Consolidated Data Center	+7.7
Workload and administrative adjustments.....	-1,152.1
Proposed new positions.....	+751.9
Total proposed positions.....	<u>20,790.6</u>
Net increase.....	94.2

Undetailed Reduction in Positions

Among the proposed reductions in authorized positions is the deletion of 600 positions for a savings in state funds of \$7 million. The proposal calls for the deletion of 555 positions which had been supported from the General Fund, and 45 positions which had been supported from the Health Care Deposit Fund. The budget contains no further detail on this proposed cut in positions.

While it is reasonable to assume that the consolidation of three major state departments into a single Department of Health will result in economies through the elimination of overlapping and duplicative functions, a manpower reduction of this magnitude merits careful legislative review in order to assure that it does not result in a reduction in program quality.

Such review is precluded at this time by the lack of detailed information in the budget document.

I. HEALTH TREATMENT SYSTEMS

The Health Treatment Systems program of the Department of Health is comprised of programs formerly administered by the Departments of Mental Hygiene and Public Health. Services delivered through this program are supported by budget items 240, 241, 244, 245, and 265 and include state hospital programs for the mentally ill and mentally retarded, community mental health (Short-Doyle) programs, the Regional Centers program for the mentally retarded/developmentally disabled, and alcohol and drug abuse treatment programs. Also included in this program is the support for the Neuropsychiatric Institutes and the state hospital programs for the judicially committed and criminally insane.

The administrative support for this program is provided by an arbitrary amount allocated from Item 243, which is analyzed separately on page 555.

Community Mental Health Services

The Department of Health, through its Health Treatment Systems program, is charged with the administration and support of the state's community mental health programs. This program involves the maintenance of six state hospitals for the mentally ill, and the provision of financial assistance to 60 county and community local mental health programs.

The budget appropriates funds to the Department of Health, which are then allocated to the 58 counties and two cities operating community

mental health programs under the provisions of the Lanterman-Petris-Short (LPS) and Short-Doyle Acts. The LPS act authorizes Short-Doyle programs to deliver various mental health services which are eligible for 90 percent state reimbursement.

Under LPS, a single appropriation for mental health services is made to the Department of Health. This appropriation covers reimbursement to Short-Doyle programs, operation of state hospitals, and other direct services of the department on behalf of the mentally ill.

Lanterman-Petris-Short Act

California's present system for the delivery of local mental health services came into being when the Lanterman-Petris-Short (LPS) Act became effective on July 1, 1969. County Short-Doyle programs had existed since 1957, but the concept of a single unified mental health system supported 90 percent from state funds began with LPS.

The rapid growth and expansion of local mental health programs since 1969 has been accompanied by massive increases in the expenditure of state funds to support these programs. In 1969-70, \$150.4 million was expended in support of local mental health programs. Expenditures in the current year are estimated to reach \$218.2 million.

In each of the past two fiscal years (1971-72 and 1972-73) the Legislature has augmented the proposed budget for local mental health programs based on arguments which indicated that unless more funds were added, program quality would suffer.

In 1971-72, the Legislature augmented the mental health services budget by \$8 million. At the end of that fiscal year, however, an estimated \$12.4 million remained unexpended. This unexpended balance was reappropriated in augmentation of the 1972-73 budget for mental health services when it was alleged that insufficient funds were contained in the Governor's Budget.

Preliminary data appear to indicate that a large amount of the 1972-73 appropriation will be unexpended at the end of the current fiscal year. As of the date of this Analysis there are counties which have not yet submitted claims to the department for 1972-73 reimbursement. Also, funds allocated for Social and Rehabilitation Services (SRS) were not released by the department until nearly midway in the current year. The SRS program had been budgeted at \$12 million (\$3 million General Fund, \$9 million federal funds) for 1972-73.

In view of these facts, we recommend that the Legislature take no action on this item until such time as the department can give an accurate accounting of current year expenditures so that a determination can be made as to what constitutes an adequate level of funding for 1973-74.

The 1973-74 budget proposes an appropriation of \$186,517,842 to support local mental health programs. While this amount represents a reduction of \$31,659,681 from the amount estimated in the budget to be expended during the current year, several factors must be considered to arrive at a true comparison. The first factor has been mentioned above, i.e., the probability of a large unexpended balance in the current year. Secondly, the budget proposes the transfer of \$23,767,375 in alcoholism

DEPARTMENT OF HEALTH—Continued

program funds from the Department of Health to the Office of Special Services. These funds would otherwise have been included in this item. Third, 1973-74 is the first year that a prior year expenditure factor has not been included in this item. In the current year, for example, \$6,799,628 was included for the payment of June 1972 costs. In effect, the 1972-73 appropriation was for 13 months. 1973-74 is the first year that mental health services will be funded on an annual basis. Fourth, the budget proposes the expenditure of \$18,629,807 less for state hospital services for local mental health programs than is estimated to be expended during the current year. Since the state hospital population is estimated to decline only 3.8 percent in 1973-74, we fail to see the justification for a 22.5-percent decrease in funds budgeted for state hospital programs. The budget document provides no further explanation for this decrease. Finally, the Legislature enacted Chapter 1255, Statutes of 1972 (SB 714), which appropriated \$14,344,252 without regard to fiscal years to support drug abuse programs. Although these funds are to be spent through local mental health programs they were appropriated to the Office of Special Services in the Health and Welfare Agency. It is estimated that \$4,344,252 will be expended during the current year and \$10 million during 1973-74.

Thus, a more meaningful comparison of state funds expended to support mental health programs would be as follows:

	<i>Estimated 1972-73</i>		<i>Proposed 1973-74</i>
Line item (Program budget page 40, line 51)	\$218,177,523		\$186,517,842
Less June 1972 costs carried forward	-6,799,628	Item 240, Appropriation for alcoholism programs	+23,767,375
Add SB 714 drug abuse funds	+4,344,252		10,000,000
Total	\$215,722,147		\$220,285,217
1973-74 increase			+\$4,563,070

Prior to taking any action on this item, the Legislature should have more information on several issues than the budget document provides. We will outline these issues here and attempt during the budget process to develop more fully information and specific recommendations.

State Hospital Services

The issue of the proper role of the state hospital in the provision of services to the mentally ill has never been fully resolved. The rapid decline of patients resident in state hospitals has been used as a justification for the closure of three hospitals and portions of two others since 1969. Although we have generally been in favor of hospital closures when it has been sufficiently demonstrated that such closures could be effected without disruption of treatment programs, it appears that hospital closure has become almost an end in itself.

The 1973-74 budget contains no specific information relating to hospital closures. However, the narrative contains several statements which require further explanation. On page 41 of the program budget document

the statement is made that “. . . the most practical and acceptable of the alternatives for bringing state hospital capacity into line with local program needs is to close services for the mentally disordered at Patton State Hospital and continue services at Metropolitan and Camarillo State Hospitals. This action will be effected and completed by June 30, 1973.”

Although this decision is not unanticipated, and will occur during the current year, the budget document makes no express projection of anticipated savings (or costs to local programs) during the budget year as a result of the elimination of Patton as a treatment facility for the mentally ill.

Again on page 41 of the Program Budget document the statement is made that “in the future, Stockton State Hospital may serve only the mentally retarded.” Reference back to page 36 shows the projected mentally ill population for Stockton to be zero on June 30, 1974. On the same page, however, a hospital for the mentally retarded called Stockton/Agnews is projected to have 1,667 mentally retarded patients by June 30, 1974. No further detail is given. It would appear that sometime during 1973-74 the department plans to phase out Stockton as a treatment facility for the mentally ill and that either Stockton or Agnews or both, operating under joint administration, will house considerably more mentally retarded patients than are presently resident at the two institutions.

New Program Funds for Local Mental Health Programs

The budget proposes a net General Fund expenditure of \$4 million for new program development and operation in the local mental health programs. No further information or justification for this amount is given in the budget, or is currently obtainable from departmental staff.

At a time when it appears that a large unexpended balance is developing in the current year, we fail to see the need for additional General Fund expenditures for new programs in the budget year, especially in the complete absence of any supporting detail.

Social and Rehabilitation Services Funds

The budget for the current fiscal year contained an appropriation of \$3 million from the General Fund, to be matched by \$9 million in federal funds, to provide local mental health programs with new money to provide social and rehabilitative services to mentally ill persons who are linkable to the welfare system.

Through a series of administrative and bureaucratic delays, a contract between the department and the Department of Social Welfare was not signed until well into the current year. Additional delays prevented counties from receiving any of the Social and Rehabilitation Services (SRS) funds until late in November. As a result, the department estimates that probably only 50 percent of the SRS funds will be spent in the current year.

In the meantime, Congress passed the State and Local Fiscal Assistance Act of 1972 (PL 92-512). Among the provisions of this act is a limitation on the federal dollars available to states for the provision of social services. It is anticipated that California will receive fewer federal dollars in 1973-74 than has been available in the past. In addition PL 92-512 places restric-

DEPARTMENT OF HEALTH—Continued

tions on the kinds of services which are eligible for reimbursement. The effect of these restrictions is to place a low priority on the provision of social and rehabilitation services to persons who are mentally ill, especially if they are not recipients of welfare.

In spite of these facts, the 1973-74 budget proposes the expenditure of \$9,675,000 from federal funds for social and rehabilitation services to the mentally ill. This will require the encumbrance of \$3,225,000 in General Fund dollars which may be unspendable for this purpose.

Programs for the Mentally Retarded/Developmentally Disabled

The Department of Health has the responsibility for administering those programs which provide services to persons who are mentally retarded or developmentally disabled. These programs have been administered by the Departments of Public Health and Mental Hygiene in prior years. There are three major components to the programs for the mentally retarded/developmentally disabled:

1. Regional centers located throughout the state which provide services designed to assess, diagnose, refer and place mentally retarded/developmentally disabled persons in appropriate public and private basic living and care.
2. State hospitals for the mentally retarded which provide state-managed care, treatment and life maintenance services at the request of the regional centers.
3. Protective social and living services provided by state employees of the alternate care services unit (ACSU) of the Department of Health.

Budget Proposal

We recommend that the appropriation to support services to the mentally retarded/developmentally disabled be made directly to the Department of Health.

The budget proposes a General Fund appropriation of \$144,183,370 to support services to the mentally retarded/developmentally disabled (MR/DD). In addition, the budget authorizes the expenditure of \$11,866,479 from federal and other funds for support of these programs. These funds will support the regional centers, the state hospitals, and the alternate care services unit, plus related administrative functions.

With the exception of the Office of Developmental Disabilities (ODD), all of the programs providing services to the mentally retarded/developmentally disabled are organizationally located in the Department of Health. For the first time all of the programs providing medical and social services to MR/DD are together in one organizational unit, realizing one of the primary goals of the Lanterman Mental Retardation Services Act of 1969.

The 1973-74 fiscal year is the second year in which a single appropriation for MR/DD services has been proposed. During the current year the single appropriation was made to the Office of Mental Retardation Coordination (subsequently renamed Office of Developmental Disabilities) in the Health and Welfare Agency on the assumption that this was the most appropriate repository for the funds, since separate MR/DD services

were administered by both the Departments of Public Health and Mental Hygiene.

The creation of a single Department of Health, however, obviates the need to appropriate the funds for MR/DD services to any outside source. The single appropriation should be made directly to the department having primary program responsibility for the provision of services.

Regional Center Services

The regional center program is administered by the Health Treatment Systems program of the Department of Health. There are currently 14 regional centers operated by local nonprofit agencies under contract with the Department of Health. The budget proposes total expenditures for the regional centers of \$22,170,670. This includes \$250,000 in federal funds for the establishment of a new regional center to serve south central Los Angeles County.

State Hospital Programs

The Department of Health operates a network of state hospitals which provide 24-hour care and treatment for MR/DD patients who have been admitted through the regional centers. There is estimated to be an average of 9,778 patients resident in state hospitals during 1973-74. This represents a slight decline from the 10,061 estimated for the current year.

The budget proposes total expenditures for the state hospital MR/DD programs of \$118,631,952. While this represents a substantial increase above the \$96,987,978 estimated to be expended during the current year, this increase is primarily due to the reassignment of fixed overhead costs from hospitals for the mentally ill to hospitals for the mentally retarded. Also, the 1973-74 fiscal year amount represents the full-year costs of operation at 100 percent of staffing standards, begun during the current year.

Protective Living Services

The budget proposes the expenditure of \$14,697,935 in state and federal funds for the provision of protective living services to the mentally retarded/developmentally disabled. These funds support the salaries of employees of the alternate care services unit (ACSU) of the Department of Health who are assigned to the MR/DD program, and provide funds for the payment of placement costs of patients placed in public and private protective living facilities.

Alcoholism Programs

The State of California currently finances and operates programs for the prevention and treatment of alcoholism and for the vocational rehabilitation of persons affected by alcoholism. Prior to the 1973-74 fiscal year, these programs were administered by the Department of Mental Hygiene, through specialized programs in the state hospitals, and by subvention to local community mental health (Short-Doyle) programs; and by the Department of Rehabilitation through the McAteer program, which provides vocational rehabilitation services to alcoholics in clinics located throughout the state.

DEPARTMENT OF HEALTH—Continued**Budget Proposal**

We recommend that funds to support alcoholism programs be appropriated directly to the Department of Health.

Under the provisions of Chapter 1593, Statutes of 1971, the State Department of Health, effective July 1, 1973, succeeds to, and is responsible for, those vocational rehabilitation programs for alcoholics which had been operated by the Department of Rehabilitation. Since the Department of Health also will include alcoholism programs formerly under the administration of the Department of Mental Hygiene, all health and rehabilitation programs for alcoholics will be consolidated into a single department.

The budget, however, proposes the appropriation of the funds to support these programs to the Office of Special Services, Health and Welfare Agency, rather than to the Department of Health. A total General Fund appropriation of \$24,375,804 is proposed to be made to the Office of Alcoholism within the Office of Special Services. The Office of Alcoholism will then transfer funds to the Department of Health for the reimbursement of the state share of alcoholism programs.

The proposed General Fund appropriation for alcoholism programs is proposed to be expended as follows: \$12,073,826 for state hospital programs, \$11,693,549 for community mental health programs, and \$608,429 for vocational rehabilitation programs. The General Fund amount is to be matched with \$12,872,116 in federal and other funds for a total program expenditure of \$37,247,920.

Because all of the programs this item proposes to support are located within the organizational structure of the Department of Health, we fail to see the need to create an additional financial transaction by appropriating funds to an office which has coordination as its primary function.

We recommend that the \$24,375,804 proposed for the support of alcoholism programs be appropriated directly to the Department of Health which has the primary and statutory responsibility for the administration of such programs.

Neuropsychiatric Institutes

The Department of Health operates two neuropsychiatric institutes in conjunction with the University of California schools of medicine at Los Angeles and San Francisco. The institutes are primarily used for training mental health professionals in the fields of mental illness and mental retardation. They provide care and treatment to patients who are selected for their value to the teaching program.

We withhold recommendation on this item pending resolution of the organizational disposition of the institutes.

The Governor's Reorganization Plan No. 1 of 1970, which created the Department of Health, called for the transfer of the neuropsychiatric institutes from the Department of Mental Hygiene to the University of California. Although the reorganization plan does not become effective until July 1, 1973, the Governor's Budget for fiscal year 1972-73 proposed the transfer of the institutes on July 1, 1972.

During the budget hearings on the 1972-73 budget, however, officials

of the University and the Department of Finance could not reach agreement on funding levels for the institutes and consequently the transfer was not effected.

The Governor's Budget for 1973-74 contains the appropriation for the institutes in the Department of Health but states that it is intended to transfer them to the University during the 1973-74 fiscal year.

Although we generally favor the transfer of the institutes to the University as proposed by the reorganization plan, it is evident that such transfer will not take place until such time as agreement is reached by the Department of Finance and the University as to what constitutes an equitable level of funding. We anticipate that negotiations between Finance and the University will continue until the issues of funding and transfer are resolved.

Until that time, therefore, we are withholding recommendation.

State Programs for the Mentally Ill

The Health Treatment Systems program includes the support for the state hospitals for the mentally ill for patients who are judicially committed, committed pursuant to the Penal Code, or for whom no county of residence can be determined. Costs for services to such patients is borne 100 percent from state funds, in contrast to patients who receive services through provisions of the Lanterman-Petris-Short (LPS) and Short-Doyle Acts, whose service costs are shared on a 90 percent state/10 percent county basis.

Budget Proposal

We recommend approval.

The budget proposes General Fund support for this item in the amount of \$23,024,098. This is an increase of \$2,325,267, or 11.1 percent, above the amount estimated to be expended in the current year. This increase appears to be justified since Penal Code and other judicially committed patients continue to increase each year. Presently, such patients account for approximately 30 percent of the mentally ill population in state hospitals.

II. HEALTH FINANCING SYSTEMS

The Health Financing Systems program of the Department of Health includes programs formerly administered by the Departments of Health Care Services and Public Health. Services delivered through this program are supported by Budget Items 246, 264, and 265 and include the California Medical Assistance program (Medi-Cal) and the Crippled Children's Services program.

Administrative support for this program is provided primarily from funds appropriated by Item 246. An arbitrary amount of administrative support has been allocated to this program from Item 243, which is analyzed separately on page 555.

MEDI-CAL

DEPARTMENT OF HEALTH—Continued**A. CALIFORNIA MEDICAL ASSISTANCE (MEDI-CAL)**

The California Medical Assistance program (Medi-Cal), a joint federal-state program authorized by Title XIX of the Social Security Act, began March 1, 1966, following enactment of Chapter 4, Statutes of 1965, Second Extraordinary Session. The Medi-Cal Reform program became effective October 1, 1971, following enactment of Chapter 577, Statutes of 1971 (AB 949).

The Medi-Cal Program

Medi-Cal is the state's medical assistance program providing health care services to eligible people who cannot pay the full cost of medical care. It provides medical assistance to families with dependent children, to those aged, blind and disabled individuals and to other residents whose income and resources are either insufficient to meet the cost of medical services or are so limited that their application to the cost of such care would jeopardize future minimum self-maintenance and security.

Medi-Cal Reform Program

The Medi-Cal Reform program (MRP) created significant changes in the Medi-Cal program in the following areas: (a) eligibility, (b) scope of benefits and prior authorization, and (c) county shares in the funding of the program. Eligibility was expanded to cover county medically needy children and adults who are under 65 and not linkable to the categorical welfare programs. This group was previously referred to as county medically indigent and was a responsibility of the individual counties. The state participated in the cost of care for this group under the county option portion of the program. The option program was repealed effective October 1, 1971.

There are now four groups of eligibles: (1) public assistance recipients, who are individuals receiving cash grant payments under the state's categorically needy welfare program; (2) medically needy only welfare-linked persons (MNO), who meet the requirements of one of the four welfare categories but have sufficient funds to meet daily needs and therefore do not receive cash grant payments; (3) medically indigent children, under the age of 18 who reside with their families, who are medically needy on the basis of their income and resources; and (4) medically indigent adults, from age 18 to 65 and those ceremonially married persons under 18 who are financially unable to purchase necessary health care.

All eligibles are entitled to receive Title XIX services provided by physicians, dentists, hospitals, nursing homes, etc. These benefits are divided into two parts: a uniform basic schedule of benefits and a uniform supplemental schedule of benefits. For each beneficiary, no supplemental benefit shall be utilized until the corresponding basic benefit has been exhausted. The benefit schedules are summarized in Table 1 which depicts the services provided and the program limitations that have been placed upon them.

The county share, or county participation, in the funding of the Medi-Cal Reform program is based upon an estimate of the individual county's

Table 1
Summary of Medi-Cal Benefits

<i>Type of service</i>	<i>Basic benefits</i>	<i>Supplemental benefits</i>
Hospital inpatient care	65 days per year	300 days per year
State hospital care	365 days per year	—
Nursing home care	365 days per year	—
Intermediate care	365 days per year	—
Laboratory and X-ray	As prescribed	—
Drugs	Two prescriptions per month	As prescribed, subject to utilization controls
Outpatient services:		
Hospital	For all outpatient services there is a maximum of 24 outpatient visits per year with a maximum of 4 physician visits per month and a maximum of 2 of all other services per month.	Physician and other services are covered subject to utilization controls.
Physician		
Speech therapy		
Physical therapy		
Podiatry		
Psychology		
Chiropractic		
Christian Scientist		
Optometry		
Optician		
Dental care	Diagnostic and restorative, subject to utilization controls	
Home Health Agency	Services are covered subject to utilization controls	
Other medical services:	Services are covered subject to utilization controls	
Medical transportation		
Hearing aids		
Durable medical equipment		
Prosthetic devices		

1970-71 actual cost of providing medical care to its residents. That estimated amount was adjusted and became the county's 1971-72 payment into the Health Care Deposit Fund and is to be increased each subsequent year by the percentage change in the modified assessed valuation for each county.

HR 1

HR 1, the Social Security Amendments of 1972 (Public Law 92-603), was enacted October 30, 1972. The implementation of the provisions contained therein will have a major impact on the Medi-Cal program. In general, HR 1 will: (a) enable certain individuals currently receiving Medi-Cal benefits to become eligible for Medicare coverage; (b) allow for monthly premium charges and copayments under Medi-Cal; (c) increase federal sharing for the development and operation of mechanized claim processing; (d) extend Medi-Cal coverage for inpatient psychiatric hospital services to individuals under 21; (e) protect individuals from the loss of Medi-Cal benefits for various reasons; and (f) require that reimbursement rates for care in skilled nursing and intermediate care facilities are made on a reasonable cost-related basis by July 1, 1976.

The full fiscal impact of HR 1 will not be known until the issuance of regulations by the Department of Health Education and Welfare (HEW).

DEPARTMENT OF HEALTH—Continued

It is clear that there will be some savings to the state in some of the HR 1 provisions relating to the inclusion of some services under the Medicare program which heretofore have been covered under the Medi-Cal program. As an example, effective July 1, 1973, a social security disability beneficiary will be covered under Medicare after he has been entitled to disability benefits for not less than 24 consecutive months. This provision could save the state approximately \$22 million on an annual basis. Conversely, there are provisions in HR 1 relating to the redefinition of nursing homes which could be costly to the state depending on HEW regulations.

The Governor's Budget, as presented to the Legislature on January 18, 1973, does not include the fiscal impact of HR 1 on the Medi-Cal or welfare programs. We shall submit a report relating to HR 1 during the budget hearings after HEW regulations have been issued.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation pending: (1) a review of the spring case-load and average cost estimates, and (2) more complete information regarding HR 1's impact on the program.

The budget proposes a General Fund appropriation of \$667,463,036 for the California Medical Assistance program which is \$74,127,069, or 12.5 percent, more than is estimated to be expended during the current fiscal year. The funds appropriated by this item represent the state's share of cost for the Medi-Cal Title XIX program and the medically indigent who are not eligible for federal reimbursement. In addition to this appropriation, the budget shows funds from other sources to bring the total program expenditure to \$1,657,737,477, which is \$105,797,283, or 6.8 percent, more than is estimated to be expended during the current fiscal year. Table 2 shows the program expenditures by type of service and by type of administrative cost.

Table 2
Total Medi-Cal Costs

	Actual 1971-72	Estimated 1972-73	Proposed 1973-74
Health benefits:			
Professional services	\$284,562,470	\$343,950,111	\$361,791,700
Prescription drugs	76,672,030	83,784,300	95,000,800
Dental care	43,170,433	54,706,900	60,597,100
Hospital inpatient	454,432,840	550,907,600	579,323,400
State hospitals	49,701,441	46,735,700	45,066,600
Nursing homes	227,753,532	272,845,300	295,194,600
Other services	50,988,196	77,918,400	87,814,194
Title XVIII B buy-in	25,579,772	27,927,600	27,935,200
Totals	\$1,212,860,714	\$1,458,775,911	\$1,552,723,594
County option	\$63,682,700	—	—
Administration			
State support	\$18,115,468	\$23,373,510	\$24,264,607
County support	28,672,236	37,965,120	44,011,756
Fiscal intermediary	28,403,428	31,825,653	33,737,520
Medi-Cal management system implementation	—	—	3,000,000
Total, Medical Assistance program	\$1,351,734,546	\$1,551,940,194	\$1,657,737,477

Table 3 presents the source of funding for the program.

Table 3
Source of Funding for the Medi-Cal Program

	1971-72	1972-73	1973-74
General Fund	\$503,379,409	\$593,335,967	\$667,463,036
Transfer from Item 262, Short-Doyle	5,657,000	16,370,000	19,015,097
Contingent Fund Board of Medical Examiners.....	204,543	272,724	272,733
Federal funds	601,233,594	686,181,955	700,774,911
County funds.....	241,260,000	255,779,548	270,211,700
Total Medi-Cal	<u>\$1,351,734,546</u>	<u>\$1,551,940,194</u>	<u>\$1,657,737,477</u>

Current Year Budget

The estimated current year expenditures of \$1,551.9 million reflect a program savings of \$25.1 million from the amount initially budgeted for the current year. The General Fund savings amount to \$13 million. The main reason given for this savings is the decrease in cash grant and Medi-Cal caseloads in the 1972-73 fiscal year. According to the department's "average monthly Medi-Cal caseload" estimates as presented on page 53 of the program budget, cash grant caseloads have decreased slightly. However, the Medi-Cal caseloads (medically needy and medically indigent) have increased substantially, although they appear to be less than the department projected one year ago.

The program savings are based on previous estimates for the medically indigent category. A discussion of the estimates for this category is included under the administration of the Medi-Cal program section of this Analysis.

Other adjustments contained in the current year budget include allowances for: (a) a retroactive nursing home rate increase; (b) a 5 percent increase to noninstitutional providers; and (c) an 8 percent increase in hospital inpatient expenditures.

1973-74 Budget Year

The proposed budget shows an increase of \$74,127,069, or 12.5 percent, in General Fund expenditures and an increase of \$105,797,283, or 6.8 percent, for the total program over the current fiscal year. Adjustments to the budget year include those listed for the current year pertaining to nursing home rates, noninstitutional provider rates, and hospital inpatient expenditures. In addition to these, the budget year has been adjusted for: (a) an increase attributed to caseload increases (as presented on page 53 of the program budget); and (b) discontinuance of the copayment project which expires June 30, 1973. Program expenditures will increase after the expiration of this project, by the amount it has saved the program. Original estimates were for \$12.5 million program savings, \$6,250,000 from the General Fund.

The General Fund expenditures appear to increase substantially when compared to the increases in county funding of the program. County funding for the budget year is estimated to increase by \$14,432,152 or 5.6 percent. The large increase in General Fund expenditures of 12.5 percent

DEPARTMENT OF HEALTH—Continued

reflects both the program savings estimated for this year and program increases due to the loss of savings from copayment in the following year. The counties do not share in program savings because their shares are fixed in the law.

ADMINISTRATION OF THE MEDI-CAL PROGRAM

Under supervision of the Secretary for Health and Welfare, the State Department of Health will be 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 will be responsible for receiving and processing applications for Medi-Cal eligibility.

The fiscal intermediaries, Blue Cross North, Blue Cross South and Blue Shield, who have recently joined together to form Medi-Cal Intermediary Operations (MIO), process and pay claims for 56 counties that have been submitted for payment by providers of care after eligibility has been determined by county agencies. Claims from Santa Clara and San Diego Counties are processed by the Medi-Cal Management System (MMS), which has been operating on a prototype basis since August of 1972. Both MIO and MMS are currently under contracts with the State Department of Health Care Services that will later be transferred to the Department of Health.

Administration consists of program control and coordination, and eligibility determination and services payment, within the state operations. The county operations include the costs related to eligibility determination made by county departments of welfare or public health.

Table 4 shows the total estimated cost incurred for administration in fiscal years 1971-72, 1972-73, and 1973-74.

Table 4
Estimated Medi-Cal Cost for Administration
1971-72 through 1973-74

	1971-72	1972-73	1973-74
Administration			
State support	\$18,115,468	\$23,373,510	\$24,264,607
County support	28,672,236	37,965,120	44,011,756
Fiscal intermediary.....	28,403,428	31,825,653	33,737,520
Medi-Cal management system implementation..	—	—	3,000,000
Total	<u>\$75,191,132</u>	<u>\$93,164,283</u>	<u>\$105,013,883</u>

Increased Administrative Cost

We withhold recommendation pending receipt of caseload estimates to be made in the spring.

The total budgeted administrative costs represent 6.8 percent of the benefits which are estimated to be paid by the Medi-Cal program during the budget year. These costs are directly related to the average monthly Medi-Cal caseload, volume of claims processed and the number of eligibility determinations made in the counties.

The increases in state administration were mainly due to passage of

MRP with the strong emphasis of prior authorization. However, the department has also (a) expanded in the areas of prepaid health plan development and management, (b) created a recovery bureau to collect third-party liabilities due the program, and (c) experienced a cost-of-living increase on salaries and wages.

The increases in fiscal intermediary administration are also a result of MRP. The budget year figure is based on an estimated increase in claims volume due to an increase in the number of eligibles. The \$3 million included for the Medi-Cal Management System (MMS) represents funds that would be required to begin statewide implementation of MMS during the budget year. The current status of MMS is discussed under a separate section in this analysis.

County operations have been estimated to increase substantially during both the current and budget years. The cost of county operation expenditures is directly related to caseload and thus the amount budgeted for county expenditures is dependent upon the caseload estimates.

Caseload estimates for one category of eligibles has fluctuated substantially since the enactment of MRP. This category, the medically indigent, was originally estimated to be between 750,000 and 800,000 people per month. Actual experience under MRP indicated a much lower caseload and therefore the Department of Health Care Services has prepared reestimates for this category as depicted in Table 5.

Table 5
Average Monthly Medi-Cal Caseload
for Medically Indigents

	1971-72	1972-73	1973-74
Medically indigent.....	40,150	237,900	390,200
Adults	16,120	82,400	153,300
Children.....	24,030	155,500	236,900

Corresponding changes have taken place in the county support estimates. Estimates presented in last year's budget reflect the original caseload estimates while the current year estimates reflect the revised caseload estimates. Last year's and this year's budget estimates are shown in Table 6.

Table 6
County Support Estimates
1970-71 through 1973-74

	1970-71	1971-72	1972-73	1973-74
County support	\$17,978,078	\$18,782,044	\$48,119,596	—
(1972-73 Governor's Budget)				
County support	—	28,672,236	37,965,120	44,011,756
(1973-74 Governor's Budget)				

On the basis of the volatility of the medically indigent caseload estimates, and their impact on program administration costs, we are withholding our recommendation pending receipt of more data based on actual experience.

DEPARTMENT OF HEALTH—Continued**Eligibility Process**

Although the caseload estimates give rise to the major variations in county administration costs, the requirements for eligibility determination also have a significant impact in this area. Increased county administration costs have resulted from the requirements established for eligibility under MRP.

Prior to MRP the counties were required to establish eligibility for the medically needy category. MRP added the requirement for eligibility determination of the medically indigent, set up a separate eligibility process for this category and revised the process for the medically needy. The basic difference between the requirements for the two categories is that medically needy are linked to a categorical aid program while the medically indigent are not. In addition to the basic difference, several others were established. The resources and real property limitations and the responsible relative regulations differ for each category. Separate maintenance need standards were established. These standards are utilized to calculate the beneficiaries liability, or share, toward the cost of his health care, which is again calculated under two separate sets of criteria. Furthermore, the requirements for redetermination of eligibility vary in each case. Medically indigents who are responsible for a portion of the costs of their health care must fill out a 20-page application form and reapply for Medi-Cal benefits each month.

Experience under MRP has indicated that eligibility workers have had to spend more time processing all applications. In many cases, applicants do not have the proper information and additional meetings must be arranged. A cumbersome and tedious chore of gathering the information commences, often resulting in an incomplete application. Hence, no Medi-Cal reimbursements are received and an eligibility worker's time has been wasted. The monthly reapplication for medically indigents who have liabilities also requires considerable time.

In order to reduce costs related to the eligibility process, the requirements for eligibility determination would have to be revised. A study of the current process and possible solutions to the problem is necessary.

We recommend that the department conduct a study for the purpose of determining the feasibility of combining the eligibility processes for the medically needy and medically indigent categories into one simplified process, and that the department report the requirements for necessary changes in legislation to the Legislature for introduction during the 1973 session.

Copayment

MRP contained a copayment requirement which was initiated on January 1, 1972. Beneficiaries required to copay are those whose income combined with their grants, if any, exceed the amounts to which they or their family would be entitled if they were solely dependent upon public assistance grants. Copayments of one dollar (\$1) are paid to providers for each outpatient visit for services included under the basic schedule of benefits that do not require prior authorization. A copayment of fifty cents (\$.50)

is also required for each prescribed drug listed under the basic schedule of benefits. This project is serving as a national test for determining the adequacy of overutilization and inappropriate utilization controls resulting from a copayment requirement for beneficiaries.

Since a copayment of this nature violates provisions of federal law, a federal waiver from the Department of Health, Education and Welfare was necessary prior to implementation. Under existing law, the project will terminate June 30, 1973.

The department has estimated a program savings of \$12.5 million (\$6.25 million General Fund) will result from the copayment project. However, a report on the actual experience of the project has not been made available to date.

Prepaid Health Plans

The Medi-Cal Reform program (MRP) encourages the administrators of the Medi-Cal program, to the extent feasible, to provide health care to Medi-Cal eligibles through a system of prepaid health plans. A prepaid health plan is any association of providers of medical and health services who agree with the state department, administering Medi-Cal, to furnish directly and indirectly health services to Medi-Cal beneficiaries on a predetermined periodic rate basis. Legislation was passed during the 1972 Session of the Legislature which established a separate chapter in the Welfare and Institutions Code for prepaid health plans, Chapter 1366, 1972 Session (AB 1496).

The department has signed 25 prepaid health plan contracts for a maximum potential enrollment of 454,384 Medi-Cal beneficiaries and for a maximum value of \$123 million.

There are currently 132,668 beneficiaries actually enrolled, representing only 29 percent of the potential enrollees. Actual enrollment is expected to increase, however, because a majority of the contracts were signed during the first six months of the 1972-73 fiscal year and are not fully operational. Of the 25 existing plans, 18 are in Los Angeles County, three are in Orange County, one is in San Bernardino County, one is in San Diego County, one is in Santa Clara County, and one plan covers Sacramento, Nevada, Yolo, Placer and El Dorado Counties.

Thirty-eight additional proposals with potential for covering an additional 275,000 beneficiaries have been submitted and are being reviewed. These proposals are from Los Angeles, Kings, Orange, San Diego, Santa Clara, Riverside, and Alameda Counties.

Success of a plan depends mainly on its ability to provide an effective preventative health treatment program. Therefore, enrollment has been limited to Medi-Cal beneficiaries belonging to one of the public assistance recipient categories, because they are normally eligible for Medi-Cal for a longer duration of time. The average monthly caseload for these categories has been totaling approximately two million people.

To the extent that prepaid health plans are implemented, there will be a significant saving in administrative cost control. Initially, program costs relating to claims processing, prior authorization, medical social review and Medi-Cal identification card preparation will be reduced. Then as the

DEPARTMENT OF HEALTH—Continued

plans develop a more efficient delivery method, total program costs should also decrease. These savings should be reflected in the Department of Health's future budget requests.

MEDI-CAL MANAGEMENT SYSTEM

The 1968 Legislature authorized \$250,000 for a study of the existing Medi-Cal eligibility process, claim payment process and management system. A private contractor conducted the study and submitted a report with extensive recommendations in March 1969. 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, i.e., in two counties to test and perfect the procedures.

The report basically recommended the establishment of a single management claims processing control system to provide positive eligibility verification, and that local claims processing be linked to a centralized data processing unit.

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 the Medi-Cal Management System (MMS) on a prototype basis in two counties. The design and development phases of the contract were completed in August 1972 and prototype operations began in Santa Clara and San Diego Counties at that time.

During the budget process, the 1972 Legislature removed funds from the current-year budget that were to be utilized for statewide implementation of MMS. This action was taken to allow for a comprehensive evaluation of the prototype system prior to commencing statewide expansion. In December 1972, HR 129 was adopted by the Assembly which requires the Secretary of Health and Welfare to form a task force including, but not limited to, representatives from the Office of the State Controller, Department of Finance, Joint Legislative Budget Committee, Joint Legislative Audit Committee, and such other designated representatives from the health care field as the Legislative Analyst appoints. The purpose of this task force is to prepare a comparative evaluation of the Medi-Cal Management System and the Medi-Cal Intermediary Operations.

Medi-Cal Intermediary Operations (MIO) is an organization recently formed by the three current fiscal intermediaries, Blue Cross North, Blue Cross South, and Blue Shield, for the purpose of processing Medi-Cal claims. Blue Shield had subcontracted with a private firm, Electronic Data Systems Federal, to upgrade and perform its data processing tasks prior to the formation of MIO. Electronic Data Systems Federal implemented a new system called "Upgrade 71" at Blue Shield and with the creation of MIO was able to expand the system to include Blue Cross North and Blue Cross South. Therefore, the current claims processing system being operated in 56 counties under MIO is that which will be compared to MMS.

The resolution requests for submission of the task force findings to the Assembly Committees on Ways and Means and Efficiency and Cost Con-

trol no later than April 1, 1973.

Depending on the outcome of this evaluation, the \$3 million (\$1.5 million General Fund) included under program administration for the purpose of beginning statewide implementation of MMS should be adjusted.

COUNTY SHARE IN FUNDING THE MEDI-CAL PROGRAM

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

Option counties paid 100 percent of the uncompensated 1964-65 cost for all county indigents, increased only by the percentage change in population, and the state, subject to budget limitations, would pay for all other cost increases.

Standard counties (as distinguished from those electing the option) paid an amount equal to 90 percent of the 1964-65 county cost of health care, uncompensated from any source, for all categorical aid recipients and other persons aged 65 and older. In addition to the 1964-65 amount, each county paid an amount specified in the law which was increased each year by the percentage change in population.

As a general rule, larger counties selected the option, expecting costs to increase, and small counties selected the standard share, anticipating that their costs would remain fairly stable or decrease. Approximately 85 percent of the statewide cost of county hospital care was under the option program.

During its five years of operation, budget limitations had to be placed upon the state's funding of the option program since costs rose very rapidly and some counties had taken advantage of the program by billing the state for costs that were not intended to be covered.

County Shares Under Medi-Cal Reform Program (MRP)

In 1971 the county option program was repealed and a new method for determining each county's share in the Medi-Cal program was established with the enactment of the Medi-Cal reform legislation. County shares under MRP for the 1971-72 fiscal year were based on each county's adjusted 1970-71 Medi-Cal program contribution increased by the county medically indigent costs for that fiscal year. County medically indigent costs were added because MRP had expanded Medi-Cal eligibility to medically indigents. Thus, in the future the counties would share in the cost for all Medi-Cal eligibles. In subsequent years, the new shares are increased by the county's percentage change in modified assessed value, as determined by the State Controller.

Two methods for the development of the county medically indigent costs were utilized by the state. For counties participating in the option program, the state was paying these costs and therefore figures were readily available. On the other hand, for the standard counties information

DEPARTMENT OF HEALTH—Continued

had to be obtained from county budget material which in many cases were incomplete.

Experience Under MRP

After a few months of operation under MRP, it became evident that a cost shift from the state to the counties had taken place. At that time, it was assumed that this shift was due to administrative problems experienced by the counties while implementing the provisions of MRP. However, at the end of 1971-72 fiscal year, substantial cost increases to the counties were still apparent. Legislation was then passed which provided some relief to the counties for that year (AB 1282, Chapter 252, 1972 Statutes). The legislation eliminated certain billing requirements for county and university hospitals, and allowed the counties to bill for services performed, that they may not have been able to bill for under previously required MRP procedures.

Elements of the Cost Shift

The main elements of the cost shift evolve from one or a combination of the following areas: (a) estimates for the new medically indigent category; (b) the modification of program benefits; and (c) the information utilized to develop the county shares.

In designing MRP, it was assumed that the new medically indigent category of Medi-Cal eligibles would include a majority of the county medically indigents covered by the option program. Average monthly caseload estimates for this category were between 750,000 and 800,000 people. As was pointed out earlier in this Analysis, the actual figures for 1971-72 were about 40,000 people who were certified as eligible for benefits and the department's estimates for the 1972-73 year have been reduced to 238,000 people with an estimate of 390,200 for 1973-74. The department has recently made some regulation changes that enable more individuals to become eligible. However, these changes do not allow for all potential eligibles to do so. Since the county shares were based on the higher caseload figure counties are paying through their required contribution to the Health Care Deposit Fund for individuals who are not eligible for the program. The counties are continuing to provide care for the ineligible persons in county hospitals primarily at county cost if the person has no funds.

Services provided to eligibles were also modified by MRP. All eligibles are now entitled to receive benefits that are listed under a uniform basic schedule of benefits and a uniform supplemental schedule of benefits. By establishing these standardized benefits for all categories of eligibles, a number of services formerly covered by the option program have been eliminated from the Medi-Cal program. Since county contributions under MRP were based on the services covered under the option program, the counties now contribute for services for which they cannot receive reimbursement.

A somewhat similar situation existed for those counties that were taking advantage of the option program and billing for services or other items never covered by the Medi-Cal program. Their shares were based on

figures that did not represent the county medically indigent cost.

The information used as a basis for determining the shares for standard counties may also contain misleading information related to: (a) potential eligibles in the medically indigent category, (b) services not covered under MRP, and (c) funds transferred to county hospitals that were not related to the cost of care for county medically indigents. As a result of this last point, legislation was enacted in 1972 which substantially reduced the required contribution of Butte County (Chapter 1329, 1972 Statutes).

The Butte County share in the funding of the Medi-Cal program established by Chapter 577, 1971 Statutes (AB 949—the Medi-Cal Reform program) was \$1,120,000. County representatives contended that erroneous information was utilized by the Department of Health Care Services (DHCS) to develop that figure.

The county shares included in AB 949 were based on each county's 1970-71 Medi-Cal program contribution plus county medically indigent costs.

In the case of Butte County, DHCS extracted the county hospital reimbursement of \$400,000 from the county's budget and used that amount for the county medically indigent costs. After an investigation conducted by DHCS and county officials, it was found that only \$231,700 was attributable to care of medically indigent patients that would be eligible for Medi-Cal under Chapter 577 and the difference of \$168,300 was determined to be the amount of excess contribution by Butte County. Chapter 1329 reduced Butte County's annual share by that amount.

Under current law, the counties do not share in program savings. County shares are increased each year by the percentage change in modified assessed value, regardless. Program savings were realized during the 1971-72 fiscal year and are anticipated during the current year.

We have been working with the County Supervisors' Association and various individual counties in an effort to determine the extent of the cost shift to the counties resulting from the passage of Chapter 577. Complete data are not available at this time. However, we anticipate having the necessary information available at the time of the budget hearings.

B. CRIPPLED CHILDREN'S SERVICES

We withhold recommendation.

The goals of the Crippled Children's Services element are maintenance of early case finding of children with handicapping conditions and assurance that those eligible are provided with quality medical and related services to correct or ameliorate their handicap.

This element was formerly a bureau within the Department of Public Health. It has been placed in the Health Financing Systems program because it allocates the state appropriation and federal grant funds to counties on a three-to-one matching basis and reimburses counties for services rendered. The services for handicapped children are administered "independently" by 23 counties under standards and procedures developed by the department. For the remaining 35 "dependent" counties, the department administers the program directly.

The element controls the implementation of the activities in achieving

DEPARTMENT OF HEALTH—Continued

its goals (1) through development of standards, policies and procedures to insure high quality medical care for the handicapped child, (2) by designing activities to promote early case finding and referral services, (3) by insuring the provision of specialized medical care and allied medical services for those children eligible, and (4) through provision for medical-therapy units, in conjunction with the Department of Education, in the schools.

Budget Request

The department has proposed a total expenditure from all sources of \$22,939,839 in support of this element with 63.7 man-years of staffing. This represents no increase in the level of funding for the current year. The sources of the funding are:

General Fund	\$18,261,300
Federal grant	2,459,923
Reimbursement	454,616
Family repayment.....	1,764,000
	<hr/>
Total support	\$22,939,839

We are withholding recommendation pending receipt of additional information from the Department of Health. The proposed General Fund amount is the same as that estimated to be expended during the current fiscal year. The estimated General Fund expenditure for the current fiscal year is \$2,980,902 more than was expended last year. Either the caseload is anticipated to decline significantly or the budget does not accurately reflect anticipated cost increases and the normal growth of the program. The program budget, on page 55, line 57, shows a projected increase in the number of children served, therefore it is impossible for us to recommend approval of the budgeted amount until the department can explain how more children are to be served at increased costs with the same amount that is estimated to be expended during the current year.

III. HEALTH PROTECTION SYSTEMS

The Health Protection Systems program of the Department of Health includes programs and services formerly administered by the Departments of Public Health and Social Welfare. Services delivered through this program are supported by appropriations from budget items 247, 263, and 265 and include environmental health and consumer protection, preventive medical services, special social services, and laboratory services.

Administrative support for this program is provided by an arbitrary amount allocated from Item 243, which is analyzed separately on page 555.

Program Goals

In conjunction with local health departments, the Department of Health is responsible for protecting and improving the health of the people of California. The departmental goals include the control or elimination of environmental or consumer health hazards, the assurance of readily available and high quality health services, and the provision of special social services to handicapped or deprived persons.

Program Organization

To achieve these goals, the program is organized into the following elements: (1) Environmental Health and Consumer Protection Services; (2) Preventive Medical Services; (3) Community Services; and (4) Laboratory Services. Each of these elements is divided into components which are responsible for performing the various activities necessary to accomplish the program goals.

Total Proposed Health Protection Systems Expenditures

For fiscal year 1973-74, the department proposes a total support and subvention expenditure of \$425,575,784 in state, federal and private funds in support of the Health Protection Systems program. The source of funds is shown in Table 1.

**Table 1
Health Protection Systems Funding**

General Fund	\$ 38,269,895
Federal funds.....	298,691,764
Motor Vehicle Account, State Transportation Fund.....	134,696
County funds	68,583,000
Reimbursements:	
Federal	4,024,135
Other	15,872,294
Total proposed expenditure.....	\$425,578,784

Measures of Program Effectiveness

We recommend continuance of the Department of Finance task force which is assisting the Department of Health in determining realistic measures of program effectiveness for use as a management tool and in the budget presentation.

In our Analysis of the Department of Public Health's budget for fiscal year 1972-73, we recommended that the department redesign its program budget to more accurately reflect outputs rather than workload. We also noted that a Department of Finance task force was assisting the department in this area. The presentation of this program's elements in the 1973-74 budget shows some of the results of these efforts in those elements which had been part of the Department of Public Health. This task force should continue to work with the Department of Health in an attempt to finalize its efforts in determining effective measures of program effectiveness.

Environmental Health and Consumer Protection Element

Element Goals

The two primary goals of this element are (1) to control or eliminate factors in the environment which may be detrimental to personal health, and (2) 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 element is divided into the following components: food and drug, radiological health, water sanitation, vector

DEPARTMENT OF HEALTH—Continued

control and solid waste management, occupational health and environmental epidemiology, sanitarian services, veterinary services, and supportive laboratory services. A complete description of the functions and services provided by this element appears on Program Budget pages 55 through 60.

Budget Request

The Governor's Budget proposes a total of \$5,622,081 from all funds in support of this element. This total is composed of the following: General Fund support of \$2,993,065, federal grants \$820,450, Motor Vehicle Account, State Transportation Fund, \$77,105, and reimbursements of \$1,731,461.

We recommend approval of the proposed expenditures in this element.

A review of the activities of this element show that the services rendered will be current-year levels. Exceptions are discussed in the following paragraphs.

The department proposes the addition of two professional positions and 0.5 clerical position in the food and drug component to support a new function of licensing firms or individuals who dispense or charge scuba diving air flasks. The first year cost of this new function is proposed at \$36,773.

Chapter 1132, Statutes of 1971, requires the department to provide for the certification of water treatment plant operators. The department has requested two temporary help positions plus operating expenses at a cost of \$30,000 to continue the implementation of this function in the water sanitation component. The function is required by statute to be self-supporting. Revenues derived from a fee structure for initial certification and renewals are intended to fully reimburse the cost of this function.

Preventive Medical Services Element**Element Goals**

The goals of the preventive medical services element include the prevention and control of chronic and infectious diseases and the provision of high quality comprehensive health services and facilities. In order to accomplish these goals, the element is involved in efforts to establish, expand and improve personal health services.

To perform these activities, the element is divided into the following components: adult health and chronic disease, infectious disease control, venereal disease control, maternal and child health, and dental health. A description of the detailed activities of the components of this element are found on Program Budget pages 61 through 64.

The department proposes total expenditures of \$5,083,036 in support of this element for fiscal year 1973-74. A total of 95.4 man-years of employment are proposed for the element. The budgeted amount includes General Fund support of \$1,319,286, federal grants of \$923,522, reimbursements of \$9,985, General Fund subvention of \$932,671, and federal grant subventions of \$1,897,572.

We recommend approval of all the element's proposed expenditures

with the exception of the dental health component.

Family Planning

Within the maternal and child health component of this element is the unit which administers the state subventions in support of family planning clinics. An amount of \$632,524 from the General Fund is budgeted in support of this subvention in the budget year. The available current-year state funding level is \$726,778 or \$94,254 greater than the budget year. This difference does not represent a reduction in level of service. However, the base level for the budget year is the same as for the current year, i.e., \$600,000. The current-year amount includes \$112,473 of carryover funds available from Chapter 578 of the Statutes of 1971, plus \$14,305 due to salary increases and staff benefits. The passage of HR 1, which increases the federal-state matching requirements for family planning from three-to-one to nine-to-one may result in a total of \$6,325,240 in state and federal funds being available in fiscal year 1973-74.

Dental Health

The dental health component has been funded since its inception in fiscal year 1971-72 by federal funds. Expenditures during the current year for this component are \$73,354, of which \$60,154 is for personal service costs of three positions.

Federal funding for the dental health component terminates on June 30, 1973. The department proposes to reduce the component to a single dental consultant in the budget year and fund the position and operating expenses from the General Fund at a cost of \$35,000. The department is mandated by Chapter 1644, Statutes of 1971, to maintain a dental health program which shall be directed by a dentist licensed in California.

Chapter 1802, Statutes of 1971, requires the department to approve the manner of the topical application of a tooth decay inhibiting agent to the teeth (on a voluntary basis with parental permission) of pupils enrolled in the elementary and secondary schools on an annual basis. The implementation of the program is a responsibility of local health officers. However, the statute requires the program to be under the general direction of a licensed dentist. This program cannot be implemented until such time as the federal Food and Drug Administration approves a tooth decay inhibiting agent for topical application. We question the advisability of maintaining the component with a single employee to carry out its statutory functions.

We withhold recommendation on this component pending a review of a departmental report to the Legislature on the proposed implementation of the program.

Community Services Element

Revenue Sharing Problem

This element has as its primary goals (1) the provision of basic health services to the citizens of 15 sparsely populated counties on a contractual basis, (2) the provision of timely and appropriate services to assist individuals in the development and maintenance of self-support and self-care, (3) the provision of protective social services to persons who are handicapped or deprived, and (4) the direct subvention of funds to local

DEPARTMENT OF HEALTH—Continued

health departments.

The budget proposes total expenditures of \$406,548,584 from all funds to support this element. The budget document gives little or no information on how these funds are to be expended, or the nature of the programs proposed for support. It is known, however, that the special social services portion of this element, which has been transferred from the Department of Social Welfare, proposes the expenditure of large amounts of federal and county funds which may be subject to the federal restrictions on social service expenditures imposed by Public Law 92-512 (Revenue Sharing) and proposed federal appropriations for this purpose.

Until we receive and evaluate further information relating to the effects of PL 92-512, as well as information relating to the other expenditures proposed in this element, we withhold our recommendation.

Laboratory Services Element

The narrative description of this element's activities contains no statement of goals or objectives. We believe they may be stated as (1) the provision of timely and accurate supportive laboratory services and technical assistance to the departmental programs and contractual services provided other state and public agencies; (2) protection of the consumer by insuring that clinical and public health laboratories comply with the laws, regulations and standards governing these activities, and (3) by providing training for laboratory technicians in specific techniques to enhance the capabilities of both public and private laboratories so as to better serve the public.

Organization

To accomplish these goals the element has seven component laboratories. These are the: (1) air and industrial hygiene laboratory; (2) food and drug laboratory; (3) sanitation and radiation laboratory; (4) clinical chemistry laboratory; (5) viral and rickettsial disease laboratory; (6) microbial disease laboratory; and (7) southern California laboratory. The first six named are located in Berkeley. The seventh is located in Los Angeles. A full description of their activities appears on Program Budget pages 67 and 68.

Budget Request

We recommend approval.

The department has requested \$4,052,765 to support the activities of this element with the use of 255.4 man-years of employment. The total support amount is funded as follows: General Fund support \$3,097,048, federal grant \$663,190, Motor Vehicle Account, State Transportation Fund, \$57,591, and reimbursements of \$214,936.

New Positions

The element has requested a total of 6.5 new positions in the budget year.

We recommend these positions be approved for one year only.

The clinical chemistry laboratory has requested four new positions to

support and expedite its activities associated with the forensic alcohol analysis program. The positions and attendant supporting costs are to be funded from the Motor Vehicle Account, State Transportation Fund, in the amount of \$57,591. The immediate problem of the laboratory is the certification of breath-testing devices and provision of administrative direction. To correct this the budget requests an assistant chief, two public health chemists, a laboratory assistant, and a statistical clerk. We believe that these additional personnel will be able to solve this peak workload problem within the budget year. Should the problem still remain, the positions can be again requested in the 1974-75 budget.

The viral diseases laboratory has requested 2.5 new positions at an annual cost of \$41,576 from the General Fund. These positions and funds will support a new activity directed at enhancing the capabilities of laboratories, both public and private, to perform rubella antibody testing as required by Chapter 714, Statutes of 1972. This testing, as certified by a physician, will be required of all women, with certain specific exceptions, making application for a marriage license. Since this activity of the laboratory should result in other laboratories being able to provide this new service to the public at some financial gain, some manner of reimbursement for these services should be considered by the department. We believe that this program should be limited to one year pending the development of specific data on the number of laboratories and their personnel who may be approved during the year and those who may request such approval but have not been served.

IV. HEALTH QUALITY SYSTEMS

The Health Quality Systems program of the Department of Health incorporates programs and program elements formerly administered by the Departments of Mental Hygiene, Public Health, Health Care Services, Social Welfare, and Consumer Affairs. Services provided by this program are supported by appropriations from Items 246, 248 through 261, and 265.

Administrative support for this program is provided by an arbitrary amount allocated from Item 243, which is analyzed on page 555.

Program Goals

The program goal as stated in the budget is to assure that an acceptable quality of health care is delivered to the citizens of the state at a reasonable cost. This goal is to be accomplished through activities of educating providers of health care to understand what quality health care is, the licensing of providers of these services and related social services and by performing inspections, investigations and compliance audits of those who provide such health and social services.

Program Organization

The Health Quality Systems program is organized into five elements, Institutional Health Quality, Social Service Quality, Quantity Surveillance, Professional Proficiency, and Research Evaluation and Planning. The program and a description of the activities of the elements appears on pages 69 through 72 of the Program Budget.

DEPARTMENT OF HEALTH—Continued**Budget Request**

The department has requested a total of \$27,632,005 to fund the activities of the Health Quality Systems program and its elements in fiscal year 1973-74. Although not included in the budget request, \$2,829,450 from the Health Care Deposit Fund is proposed to be expended in this program. This amount funds the investigation and provider review bureaus which are charged with eliminating fraud and abuse in the Medi-Cal program and detecting incompetence among providers regulated under the professional proficiency element. Full discussion of the administration of the Medi-Cal program is contained on page 536, in the discussion of the Health Financing Systems program.

Institutional Health Quality Element

We recommend approval.

This element is responsible for the licensing and certification of the physical plants and staffing standards of health care facilities and health care laboratories. It is composed of the health facilities licensing and certification unit, the health facilities planning and construction unit, and the laboratories field unit. This latter unit licenses and certifies laboratory facilities.

Budget Request

The department has requested \$10,622,972 to support the activities of this element and provides for 190.3 man-years of employment in the budget year. This amount is funded from the sources set forth in Table 1:

Table 1
Institutional Health Quality Element
Funding by Source

General Fund	\$761,555
Health Facilities Construction Loan Insurance Fund	153,462
Reimbursements	4,101,300
Federal grant	224,979
Subventions of federal grant under the Hill-Burton program	5,381,676
Total	\$10,622,972

The element has requested 67 federally reimbursed new positions in the budget year. These positions are necessary to perform the annual inspections and in-depth surveys of health facilities required by federal standards in Medicare and Medicaid certification. Thirty-nine of these positions were established administratively during the current year and are proposed to be continued in the budget year. The total funding for these positions in the budget year is \$1,296,177.

Research and Evaluation and Planning Element

The goals of this element are to maintain continuous and coordinated health planning which will attempt to provide sufficient physical and environmental health protection at the lowest cost commensurate with the needs of the citizens of the state.

Element Organization

The element is organized into three components, research and evaluation, comprehensive health planning, and quality development.

Budget Request

We recommend approval.

The department has requested a total of \$2,492,315 and provides for 117.6 man-years of employment to achieve the stated goals in the budget year. The sources of this funding are shown in Table 2.

Table 2
Funding Sources
Research and Evaluation and Planning Element

General Fund	\$980,283
Federal grant	908,635
Reimbursements	603,397
Total	\$2,492,315

Research and Evaluation Component

This component proposes the expenditure of \$868,246 from the General Fund and is responsible for the research and evaluation of all health programs.

The principal evaluation program proposed to be carried out by the Department of Health through this component is the evaluation of local mental health programs pursuant to the requirements of Chapter 1609, Statutes of 1971. This legislation calls for a series of evaluation studies to be completed to determine the relative cost-effectiveness of services delivered by local mental health programs. The information developed by such studies is to be used by the Director of Health to formulate guidelines for the allocation of funds to local mental health programs.

We have reviewed the department's proposal for the conduct of the evaluation studies and are in full support of the effort to provide an understandable rationale for the allocation of local mental health funds.

Comprehensive Health Planning Component

The comprehensive health planning component is funded totally by a federal grant. The 1973-74 grant, which includes a carryover from the current year, totals \$908,635. This component is responsible, as the staff to the Advisory Health Council, for the development of the State Plan for Health. The council, on the basis of staff advice and public hearings, recommends allocations of federal funds for health facility construction and makes policy recommendations to the department in relation to state health programs.

Quality Development Component

This component is funded by \$112,037 from the General Fund and \$603,397 in reimbursements and is staffed by professional consultants of the medical and healing arts professions. The consultants provide guidance to institutional providers of health care services in relation to licensing and certification activities in the correction of deficiencies.

DEPARTMENT OF HEALTH—Continued

Professional Proficiency Element

We recommend approval of the budget request of each of the 10 healing arts boards and the Board of Veterinary Medicine.

These boards have been transferred to the Department of Health from the Department of Consumer Affairs. Each board is supported from one or more special funds. These funds derive their revenues from licensure fee structures. The proposed total support expenditures for all the boards in the budget year is \$5,491,676. A federal grant of \$78,508 and reimbursements in the amount of \$23,878 make up an additional \$102,386 of support expenditures for this element. This amount together with the budget items comprise the total expenditure of \$5,594,062 proposed for the element.

A tabular presentation of the detail of each of the boards primary functions and proposed expenditures by budget item follows:

Board of Behavioral Science Examiners
Item 248 (special fund)

<i>Detail</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
Licenseses.....	10,205	10,300	10,300
Applications.....	2,120	2,000	2,000
Complaints.....	289	200	200
Investigations.....	26	20	20
Examinations.....	901	600	600
Man-years.....	4.3	7	7
Cost.....	\$127,938	\$217,158	\$173,575

Board of Chiropractic Examiners
Item 249 (special fund)

<i>Detail</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
Licenseses.....	4,312	4,475	4,400
Applications.....	151	166	166
Examinations.....	141	150	150
Investigations.....	164	170	172
Hearings.....	8	9	10
Suspensions/revocations.....	3	3	4
Criminal prosecutions.....	2	3	4
Man-years.....	3.2	3.2	3.3
Cost.....	\$119,664	\$134,415	\$135,014

Board of Dental Examiners
Item 250 (special fund)

<i>Detail</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
Licenseses (all classes).....	21,400	23,154	24,914
Applications (all classes).....	3,082	2,655	2,935
Radiation safety certificates.....	29,883	41,883	53,987
Complaints.....	490	550	650
Examinations.....	36,481	13,710	13,845
Investigations.....	135	140	150
Man-years.....	10.3	11.9	12.0
Cost.....	\$303,393	\$444,263	\$406,963

**Board of Medical Examiners
Items 251, 252 and 253 (three special funds)**

<i>Detail</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
Licenses:			
Medical Practice Act	67,914	73,837	75,937
Psychology Certification Act	3,129	3,375	3,800
Licensed physical therapists.....	4,277	5,000	5,000
Corporations.....	4,062	5,090	6,105
Hearing aid dispensers	506	1,000	1,200
Physicians' assistants.....	378	725	725
Applications:			
Medical Practice Act	4,946	6,240	6,855
Psychology Certification Act	238	250	325
Licensed physical therapists.....	272	350	400
Corporations.....	1,379	1,532	1,785
Hearing aid dispensers	577	800	1,200
Physicians' assistants.....	0	500	500
Psychology assistants	232	250	375
Complaints	1,384	1,500	1,700
Investigations	1,395	1,500	1,700
Suspensions/revocations	23	5	10
Criminal convictions	40	42	45
Man-years	25.3	33.2	38.3
Cost.....	\$1,473,944	\$2,077,812	\$2,081,648

**State Board of Examiners of Nursing Home Administrators
Item 254 (special fund)**

<i>Detail</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
Licenses.....	0	1,900	2,200
Applications	2,333	517	200
Complaints	21	2	300
Investigations	6	3	60
Examinations	2,090	400	300
Man-years	2.6	3.1	3.1
Cost.....	\$128,080	\$107,074	\$99,252

**Board of Nursing Education and Nurse Registration
Item 255 (special fund)**

<i>Detail</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
Schools of nursing.....	86	90	90
Licenses.....	152,084	154,000	158,000
Applications	11,143	12,000	12,000
Examinations	10	11	11
Investigations	223	250	300
Hearings	59	65	70
Prosecutions	14	18	22
Man-years	26.1	29.8	29.9
Cost.....	\$699,432	\$863,549	\$887,254

DEPARTMENT OF HEALTH—Continued

Board of Optometry
Item 256 (special fund)

<i>Detail</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
Licenseses	3,428	3,465	3,600
Applications	229	299	554
Complaints	355	315	400
Investigations	400	450	525
Man-years	2	3	3
Cost	\$96,438	\$85,857	\$94,796

Board of Osteopathic Examiners
Item 257 (special fund)

<i>Detail</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
Licenseses (all classes)	267	265	263
Investigations	2	2	2
Hearings	3	2	1
Suspensions/revocations	—	1	1
Man-years	—	—	—
Cost	\$13,637	\$16,396	\$16,809

Board of Pharmacy
Item 258 (special fund)

<i>Detail</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
Licenseses	23,892	23,500	23,900
Applications	1,571	1,500	1,500
Complaints	403	1,000	450
Inspections/investigations	6,818	7,800	7,700
Disciplinary actions	347	330	350
Man-years	25.3	27.1	26.7
Cost	\$703,136	\$808,775	\$815,091

Board of Examiners in Veterinary Medicine
Item 259 (special fund)

<i>Detail</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Proposed 1973-74</i>
Licenseses	3,350	3,450	3,600
Applications	253	260	270
Complaints	140	200	225
Investigations	61	100	125
Man-years	1.6	3	3
Cost	\$85,854	\$108,062	\$107,219

**Board of Vocational Nurse and Psychiatric Technician Examiners
Items 260 and 261 (two special funds)**

<i>Detail</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-1973</i>	<i>Proposed 1973-1974</i>
Vocational nurses			
Licensees	44,252	50,940	56,640
Applications	6,721	8,000	8,125
Examinations	6,050	8,000	8,125
Complaints	638	685	693
Annual/special visits to schools	585	590	600
Inspections/investigations	122	160	162
Psychiatric technicians			
Licensees	11,900	12,800	14,000
Applications	1,135	1,150	1,200
Examinations	803	950	1,050
Complaints	136	150	175
Annual/special visits to schools	121	130	139
Inspections/investigations	41	55	80
Man-years	16.1	18.5	18.6
Cost	\$582,252	\$654,693	\$674,055

V. HEALTH ADMINISTRATIVE SYSTEMS

The Department of Health proposes an organizational program called Health Administrative Systems. This program combines the administrative staffs of the various departments which have been merged into the new department and will provide the central services and support functions for the other programs of the department.

Budget Proposal

The budget proposes a General Fund appropriation of \$17,665,497 for the support of departmental administrative operations. Since this item represents an amalgamation of administrative personnel and programs formerly contained in separate departmental budgets, a comparison of budget-year costs with costs of prior years is not pertinent. Also, this item represents only the General Fund amount for administrative support. An additional \$24,264,607 from the Health Care Deposit Fund is contained in Item 246 for the support of services attendant to the administration of the Medi-Cal program. The total General Fund cost and man-years are evenly distributed to the four operating programs of the department. This results in approximately 247.5 man-years and \$4,289,318 being added to each of the departmental programs as administration. While this may have been the expedient solution of proration of administrative costs at this stage of the organization of the Department of Health, we do not believe it is representative of the ratio of such costs to the services rendered to each of the programs.

We withhold a recommendation on this program pending submission of a breakdown of sources of funding and potential position reduction.

Health services, Training, Special Investigations and Demonstration Grants and State Special Projects

This component of the Health Administrative Systems program appears on pages 75 through 77 of the Program Budget.

The activities are assigned to the various program elements under whose supervision the grants or contract activity is performed.

The total funding of these activities as reported in the budget is \$10,093,-

DEPARTMENT OF HEALTH—Continued

328 and provides for 368.7 man-years of employment. Federal and other nonstate funds provide \$9,029,116 of the support of these activities. State-supported special projects are anticipated to be funded at a level of \$849,-212. We understand that these projects are not funded through the departmental budget but are in anticipation of either federal grants or contracts with other public agencies.

Health and Welfare Agency

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT

- Items 266-270 from the General Fund
- Item 271 from the HRD Contingent Fund
- Item 272 from the Unemployment Fund
- Item 273 from the Unemployment Compensation Disability Trust Fund

Budget p. 166 Program p. II-235

Requested 1973-74	\$28,095,337
Estimated 1972-73	28,059,484
Actual 1971-72	24,140,882
Requested increase \$35,853 (0.1 percent)	
Total recommended reduction	\$86,833

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Manpower Programs—Reorganization of Responsibility.* Recommend establishment of a new Department of Human Resources Development and Rehabilitation to coordinate and provide manpower services to the handicapped and hard-to-place individuals. 567
2. *SEOO Support. Reduce Item 268 by \$86,833.* Recommend state not fund two special program grants in the State Economic Opportunity Office (SEOO) and that other appropriate state agencies assume responsibility for administering the grants. 568
3. *SEOO State Variation Plan.* Recommend legislative review and approval of State Variation Plan prior to its formal submittal to National Office of Economic Opportunity. 570
4. *California Commission on Aging.* Recommend (a) creation of an Office on Aging, and (b) reconstitution of the Commission on Aging as an advisory body. 572

GENERAL PROGRAM STATEMENT

The Department of Human Resources Development (HRD) administers the following eight programs:

1. Placement program
2. Job Development program
3. Manpower Development program
4. Tax Collections and Insurance Payments program
5. Migrant Services program

6. State Economic Opportunity Office
7. Commission on Aging
8. Administration and Management Services—distributed to other programs.

The basic goal and objectives of the above programs are to provide:

1. Weekly cash benefits for eligible persons unemployed through no fault of their own;
2. Employers with the best qualified employees available and matching job-ready persons to available job openings; and
3. Job training and placement services directly calculated to increase employability or improve earnings capability of the individual, especially the disadvantaged.

The above programs and goals are proposed to be carried out through an organizational structure consisting of the following three major branches:

1. Operations Branch:

This branch is responsible for the direct delivery of services to the public. It encompasses the Division of Job Training, Development, Placement and Insurance Payments, the Operations Support Division, Education Liaison, and the Division of Accounts and Tax Collections.

2. Program Services Branch:

This branch has the responsibility for policy development and program planning, research and evaluation.

3. Administration Branch:

This branch is responsible for support services to the department in areas of budget, fiscal, personnel services, data processing, employment data and research, business services and management systems.

ANALYSIS AND RECOMMENDATION

We recommend approval of Items 266, 267, 269, 270, 271, 272 and 273 as budgeted. We recommend that Item 268, support for the State Economic Opportunity Office (SEOO), be approved in the reduced amount of \$158,736 (-\$86,833).

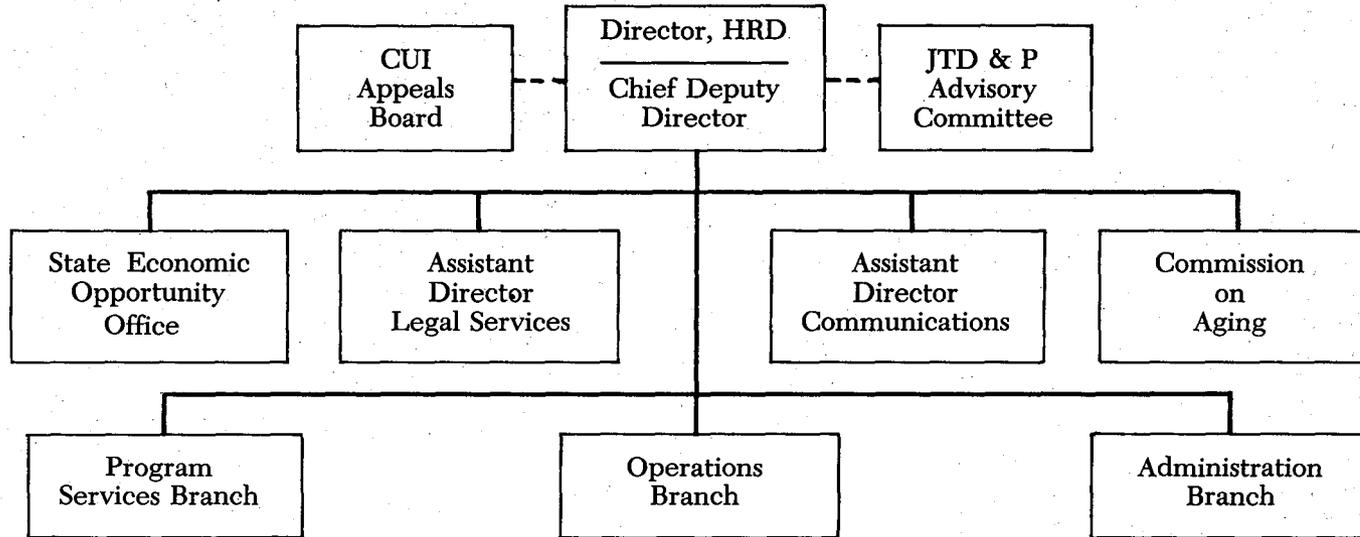
The proposed appropriations for support of the department in fiscal year 1973-74 total \$28,095,337, an increase of \$35,853 or 0.1 percent, over the current year estimated expenditures.

The total expenditure program proposed by the department for fiscal year 1973-74 is \$1,258,516,860, which is an increase of \$37,135,760, or 3.0 percent, over that which is estimated to be expended during the current fiscal year. The total expenditure program includes anticipated unemployment and disability insurance payments of \$1,005,636,000.

Table 1 shows the eight budget items proposed for support of the department, the funding source and the purpose of each appropriation.

Five of the eight budget items are appropriations from the General Fund totaling \$12,109,213; one is an item from the HRD Contingent Fund totaling \$1,181,351; and there is one item each from the Unemployment Insurance Fund (Reed Act) and the Unemployment Compensation Disability Fund in the amounts of \$17,191 and \$15,902,307 respectively.

Chart I
ORGANIZATION STRUCTURE, DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
Effective November 1972



Responsible for:

1. Division of Planning and Special Projects.
2. Division of Evaluation.
3. Division of Program Support (including the Office of Manpower Utilization).

Responsible for:

1. Field Office Administration, Division of Job Training, Development, Placement and Insurance Payments.
2. Central Operations Division — Program Coordination for the service delivery system.
3. Education Liaison.
4. Field Office Administration, Division of Accounts and Tax Collections.

Responsible for:

1. Business Services Section.
2. Division of Fiscal Programs.
3. Division of Employment Data and Research.
4. Division of Management Systems and Personnel Programs.
5. Data Processing Section.

Table 1
Proposed Appropriations for Support of
Department of Human Resources Development

<i>Budget Item</i>	<i>Fund source</i>	<i>Purpose</i>	<i>Proposed appropriation</i>	<i>Percent of increase or decrease from previous year</i>
266	General Fund	WIN	\$5,674,191 ¹	-20.3%
267	General Fund	Service Center program	4,154,773	+7.7
268	General Fund	State Economic Opportunity Office—Technical Assistance program.....	245,569	+230.2
269	General Fund	Commission on Aging program.....	510,657	+1.5
270	General Fund	Migrant Services program	409,298	No change
271	HRD Contingent Fund	Pro rata charges	1,181,351	+122.8
272	Unemployment Insurance Fund (Reed Act)	Department of Finance audit ..	17,191	-11.9
273	Unemployment Compensation Disability Fund	Support DI operations.....	15,902,307	+11.2
Total of proposed appropriations.....			\$28,095,337	+4.1%

¹ In addition to the proposed WIN appropriation of \$5,674,191 there is a carryover of \$1,114,725 available from Chapter 578, Statutes of 1971 (Welfare Reform Act).

PLACEMENT PROGRAM

The budget proposes an expenditure of \$62,215,117, all funds, for the Placement program which is a decrease of \$5,865,864, or 8.6 percent, from the current fiscal year. A total of 362 less man-years are proposed for the budget than are estimated for the current year. However, the General Fund request of \$6,191,447 is an increase of \$503,329, or 8.9 percent. This increase in the General Fund provides for a staff increase of 250 positions for the Employables program. These positions are funded with 90 percent federal and 10 percent state participation. Employment services placement staff, the 363 positions reduced, require no state matching. Table 2 shows the source of funding for the Placement program.

Table 2
Placement Program

	<i>Man-years</i>			<i>Expenditures</i>		
	<i>1971-72</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1971-72</i>	<i>1972-73</i>	<i>1973-74</i>
Totals, Placement program	2,950.1	3,134.3	2,772.3	\$49,485,774	\$68,080,981	\$62,215,117
General Fund				5,187,921	5,687,118	6,191,447
WIN program				(1,520,008)	(1,707,248)	(2,036,674)
Service center				(3,667,913)	(3,979,870)	(4,154,773)
Federal funds.....				41,646,364	60,191,133	53,919,963
HRD Contingent Fund (Pro rata charges).....				203,515	388,221	302,753
UI (Reed Act)				956,833	2,759	4,405
Special funds—county				—	93,366	135,136
Reimbursements—federal				1,387,426	1,490,016	1,416,970
—other.....				—	228,368	244,443

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT—Continued**Emphasis on Placement**

The department has been informed by the U.S. Department of Labor Manpower Administration that it must increase placements during the current year. The record has been of such poor quality that the Federal Office of Management and Budget has initiated some budget reductions. The department has been told to increase its overall placement record and serve more veterans.

Responding to these mandates, the department has changed its emphasis under the current director and the Secretary of the Health and Welfare Agency with a goal of improving the number of placements made by HRD. There has been a definite improvement in the placement record, but through November 1972 the department is still running below the projected nonagricultural placements.

Table 3
Plan of Service Goal Accomplishment July–November 1972

<i>Nonagricultural placements</i>	<i>Goal fiscal year 1972-73</i>	<i>Projected goal July–Nov.</i>	<i>Accomplished July–Nov.</i>	<i>Percent July–Nov. goal accomplished</i>
Total	430,000	200,000	167,379	83.7%
over three days on job.....	334,000	155,000	127,176	82.0
Veteran	130,500	61,000	47,621	78.1
Other than white	106,400	52,000	37,428	72.0
Poor	197,000	95,000	60,135	63.3
Minority	165,000	80,000	69,449	86.8

As indicated in Table 3, total nonagricultural placements as of the end of November 1972 had reached about 83.7 percent of goal for that period. Placements among the poor had reached only about 63.3 percent of goal as of that time. It should be noted, however, that compared to a year ago at the same time, total nonagricultural placements were up 13.8 percent while placements of the poor and minorities were up 38.6 percent and 52.8 percent respectively.

Disenchantment With Training

The current emphasis on improving the placement record is in part a reflection of the general disenchantment with government-sponsored training programs in the United States. There has been criticism on a broad front that manpower training programs in general have failed both to put people to work and to boost the income of trainees enough to help them escape the poverty cycle.

There are divergent opinions as to a solution to manpower problems. One position advocates increased job placements through better techniques of matching the unemployed with existing job openings. The opposing argument reasons that job placements cannot be effective in solving the unemployment and poverty cycle problems as long as there are insufficient job openings available to match the number of unemployed or underemployed. The major role of government in the latter

instance is that of assisting private industry in the area of job creation.

In an expanding economy, increased placement activity will be effective in meeting the needs of the job-ready individuals who come to the department for assistance. The fact that the net total number of unemployed persons in California dropped by 40,000 from November 1971 to November 1972 has had a significant effect on the placement record of the department.

There are a number of concepts and subprograms being utilized by the department in its intensified placing efforts. Among them are the Comprehensive Manpower Office (COMO) concept, Job Banks, WIN II, Employables program, CWEP, and service centers.

Comprehensive Manpower Office (COMO)

The department's efforts to increase placements have influenced its reorganization structure. The intent of the department is to provide a complete range of manpower services in each local office. This pattern is adapted from a Manpower Administration project, the Comprehensive Manpower Office (COMO). COMO, which began in a number of communities in 1970, has as its basic purpose the restructuring of the local employment service offices so that jobseekers receive services which fit their individual specific needs. There are three levels of service recognized in the COMO system:

Level 1—job-ready applicants who need only information on where to apply for a job.

Level 2—essentially job-ready applicants who need some service in becoming effectively connected with the job market.

Level 3—disadvantaged applicants who require extensive help to compete in the job market.

There is a reemphasis on employer services in the COMO model. It is deemed essential to attract employers into using the system if jobs are to be available to the needy applicants. A second emphasis of the COMO model is self-help on the part of the applicants. Job-ready applicants are provided in each office a job-information center at which they can review for themselves those job openings for which they may qualify. If the applicant finds a job for which he is qualified he takes down the listing and asks an employment service staff member for assistance in following the required procedures to secure the job opening. This replaces the routine interview of all applicants in the traditional employment service model.

The staff time saved by not interviewing all level 1 applicants is to be used to give more intensive service to the levels 2 and 3 in the COMO model. It is in the area of service to levels 2 and 3 that the COMO system, as adapted by the Department of Human Resources Development, loses some of its clarity. The heavy emphasis on matching job applicants with job opportunities is tending to obscure the needs of those who are not truly job ready. The department can show that under the new emphasis placements of the disadvantaged have dramatically improved. This overlooks the fact that a significant number of those classified as disadvantaged are, in fact, job-ready persons and that more extensive services are required for individuals who are not job ready.

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT—Continued**Job Banks**

The job bank system is a computerized operation producing a daily list of employment openings with skill requirements and wages offered. It has made the matching of job-ready applicants with existing job openings a much improved process in the employment services system. The information will be used wherever available for the job information centers in each of the newly constituted employment service offices.

Presently, the job banks cover 32 percent of the population in California. With the installation of the Los Angeles County and San Francisco-Oakland job banks in January and April 1973, 86 percent of the population and 84 percent of the total work force will be covered.

In every area job banks have resulted in increased openings listed and increased placements completed. In all but one instance the rate of placement increase lags behind the rate of job openings. This is primarily because the cancellation of job openings runs significantly higher in the job bank system than in the employment services model.

WIN II

The Work Incentive program (WIN) was inaugurated in the second quarter of fiscal year 1968-69. The objective of the program is to provide employability services to the employable recipients of the Aid to Families with Dependent Children (AFDC) program. Services included in WIN were orientation, individual counseling, remedial education, vocational and on-the-job training, work experience, and special work projects. The goal was to remove welfare recipients from dependency on public support.

In December 1971, the President signed Public Law 92-223, known as the Talmadge Amendments or WIN II. The purposes of the amendments were to improve the Work Incentive program by: (1) insuring that welfare recipients are provided the services they need, (2) emphasizing employment-based rather than institutional training under the program, (3) relating institutional training much more closely to actual jobs available, (4) setting priorities for participation in the Work Incentive program giving high priority to mothers who volunteer to participate in the program, (5) easing the fiscal burden on the states by increasing federal matching of expenses of the WIN program, (6) increasing federal matching for the public service employment component of the Work Incentive program to 100 percent for the first year of employment, 75 percent for the second year, and 50 percent for the third year, (7) instituting an orderly registration procedure for participation in the WIN program.

The reconstituted WIN program places increased emphasis on orderly registration of recipients and provides for the registration of every employable welfare recipient with the employment services system, which in California is the Department of Human Resources Development. The major change in the focus of the WIN program under the Talmadge Amendments is to concentrate on connecting, wherever possible, all employable AFDC recipients with the labor market. The program emphasis is changed from one of training to one of employment with the training components becoming primarily public service employment projects or

on-the-job training projects. The works project component of WIN was replaced by public service employment.

The program calls for a separate administrative unit (SAU) of welfare service workers concentrating on providing services which enhance the employability of the welfare recipients.

An amount of \$2,000,000 was appropriated to HRD and the Department of Social Welfare by Chapter 578, Statutes of 1971 (Welfare Reform Act), for the Work Incentive program. These funds have not been expended and will not be expended through the current fiscal year. Although the language of Chapter 578 places particular emphasis on "education and training," the department has determined that the \$2,000,000 appropriation can more appropriately be used for financing placement services in the Employables program. Only \$1,114,725 of the \$2,000,000 appropriation is expected to be used in fiscal year 1973-74, with the balance available for the subsequent fiscal year.

The major decrease in proposed expenditures occurs in the WIN request of \$6,788,916, which is \$1,374,958 less than the current fiscal year estimated expenditure. However, the department expects to have almost \$2.5 million surplus in the WIN appropriation at the end of the current year so that the level of spending in fiscal year 1973-74 is expected to exceed the current-year expenditures. The \$2.5 million is available from the current year due to several factors: (1) a sharing ratio under WIN II that was originally budgeted on an 80 percent federal, 20 percent state basis, and is now 90 percent federal and 10 percent state; (2) reduction in the number of institutional training slots and limiting training to six months; (3) failure of the President's signing an appropriation bill resulting in limiting spending to last year's level of federal money (if federal money is not available, state matching money cannot be spent).

Employables Program

This program was established in Ventura County in late June 1971 as a pilot project to determine the possibility of separating the employable AFDC-U (unemployed parent) recipient from the nonemployable recipient. It has now been extended to serve both AFDC-U and employable AFDC-FG (family group) recipients. The program, through a contractual arrangement, provides for the transfer of county welfare department staff to HRD and the integration of these social work staff with HRD staff under the direction and supervision of HRD. The program, now operative in several counties, concentrates on the employment potentialities of the recipient. It is the department's intention to have the program statewide by the end of current fiscal year.

The Employables program is California's method of implementing WIN II. Some of the components of the program include providing a full range of services directed toward getting welfare recipients into regular jobs including job information, job placement, job development, directing and reviewing job-search efforts and referral to manpower training programs. AFDC recipients who are certified as employable are required to report every two weeks to the employables unit for employment-directed services. In practice, this two-week report mechanism has not worked because of lack of sufficient staff to handle the workload and because there are, in

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT—Continued

many cases, more efficient ways to handle the job-search program established for the recipient.

The program intends to make available all mandatory social services to each recipient who is classified as employable. However, it is not achieving this objective because of the lack of staff available to provide such services.

The Employables program is, in spite of the problems connected with insufficient staff for the workload, an improved method of connecting job-ready welfare recipients with existing job opportunities. In order to meet some of the problems of insufficient staff the department has included in the budget a request for an additional 250 positions for the Employables program.

Community Work Experience Program (CWEP)

The Community Work Experience program (CWEP) is also designed to deal with AFDC recipients. The program's design is to require AFDC recipients to perform some "meaningful" public service in a nonsalaried capacity in order to maintain eligibility for continued public assistance. The program is scheduled to be implemented in 35 counties, not including Los Angeles. Currently, it is operating in six counties—Ventura, Kern, Kings, Butte, Madera and Placer. Through the end of November 1972 a total of 364 referrals and 261 placements had been made to CWEP activities in the six participating counties.

Under the program, able-bodied welfare recipients who cannot be placed in permanent jobs or training must work for a government or nonprofit agency for up to 80 hours a month in order to continue eligibility for aid. Administratively, the CWEP program is viewed as a part of the Employables program. CWEP clients cannot be distinguished from employables until they are referred to a CWEP activity. Two basic objectives are described for the CWEP program:

First, to provide needed services to the community which would not otherwise be performed, and second, to provide welfare recipients with training and basic work habits such as getting to work on time and establishing a good work record.

The effectiveness of a CWEP activity depends on several variables: (1) the qualifications of the recipient being assigned to the project; (2) the type of project to which he is assigned; (3) the commitment of the participating agency and the immediate supervisor to the project; and (4) the length of time a recipient is assigned to the project. These factors are not being carefully weighed in the CWEP policy statements and practices. Projects vary from meaningful assignments which do fulfill the two objectives of the program cited above, to "make work" projects which neither provide meaningful services to the community except in a very superficial manner nor establish work habits or work records for the recipients assigned. Established on a small scale the projects may be helpful to the recipients involved and beneficial to the community. Any attempt to install the program on a broad scale could result in a great deal of frustration and ineffectiveness both for the participating agencies and for the assigned recipients.

Service Centers

The department provides employability services to persons living in economically disadvantaged areas through eight service centers. This program as originally established has as its objective the meeting of economic, educational, health and social needs of the client. The budget for the current year is \$3,979,870 and the proposed 1973-74 fiscal year budget request is \$4,154,773. Although the service centers continue to provide space for personnel from various agencies, such as Mental Health, Social Welfare and Rehabilitation, these various functions are not really integrated into a service delivery system for the individual.

JOB DEVELOPMENT PROGRAM

The Job Development program request of \$42,139,826, all funds, is an increase of \$4,139,132, or 10.9 percent, over that estimated to be expended during the current fiscal year. The General Fund amount of \$3,122,908, which is an increase of \$495,128, or 18.8 percent, reflects an increase in the WIN program request which requires state matching of 10 percent.

Table 4 presents the source of funding for the Job Development program.

Table 4
Job Development Program

	<i>Man-years</i>			<i>Estimated expenditures</i>		
	<i>1971-72</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1971-72</i>	<i>1972-73</i>	<i>1973-74</i>
Totals, Job Development program.....	1,025	1,001.8	1,032.4	\$31,480,862	38,000,694	42,139,826
General Fund (WIN program).....				2,330,679	2,627,780	3,122,908
Federal funds.....				28,355,385	34,884,730	38,456,783
HRD Contingent Fund.....				49,205	101,121	110,700
UI (Reed Act).....				352,964	880	1,611
Special funds—county.....				—	133,161	207,206
Reimbursements—federal.....				235,601	253,022	240,618
In-kind contributions.....				159,028	—	—

The job development concept as defined and implemented by the Department of Human Resources Development is essentially a redirection and expansion of the old employment exchange concept. Efforts are being made on the part of the department to secure and distribute information regarding job openings and labor market analyses for specified areas. There are three program elements within the Job Development program. The three elements are:

1. The union and employer services element includes a broad range of contacts with employers, coordination of information, and planning, research and evaluation to carry out the responsibility of developing job and training opportunities for applicants.
2. The entry level development of state and local government agency jobs element focuses on the particular programs which have been assigned to the Office of Manpower Utilization by the department. These programs are the Public Employment program (PEP), the Career Opportunities Development program (COD), and the Public Service Employment program (PSE).

PEP provides financial assistance to public employers which is used to provide unemployed and underemployed persons with tran-

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT—Continued

sitional jobs in fields of needed public service in times of high unemployment. The department acts as the public employment program agent for several governmental entities.

COD is the responsibility of the State Personnel Board and concentrates on developing entry-level jobs in local government with an emphasis on the elimination of barriers to entry into state and local government service.

The PSE program provides welfare recipients temporary jobs in public employment and is administered by the State Personnel Board as directed by Chapter 578, Statutes of 1971. HRD, through its Office of Manpower Utilization, coordinates the COD and PSE programs with the State Personnel Board.

3. The labor market information and job search element provides information regarding the labor market and disseminates that information as widely as possible with the purpose of increasing job opportunities.

Office of Manpower Utilization

The Office of Manpower Utilization (OMU) was created by Chapter 1068, Statutes of 1969. OMU was to be a statewide planning entity within the Department of Human Resources Development with a specific mandate to find, create, and develop employment opportunities for the economically disadvantaged. A special emphasis was placed upon provision of employment opportunities in all areas of public employment, particularly the human services field. OMU was further mandated to provide technical assistance to both public and private employers to facilitate the implementation of new manpower strategies.

In practice OMU has served in a consultant/advisory capacity to state and local government entities and to private employers for career opportunity programs. It has also functioned as the administrator of specific manpower programs in the public sector, specifically the Public Service Careers program (PSC), New Careers in Employment Security (NCES) and the Public Employment program (PEP).

OMU has never functioned effectively in the area of job creation. The planning, research and evaluation aspects of the office as it relates to being an entity for coordinated manpower planning within the state also has not been carried out by the office. Subsequent to the creation of this office, state legislation placed the primary responsibility for career opportunities development with the State Personnel Board.

MANPOWER DEVELOPMENT PROGRAM

The request for the Manpower Development program is \$41,097,493, an increase of \$3,807,476, or 10.2 percent, over the amount estimated to be expended during the current fiscal year. A General Fund expenditure of \$1,629,334 is projected, an increase of \$263,537, or 19.3 percent. The increase of the General Fund is related to increased WIN costs. Table 5 presents the source of funding for the Manpower Development program.

Table 5
Manpower Development Program

	<i>Man-years</i>			<i>Estimated expenditures</i>		
	1971-72	1972-73	1973-74	1971-72	1972-73	1973-74
Totals, Manpower Development program.....	662.7	842.7	988.7	\$45,854,059	\$37,290,017	\$41,097,493
General Fund (WIN program).....				1,216,007	1,365,797	1,629,334
Federal funds.....				43,195,122	34,695,423	38,236,221
HRD Contingent Fund.....				44,682	85,051	106,341
UI (Reed Act).....				320,520	740	1,548
Special Fund—county.....				—	74,693	108,108
Reimbursements—federal.....				994,757	1,068,313	1,015,941
In-kind contributions.....				82,971	—	—

Future of Federal Manpower Programs

Manpower programs in general are being closely evaluated by the federal government for future funding. The budget is predicated on current levels of funding for the Manpower Development and Training Act (MDTA)—Institutional Training, the Concentrated Employment program (CEP) and the Jobs Optional program (JOP); all three programs will terminate June 30, 1973, unless Congress extends them. The Public Employment program (PEP) has not yet had federal funds appropriated to it for the current fiscal year, and it, too, will terminate on June 30, 1973, unless extended by Congress.

Recent action by the federal administration has put a temporary freeze on all new registrants into federal manpower programs while the future of such programs is being evaluated. WIN is not yet affected by the general freeze.

Manpower Programs—Reorganization of Responsibility

We recommend the establishment of a new Department of Human Resources Development and Rehabilitation to implement the mandates of the HRD Act and the recommendations of the County Supervisors' Association "Time for Change" (with the exception that unemployment insurance benefits continue to be administered by the present department).

Included in the new department would be the combining of the following functions:

- a. All functions of the Department of Rehabilitation,
- b. Income maintenance services to all employable AFDC-U and AFDC-FG welfare recipients,
- c. The Manpower Development portions of HRD including WIN II, Employables, and CWEP,
- d. The HRD Office of Manpower Utilization,
- e. The Welfare Reform Act Jobs program for Welfare Recipients currently administered by the State Personnel Board, and
- f. The Service Centers program.

In the Governor's State of the State message given to the Legislature on January 11, 1973, he announced proposals for streamlining manpower programs in the state by the formation of a Department of Manpower. The new department would combine most of the functions of HRD and the Department of Rehabilitation with many of the fiscal and money payment functions going to a Department of Benefit Payments. There is no men-

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT—Continued

tion of such a proposal in the budget and the outline as presented in the State of the State message is sketchy.

At the time the budget hearings are held on the Department of Human Resources Development we will submit a supplemental analysis of the administration proposal in addition to a discussion and explanation of our recommendation.

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 insurance. The objective of the program is to reduce economic hardship through benefit payments to the eligible worker who is unemployed or who cannot work due to illness or injury which is not related to his employment. 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 cost of administration are funded by employer contributions and taxes. The disability benefits and administrative costs are funded by a 1-percent contribution on the first \$8,500 earned by the employee.

An amount of \$73,961,575 is proposed for the support of this program during fiscal year 1972-73. This constitutes an \$812,539 increase over the support expenditure in the current year. Most of the program elements are federally financed or otherwise reimbursed. The administration of the state Unemployment Disability Compensation Insurance program requires an appropriation of \$15,902,307, an increase of \$1,603,554, or 11.2 percent. This increase is related to a projected increase in workload.

MIGRANT SERVICES PROGRAM

This program provides services to the migrant farmworkers and their families at 26 locations throughout the state. The primary objective is the provision of low-cost housing and sanitary facilities for the transient farm laborer and his family. Ancillary services in the field of public health and day care services are also provided. The department proposes a total expenditure program of \$3,004,673 in the budget year. This figure is composed of a federal grant of \$2,200,130, a state appropriation of \$409,298 from the General Fund and \$395,245 from rental income derived during the off season. The state appropriation request is the same level as the current fiscal year.

The program's long-range need is to provide approximately 6,000 to 6,500 housing units at the peak harvest seasons. During fiscal year 1973-74, the service will provide housing for 3,000 farmworker families. There are 2,121 housing units available in fiscal year 1972-73 with 190 additional units being built during the current year and 75 units planned to be built during 1973-74.

The day care element is provided by contract through the State Department of Social Welfare and the Department of Education.

Technical Assistance in Review, Coordination and Innovative Antipoverty Program

We recommend: (1) A reduction in Item 268 of \$86,833 proposed for the Office of Minority Business Enterprise (OMBE) and the Motivation Opportunity Rehabilitation and Education (MORE) projects within the State Economic Opportunity Office (SEOO), (2) that other state agencies having more direct responsibility in the areas of economic development and drug abuse assume responsibility for the two grants, and (3) that SEOO submit its state variation plan to the Legislature for review and approval prior to its submittal to national OEO.

The State Economic Opportunity Office (SEOO) is funded under Section 231 of the Economic Opportunity Act. Under this section, the National Office of Economic Opportunity is authorized to fund state agencies for the purpose of (1) providing technical assistance to communities and local agencies offering OEO programs, (2) coordinating related state activities, (3) mobilizing state resources, and (4) advising and assisting the OEO director. Section 242 of the Economic Opportunity Act provides that grants and contracts of assistance being funded under the OEO Act will be submitted to the Governor for his consideration. It has been the practice of the Governor in this state, as in most other states, to ask his State Economic Opportunity Office for assistance in exercising his authority under Section 242.

The dual role of being an assistance agency to community action agencies while at the same time being the regulatory arm of the Governor has hindered the State Economic Opportunity Office from exercising positive leadership in statewide poverty programs.

The total proposed expenditure of \$1,188,511 is an increase of \$42,095, or 3.7 percent, over that estimated to be expended during the current fiscal year. The General Fund request of \$245,569 is an increase of \$171,192, or 230 percent, over the current year estimated expenditure. This major increase in state funds is the result of two factors: (1) the change from the use of in-kind matching to one of cash matching of federal funds and (2) the introduction of new programs requiring state matching funds.

Table 6 shows the programs and funding breakout for 1973-74 fiscal year OEO technical assistance and review program.

**Table 6
Program Expenditures and Man-years Technical Assistance
and Review Coordinated Programs**

Purpose	1973-74			
	Man-years	total budget	General Fund	Federal
Administration, technical assistance and review functions	24	\$568,678	\$113,736	\$454,942
Office of Minority Business Enterprise.....	8	237,500	47,500	190,000
Motivation Opportunity Rehabilitation and Education	3	157,333	39,333	118,000
California legal services experiment	5	100,000	20,000	80,000
Special Technical Assistance program	4	125,000	25,000	100,000
Totals	44	\$1,188,511	\$245,569	\$942,942

State Matching

SEOO has, since its inception, operated to a large extent through in-kind resources to meet the 20-percent matching requirement for federal fund-

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT—Continued

ing under the Economic Opportunity Act. The General Accounting Office has taken audit exception to a number of the in-kind resources claimed, thus SEOO now finds it necessary to have cash matching funds available in order to continue its federal funding.

Office of Minority Business Enterprises (OMBE) and Motivation Opportunity Rehabilitation and Education (MORE)

During the current fiscal year, SEOO has embarked on a new phase of developing innovative antipoverty programs. The Office of Minority Business Enterprise (OMBE) was funded through the Office of Minority Business Enterprise, U.S. Department of Commerce, to develop and stimulate minority businesses and entrepreneurs in selected areas of the State of California, specifically rural counties. A second grant from the U.S. Department of Health, Education and Welfare provided for a program called Motivation Opportunity Rehabilitation and Education (MORE), which is aimed at developing a multiapproach drug detoxification and vocational rehabilitation process primarily designed to assist returning veterans and the socially disadvantaged.

The OMBE grant request for fiscal year 1973-74 was for \$190,000 in federal funds which requires \$47,500 in state matching funds. The MORE grant request was for \$118,000 in federal funds to be matched by \$39,333 in state funds. The proposed state funding of the two projects is \$86,833. Although both appear to be well-thought-out programs, they detract from the primary focus needed in the state, which is coordinating OEO grants and local agencies into a planned program to meet the poverty needs in the state.

The MORE grant should be placed in the Office of Narcotics and Drug Abuse in the Health and Welfare Agency, and OMBE should be located within the Department of Commerce or the California Job Development Corporation Law Executive Board. In each case, there is a state agency in existence which has more direct expertise and responsibility in the area of the proposed grant than the SEOO.

State Variation Plan

Currently there are approximately 55 local agencies in California receiving federal grants and contracts of assistance under the OEO Act through the regional federal Office of Economic Opportunity (OEO). SEOO reviews all grants and recommends that the Governor approve or veto the funding. The federal OEO may override the Governor's veto, which has led to conflict between regional OEO and SEOO resulting in considerable confusion and disruption on the local level with the various community action agencies (CAAs).

Under this arrangement poverty programs in California have lacked the clear direction necessary to eliminate or alleviate poverty problems in the state. The major problems have been:

1. Absence of a statewide coordinated antipoverty plan;
2. Consistently late funding of community action agencies;
3. Lack of clear performance evaluation criteria for CAA programs;
4. Failure to develop uniform management and fiscal systems;

5. Nonapplication of state agency resources to assist CAAs to achieve antipoverty goals.

In an attempt to correct these problems, SEOO is developing a plan which would give SEOO the responsibility for:

1. Determining the funding to CAAs;
2. Tying CAAs more directly into local government services;
3. Establishing fiscal and program accountability systems for CAAs.

The plan, called the State Variation Plan, has a tentative implementation date of March 1973. We are recommending that the plan be submitted to the Legislature for review since we have been informed by SEOO that additional state funding will be necessary to implement the plan.

COMMISSION ON AGING PROGRAM

The Commission on Aging consists of 12 members, of whom eight are Governor's appointees, and four are legislative members. It is administratively located within the Department of Human Resources Development. The staff of nine authorized positions includes an executive secretary, four specialists, two analysts, and two clerical staff. In addition to the nine previously authorized positions, 33.2 positions were established administratively during the current year for a total of 42.2 positions. The additional positions are for programs authorized by 1972 legislation.

The commission 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.

The budget proposes a General Fund appropriation of \$510,659, which is \$7,500, or 1.5 percent, above that which is anticipated to be expended during the current fiscal year. The total budget proposal, including federal funds, of \$29,158,253 is an increase of \$17,830,546, or 157 percent, over the amount estimated to be expended during the current year. The Budget Act of 1972 appropriated \$69,000 for support of the commission, \$20,300 for the Retired Senior Volunteers program, and \$147,000 for the Nutrition Program for the Elderly, for a total budget appropriation of \$236,000. Chapter 918, Statutes of 1972, augmented the Nutrition program appropriation by \$253,000. Allocations for salary increase and health benefits added another \$13,857, bringing the total General Fund expenditure for fiscal year 1972-73 to \$503,157. Correspondingly, man-year efforts have increased from 5.2 in 1971-72 to 42.2 in 1972-73 and are proposed to increase again in 1973-74 to 81.4. The primary reason for the dramatic increase in program costs and activities is the recently enacted Older Americans Act and the mandates of Chapter 918, Statutes of 1972, which is the state implementation statute for the federal act.

The major program responsibilities of the commission relate to the Older Americans Act—Title III funding development of coordinated services to the aging, Title VI, the Retired Senior Volunteer Program, and Title VII, the Nutrition Program for the Elderly.

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT—Continued**Nutrition Program for the Elderly**

Public Law 92-258 enacted Title VII of the Older Americans Act, which is known as the Nutritional Program for the Elderly. Funds implementing the program were in the Department of Health, Education and Welfare appropriation bill which was vetoed by the President. When appropriated, program grants funded under this title will require a 10-percent match, that is for each \$9 of grant money, the grantee must provide not less than \$1 of cash or in-kind match or an acceptable combination thereof.

The act, signed into law March 1972, authorizes \$8,514,078 for fiscal year 1972-73 and \$12,771,117 for fiscal year 1973-74 to be used in California. The program calls for establishing a national hot meals program for persons 60 and over in conveniently located centers, such as senior citizens centers, schools, and other nonprofit settings. On the basis of the federal act and Chapter 918, Statutes of 1972, the Commission on Aging has proceeded with plans to hire staff and has begun establishing a plan for the implementation of the Nutrition Program for the Elderly as soon as funding is available. The planning is set up to operate as much as possible in conjunction with the comprehensive, coordinated service system developed under Title III of the act.

Proposed Change in Organization Structure

We recommend legislation to create an Office on Aging and reconstitute the California Commission on Aging as an advisory body.

Chapter 918, Statutes of 1972, made the commission responsible to the Secretary of the Health and Welfare Agency for purposes of implementing the nutritional program for the elderly. It did not change the structure of the commission nor did it remove the commission from the Department of Human Resources Development. Chapter 918 also created the Office of Special Services in the Health and Welfare Agency. The Executive Secretary of the Commission on Aging currently is operating under the direction of the Director of the Office of Special Services.

AB 2114, introduced in the 1972 legislative session, would have restructured the commission to an Office on Aging headed by a director with departmental head authority and responsibilities. The commission members would have been continued as an advisory body to the Director of the Office on Aging who would be a Governor's appointee subject to confirmation by the Senate. The bill would have assigned several additional programs for the aging to the newly structured Office on Aging.

An Office on Aging, rather than the present commission structure, would provide three positive improvements:

- (1) It would locate responsibility for programs on aging in a single state agency;
- (2) It would create a greater measure of responsibility and authority to carry out the mandates of programs for the aging; and
- (3) It would lead to improved coordination of programs for the aging resulting in less overlap, better integration of programs and broader outreach to persons needing the services.

Comprehensive Planning

Programs for the aging established under Title III are considered to be a national pilot demonstration bringing together comprehensive services into regional planning areas. With this in mind, the Commission on Aging under the direction of the Office of Special Services, Health and Welfare Agency, is proceeding with a statewide plan utilizing 23 regional planning areas. These regions will each have a local planning body which will put together a comprehensive plan for services to the aged in that region. Staff of the California Commission on Aging will be assigned to the regions to provide consultation and technical assistance. Expanded planning is required in order to assure efficient and effective delivery of services to the aging. This in turn requires the staff increases contained in the projected budget. The expanded program can be more effectively administered through the recommended organizational changes.

ADMINISTRATION AND MANAGEMENT SERVICES PROGRAM

This program has as its objective the accomplishment, through the departmental program managers, of 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 a funding allocation of \$13,646,429 to the departmental programs in the budget year. This is a decrease of \$49,080 or 0.4 percent under the current year expenditure estimates and includes a reduction of 35 man-years of employment.

This program's staffing and funding allocation for the five-year period commencing with fiscal year 1969-70 follows:

Staffing and Funding Allocations					
Administration and Management Services Program					
	<i>1969-70</i>	<i>1970-71</i>	<i>1971-72</i>	<i>1972-73</i>	<i>1973-74</i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Estimated</i>	<i>Estimated</i>
Staffing man-years.....	942.1	824.1	921.8	1,049.2	1,014.2
Funding allocations.....	\$12,829,971	\$10,999,239	\$11,418,845	\$13,695,509	\$13,646,429

**Health and Welfare Agency
DEPARTMENT OF REHABILITATION**

Item 274 from the General Fund

Budget p. 173 Program p. II-282

Requested 1973-74	\$6,999,531
Estimated 1972-73.....	7,220,941
Actual 1971-72	6,795,186
Requested decrease \$221,410 (3.1 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page
576*

1. Basic Vocational Rehabilitation Element. Recommend department submit annual report to Legislature explaining difference between the number of rehabilitations budgeted and the number actually achieved.

GENERAL PROGRAM STATEMENT

The Department of Rehabilitation is responsible for assisting and encouraging handicapped individuals to prepare for and engage in gainful employment to the extent of their abilities. The department's objective is to help handicapped individuals increase their social and economic well-being and subsequently prevent or reduce public dependency. The department 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 federal Vocational Rehabilitation Act and Division 10 of the Welfare and Institutions Code and carries out the following five programs: (1) rehabilitation of the disabled; (2) nonrehabilitative services; (3) development of private sector rehabilitation resources; (4) disability determination; and (5) departmental administration.

ANALYSIS AND RECOMMENDATIONS

For the 1973-74 fiscal year the budget for the Department of Rehabilitation proposes a total program expenditure, after reimbursement, of \$67,801,046, of which \$60,801,515, or 89.9 percent, is from federal funds, and \$6,999,531, or 10.1 percent, is from the General Fund. The total proposed for expenditure in 1973-74 is \$3,295,381 more than the amount estimated to be expended during the current year. Expenditures from the General Fund are proposed to be reduced by \$221,410, or 3.1 percent, while expenditures of federal funds are proposed to be increased by \$3,516,791, or 6.1 percent.

Analysis of proposed 1973-74 program effort shows that resource allocation for the various departmental activities is virtually unchanged from the current year. Table 1 compares the estimated number of man-years and total expenditures by program for the current year to those proposed for 1973-74.

Table 1
Man-Years and Gross Expenditures by Program
1972-73—1973-74

	<i>Estimated man-years 1972-73</i>	<i>Proposed man-years 1973-74</i>	<i>Estimated expenditures 1972-73</i>	<i>Proposed expenditures 1973-74</i>
Rehabilitation of the disabled	1539.1	1473.1	\$54,148,879	\$55,141,362
Nonrehabilitative services	31.1	31.1	586,368	572,055
Development of private sector rehabilitation resources	24.9	24.9	2,506,940	2,482,911
Disability determination	566.6	634.3	10,041,623	11,460,023
Departmental administration	193.4	186.1	3,279,075	3,193,927

It can be seen that significant changes in workload occur in two programs, rehabilitation of the disabled, and disability determination. These changes are discussed below in the analysis of each program.

I. REHABILITATION OF THE DISABLED

This program provides 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 the following:

- (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 determine a suitable employment objective.
- (3) Physical therapy and restoration to reduce or remove the employment handicap.
- (4) Academic and vocational training to prepare the client for employment compatible with his physical and mental ability. In addition, sheltered workshops may be used to provide training and work experience to severely disabled persons.
- (5) Job placement in keeping with the client's physical condition and vocational ability. This includes providing equipment to establish a business, and also includes followup adjustment services.

The basic elements of this program are: Basic Vocational Rehabilitation and, Rehabilitation for Daily Living. Each of these elements is discussed hereafter. Table 2 shows the basic accomplishments of this program since 1971-72.

Table 2
Vocational Rehabilitation Accomplishments and Costs
1971-72 to 1973-74

<i>Vocational Rehabilitation</i>	<i>Actual 1971-72</i>	<i>Estimated 1972-73</i>	<i>Estimated 1973-74</i>
Disabled persons rehabilitated	12,990	15,000	17,000
Estimated annual earnings of rehabilitants	\$69,839,536	\$84,000,000	\$101,600,000
Estimated total benefits to government	13,056,641	15,285,000	18,200,000
Federal/state costs of program	41,695,735	53,851,353	56,621,242
Average cost per rehabilitation	3,210	3,590	3,331
<i>Rehabilitation for Daily Living</i>			
Persons served	1,397	1,500	1,580

DEPARTMENT OF REHABILITATION—Continued**Basic Vocational Rehabilitation Element**

We recommend approval of the amount budgeted.

We further recommend that the department prepare and submit an annual report to the Legislature which explains the difference between the number of rehabilitations budgeted and the number actually achieved.

Basic vocational rehabilitation services are provided to disabled persons at or near working age whose disability is a vocational handicap in that it interferes with their ability to obtain or keep employment. Services are provided primarily through a network of local offices throughout the state. Counselors are located in each office and various state service centers and have the following responsibilities: (1) establishing an effective working relationship with handicapped clients, (2) helping clients decide on a plan that will overcome the handicap, (3) arranging for necessary services such as training and medical treatment, (4) reviewing systematically the plan during its course, (5) helping clients secure employment following completion of employment preparation, and (6) following up to insure that services and placements are suitable. Counselors are assisted by vocational psychologists who administer and interpret tests for individual clients and by medical consultants who make decisions concerning medical information in the cases.

The basic vocational rehabilitation element includes the following six disability groups: (1) physically disabled, (2) mentally ill, (3) alcoholics, (4) mentally retarded, (5) behavioral disorders, (6) sensory disorders.

The department estimates that 17,000 disabled persons will be rehabilitated during 1973-74. Total expenditures for this element are proposed to increase by \$992,483 over the amount estimated to be expended in the current year. This is expected to result in an additional 2,000 rehabilitations in the budget year.

The basic output of the Department of Rehabilitation is the number of disabled persons successfully rehabilitated during a year. When the Legislature approves the department's budget it authorizes the expenditure of funds to provide for a predicted number of rehabilitations. Since the 1969-70 fiscal year, the department has expended virtually all of the funds authorized in the annual budgets. A review of the department's performance, however, indicates an increasing variance in the number of rehabilitations achieved from the number predicted in the Governor's Budget. Table 3 illustrates performance since 1969-70.

As the table illustrates, the number of rehabilitations actually achieved as a percentage of those predicted has decreased each year since 1970-71. Although there may be valid reasons for this apparent decline in performance, no attempt has been made to present such reasons to the Legislature. The Legislature should be better apprised of major problems in the

Table 3
Predicted Number of Rehabilitations Versus Actual Number
1969-70 to 1973-74

<i>Fiscal year</i>	<i>Annual number of rehabilitations predicted in Governor's Budget</i>	<i>Actual number of rehabilitations achieved in fiscal year</i>	<i>Percent of predicted rehabilitations achieved</i>
1969-70.....	15,000	14,358	95.7
1970-71.....	15,000	14,430	96.2
1971-72.....	15,800	12,990	82.2
1972-73.....	18,666	15,000 (est.)	80.4
1973-74.....	17,000	—	—

department's program so that corrective action can be taken if necessary. Therefore, the department should submit to the Legislature an annual report showing why the actual number of rehabilitations differs from the number predicted in the Governor's Budget.

Program Changes—Basic Vocational Rehabilitation Element

The budget proposes three major program changes in this element. These are as follows:

1. Rehabilitation services formerly provided at the Agnews residential center are proposed to be shifted to the regional centers program for the developmentally disabled. This shift requires no change in funding and represents an adjustment in the delivery of services to more closely follow the location of potential clients. The department estimates that an additional 60 rehabilitations will result during 1973-74.

2. The budget proposes to transfer the alcoholism rehabilitation program to the Office of Special Services, Health and Welfare Agency, on July 1, 1973. This will result in the transfer of 88.7 positions and \$608,429 from the General Fund to the Office of Special Services. The Department of Rehabilitation will contract with the Office of Special Services to provide vocational rehabilitation services to alcoholics.

3. To reflect the decline in the number of patients resident in state hospitals for the mentally ill, the budget proposes the shift of departmental personnel providing services at hospital-based programs to community mental health programs. This shift is consistent with the state's policy of providing services in the patient's community. The department estimates that this shift will result in an additional 60 mentally ill persons rehabilitated during 1973-74.

II. NONREHABILITATIVE SERVICES

We recommend approval.

This program consists entirely of the business enterprise program for the blind which is supervised by the Department of Rehabilitation. The program provides comprehensive training and supervision in the operation of vending stands, snack bars, and cafeterias in public and private buildings.

SOCIAL WELFARE**SUMMARY**

Proposed total program expenditures 1973-74 (all funds)	\$2,534,008,561
Estimated total program expenditures 1972-73 (all funds)	\$2,744,047,534
Actual total program expenditures 1971-72 (all funds)	\$2,645,002,202
Requested decrease \$210,038,973 (7.6 percent)	

RECOMMENDATIONS

(1) State Administration of Public Assistance. Recommend state assumption of all county responsibilities relative to the provision of public assistance, including county general relief programs and certification for food stamps and Medi-Cal.

(2) Employable AFDC Recipients. Recommend transfer of all responsibilities related to eligibility determination and income maintenance for employable Aid to Families with Dependent Children (AFDC) recipients from the Department of Social Welfare and the county welfare departments to the reconstituted Department of Human Resources Development and Rehabilitation.

(3) Social Services Funds. Recommend Legislature review proposed division of funds between the state and the counties. Further recommend Legislature require the Department of Social Welfare to allocate the counties' share of federal funds appropriated for social services on the following basis:

- a. For fiscal year 1972-73, allocations should be proportionate to county 1972-73 services budgets which were reviewed by the State Department of Social Welfare.
- b. 1973-74 allocations should be on the basis of county welfare caseload, limited by county ability to utilize funds, with any excess made available to counties requesting more than their caseload share.

(4) Public Law 92-603 (HR 1). Recommend the following in order to provide for federal assumption of all administrative responsibilities relative to the adult aid programs on January 1, 1974:

- a. Development of single, flat, supplemental grant for all eligible adult aid recipients;
- b. Elimination of special needs;
- c. Elimination of cost-of-living provision in current state law;
- d. Elimination of relatives' responsibility program; and
- e. Elimination of counties' share in the Aid to the Totally Disabled (ATD) program at a state cost of approximately \$88 million.

(5) Evaluation of Social Services. Recommend the Health and Welfare Agency be directed by the Legislature to develop an effective means for evaluating the need for social services on a continuing basis, not only as a mechanism for allocating federal funds but also in order to provide the state with necessary information with which to determine its support

for such activities.

(6) AFDC Program. Withhold recommendation on expenditure levels in the Aid to Families with Dependent Children (AFDC) program pending a review of the department's spring caseload reestimates.

(7) Adult Aid Programs. Withhold recommendation regarding expenditure levels in the adult categorical aid programs pending a review of the Legislature's decisions in implementation of Public Law 92-603 (HR 1).

GENERAL PROGRAM STATEMENT

The Department of Social Welfare is responsible for providing, within the limits of public resources, financial aid to dependent persons who have insufficient resources with which to obtain the necessities of life. In the current year, the department is also responsible for the supervision and/or provision of social services to current, potential, and former welfare recipients and to persons who are handicapped or deprived and, hence, subject to exploitation. In the budget year, these social service responsibilities will be transferred to the newly created Department of Health.

Welfare Responsibilities Assigned to Other State Agencies

Responsibilities for public welfare activities are also assigned to the following state departments:

Pursuant to Public Law 92-223, commonly known as the Talmadge Amendments, the Department of Human Resources Development is responsible for developing, strengthening, and expanding training and employment opportunities for employable welfare recipients.

Pursuant to Chapter 670, Statutes of 1972, the Department of Education is responsible for the development and provision of child care services to current, potential, and former welfare recipients.

Pursuant to Chapter 578, Statutes of 1971, the Department of Health is responsible for the development and provision of family planning services to former, current and potential welfare recipients.

Pursuant to the Governor's Reorganization Plan No. 1 of 1970, the Department of Health will, on July 1, 1973, not only be responsible for the supervision and provision of social services but will also be responsible for the supervision and maintenance of adoption and licensing services.

The Budget Act of 1972 transferred all responsibility for protective services to mentally ill and mentally retarded persons from the Department of Social Welfare to the Department of Mental Hygiene. On July 1, 1973, the Department of Mental Hygiene and all of its responsibilities will be incorporated in the new Department of Health.

The Department of Rehabilitation has the sole state responsibility for providing vocational rehabilitation services to disabled persons, including disabled welfare recipients.

The Department of Agriculture is responsible for supervision of the Food Stamp and Surplus Commodity programs, which are designed to improve the ability of economically needy persons to obtain sufficient food for an adequate and nutritional diet.

And, the Department of Health Care Services supervises the provision of direct medical care and assistance to economically needy persons, in-

cluding welfare recipients.

Responsibilities of County Welfare Departments

In all of the 58 counties, financial aid and social services are actually provided and administered by local county welfare departments which operate under the joint control of the county boards of supervisors and any and all of the aforementioned state agencies.

Total Program Expenditures

For fiscal year 1973-74, the department's budget shows a proposed total program expenditure (all funds) for support of public welfare activities of \$2,534,008,561. Of this amount, \$818,758,084 is from General Fund appropriations, \$365,142,926 is from county funds, and \$1,351,696,226 is from federal grants and reimbursements. Table 1 summarizes the department's proposed expenditures by program and source of funds.

Table 1
Total Proposed 1973-74 Social Welfare Expenditures 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 (Item 275)	\$19,122,941	\$7,487,487	\$11,635,454	—
Categorical aid (No item)	1,889,615,000	907,888,000	680,332,600	\$301,394,400
Other payments (Item 276)				
Attendant care	4,006,500	2,001,525	1,588,675	416,300
Out-of-home care	63,828,200	31,883,300	22,008,100	9,936,800
Special needs	80,702,800	40,299,200	35,513,400	4,890,200
Unmet shelter needs (Item 277) ..	1,876,770	937,044	750,000	189,726
Homemaker services (Item 278)	67,452,500	50,589,375	16,863,125	—
Local administration of aid pay- ments (Item 280)	193,262,000	96,631,000	48,315,500	48,315,500
Departmental demonstration projects (Item 279)	541,850	379,295	162,555	—
Bonus value of food stamps	189,600,000	189,600,000	—	—
Cuban refugee program	24,000,000	24,000,000	—	—
Total	\$2,534,008,561	\$1,351,696,226	\$818,758,084	\$365,142,926

* The proposed expenditures do not reflect the impact of either Public Law 92-603 (HR 1) or Public Law 92-512 (Revenue Sharing).

The expenditures proposed by the Governor's Budget do not, however, reflect the impact of either Public Law 92-603 (HR 1) or Public Law 92-512 (Revenue Sharing), both of which may have a substantial effect on state expenditures. The budget states that material related to these new laws will be presented as a supplement to the Governor's Budget.

We have included summaries of Public Laws 92-512 and 92-603 on pages 587 and 589 of our Analysis. Final recommendations on all items affected by the new federal laws will have to be withheld until the supplemental presentation is made and the necessary backup information received from the department.

State Administration

We recommend that legislation be enacted to provide for state administration of public assistance, including county general relief programs and certification for food stamps and Medi-Cal benefits.

Since 1968, this office has urged the elimination of the present dual system of welfare administration and recommended a single state administration. We believe the duplication of effort and lack of administrative clarity produced by the current system far outweighs any advantages purportedly gained through local administrative control. Recent state and federal legislation removing more and more authority from the county level and placing it within state control has only served to buttress our contention that state administration is the most effective and economical method of administering and controlling the welfare system.

Current Administrative Structure

Presently, the administration of welfare in California is executed within a complicated organization structure consisting of three levels of government: (1) the federal government—which establishes a framework of laws and regulations defining basic program policies; (2) state government—which is charged with the responsibility of supervising and coordinating the implementation of categorical aid and social services programs enacted by the federal government; and (3) county governments—which, through contracts with the state, actually determine eligibility, provide assistance grants, and furnish social services to needy persons. The county welfare departments established by each of the 58 county governments constitute the basic administrative arm of the state's welfare system. While these county departments are headed by directors appointed by county boards of supervisors, the departments are actually responsible to the state and federal governments as well as the local county boards of supervisors.

Recent Statutory Changes

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 demand of a local citizenry. However, during the last 20 years, the passage of federal and state laws and regulations which more specifically defined welfare functions has greatly diminished the degree of administrative discretion afforded county welfare departments. Recent examples of statutory changes which have removed control from the local level are the Welfare Reform Act of 1971 and Public Law 92-603, HR 1. In 1971, the Welfare Reform Act transferred responsibility for eligibility and grant determination from the counties to the state. The state is now simply contracting with county governments for the performance of such functions. Also included in the Welfare Reform Act was a provision eliminating county sharing in the funding of three of the four adult aid programs. The effect of these provisions was a reduction in county incentive to administer efficiently and, hence, control welfare administrative and grant costs. The recent passage of Public Law 92-603, commonly known as HR 1, will, as of January 1, 1974, permit federal administration of the adult aid programs and the total elimination of county administrative participation in such programs. Thus, county welfare departments are rapidly being phased out of their administrative role.

Currently, eligibility requirements, levels of assistance, work procedures, and a host of other standards governing welfare administration in

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California are determined not by the county, but rather by the state and federal governments. County administration of welfare has been reduced to a point at which it functions largely in the capacity of 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.

Administrative Improvements through Implementation of State Administration

We believe the following improvements would occur as a consequence of state administration of welfare:

(1) **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. Inefficient welfare officials find it relatively easy to escape notice within a confusing maze of existing welfare bureaucracy. On the other hand, effective welfare officials are very often frustrated in their efforts to improve procedures.

(2) **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 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 the 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.

(3) **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 support. It would, of course, be necessary 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 different 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 is in state forms. Indeed, some counties have developed in excess of 100 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. For instance, in the absence of a standardized form for collection of responsible relatives' contributions, the entire procedure for determining such contributions must be duplicated in each county into which a recipient may move. Implementation of state administration would end this wasteful duplication of effort.

Inequity in Use of Property Tax for Support of Welfare Costs

As we have noted before, there is wide disparity between counties in the property tax effort put forth to fund the county's share of the welfare program. In fiscal year 1970-71, only 30.2 cents of the property tax rate in Orange County was needed to fund its share of the welfare program, but 94.5 cents was needed in Los Angeles and \$1.06 in Kings County. Implementation of state administration would eliminate this inequitable assessment of welfare costs upon the county.

State Assumed Cost and Related Savings

On the basis of the Department of Social Welfare's estimate of the fiscal impact of Senate Bill 540, 1972 Session, which would have provided for state administration, we believe that our proposal would entail a transfer of approximately \$472 million in county costs to the state. However, on the basis of a study our office undertook in 1969 on the state-administered welfare systems of Michigan and Illinois, we have estimated that the efficiencies and reductions in duplication to be derived from state administration would result in a net savings of up to \$50 million, all funds.

MAJOR LEGISLATION

During an 11-month period, December 1971 through October 1972, three major pieces of federal legislation, with substantial and far-reaching impact on the welfare program, were passed by Congress and signed into law by the President. A summary of these laws and a discussion of their impact on California is included in the following pages:

Talmadge Amendments

Public Law 92-223, commonly known as the Talmadge Amendments, provides, with certain specified exceptions, that all employable persons over the age of 16 who are applicants for assistance under the Aid to Families with Dependent Children (AFDC) program must, as a condition of application for aid, register for manpower services with the Department of Human Resources Development. Public Law 92-223 also requires the establishment of, and provides 90 percent federal funding for, "separate administrative units" (SAUs) which are to be responsible for providing health, vocational, rehabilitative, counseling, child care, and other social and supportive services as are necessary to enable registered recipients to accept employment or receive manpower training. The SAUs are to be staffed by county employed social workers who are to be supervised and directed by Human Resources Development personnel. Thus, the

only contact which employable recipients will have with the welfare department will be in the obtaining of their welfare grants.

The purpose of the Talmadge Amendments is to focus the primary attention of the welfare system, particularly in regard to the AFDC program, on the employability of the welfare recipient. The Talmadge Amendments not only require the applicant to register for employment services before he may obtain public assistance but also provide for removal of the recipient from the multipurpose social services delivery system of the welfare department. Employable recipients are to receive social services from workers in special teams, the separate administrative units (SAUs). The SAUs are oriented toward one major goal, enhancing the employability of the recipient. All services provided by these units must, to the greatest extent possible, be supportive of this goal.

In our analysis of the Department of Human Resources Development, on page 562, we have discussed implementation of the Talmadge Amendments in greater detail.

Employable Welfare Recipients

We recommend that all welfare-related responsibilities for employable recipients be transferred from county welfare departments to the reconstituted Department of Human Resources Development and Rehabilitation.

While the initial referral of welfare applicants to an employment agency and the establishment of separate administrative units (SAUs) is a major step toward reorienting the emphasis of the welfare program, the fact that employable recipients must still obtain financial aid through the welfare department represents a significant shortcoming of a plan for total separation of services to employables.

Welfare departments should, to the greatest extent possible, serve only dependent persons who are not, by the very reasons for their dependency, able to support themselves. There is no logical reason for referring employable recipients who are receiving all of their job-related and social services needs from the Department of Human Resources Development (DHRD) back to the welfare department for their public assistance grants.

The current system which actually forces employable persons, who are without sufficient unemployment insurance of some kind, out of the mainstream of the employment world and into the welfare system, tends to perpetuate rather than eliminate the forces which initially made self-support for the individual unachievable. We believe a separate system should be developed, through a reconstituted Department of Human Resources Development and Rehabilitation, which focuses all forces on the individual's capacity for self-support and on the temporariness of his current condition.

The proposed transfer is only outlined here, but is discussed in greater detail under our analysis of the Department of Human Resources Development on page 567.

State and Local Fiscal Assistance Act ("Revenue Sharing")—Limitation on Federal Social Service Funds

Public Law 92-512, commonly known as the "Revenue Sharing Act," was signed into law by the President on October 20, 1972. In addition to providing direct fiscal assistance to state and local governments, Title III of the act placed a maximum limitation of \$2.5 billion on grants provided to states for social services and further provided that appropriated social services funds are to be allotted to the states on the basis of population, regardless of welfare caseload. The act further specifies the following additional limitations on the manner in which the available funds may be expended:

Funds allotted to each state may be expended in the following six categories for past, present, and potential welfare recipients on an unlimited basis:

1. Child care
2. Family planning
3. Aid to the mentally retarded
4. Drug addiction
5. Alcoholic rehabilitation
6. Foster homes

For all other services, at least 90 percent of the remaining funds must be spent only for present welfare recipients. After all welfare programs serving present recipients are funded and after all of the above unlimited categories are funded, any remaining funds may be used to provide services, other than those stated above, to past and potential welfare recipients.

Purpose of Social Service Funding

The purpose of social service funding is to provide assistance, primarily in the form of counseling, to former, current and potential welfare recipients in order to eliminate or reduce dependency or other personal problems such persons have which may result in or are already a cause of a recipient's need for public assistance. Most social service funds are expended at the local level for salaries of social workers, psychologists, psychiatrists, counselors, and other persons in the "helping" professions and occupations. These persons assist clients in coping with any of a multitude of problems, including psychosocial problems of interpersonal relationships, mental health problems, employment problems, problems of obtaining material necessities such as adequate shelter or clothing, money management problems, and problems with various other community institutions such as schools, police, etc. Social service funds are also used to support programs such as senior citizens' centers which help such individuals maintain their independence.

The federal social service funds are a main source for support of community programs designed to provide necessary assistance and support to persons who are unable to function in a totally self-sufficient manner. Without such community funds and activities, it is believed that a much heavier burden would have to be borne by other societal institutions, such as mental hospitals, penal institutions, etc.

Social service funds expended annually at the state level support such

programs as protective and supportive services to the mentally ill and mentally retarded, the family planning program of the Department of Health, and the child care program of the Department of Education.

Limitation Versus Appropriation

Public Law 92-512 merely places a ceiling on the total amount which may be appropriated for social services. An appropriations bill specifying the exact amount to be made available must be passed before the actual amount available to California can be determined. The Department of Health, Education and Welfare appropriation bill for fiscal year 1972-73 which included an appropriation of only \$1.7 billion for social services was vetoed by the President. As a result, HEW is currently operating under a "continuing resolution" which gives it the power to continue activities authorized in the last budget until Congress appropriates funds for this fiscal year. Thus, at this time, the level of the actual appropriation for the current year is unknown. Another appropriation bill must be introduced which may contain any amount up to \$2.5 billion for social services.

Supplemental Budget Presentation

Because the actual federal appropriations for 1972-73 as well as 1973-74 are at this time unknown, the Governor's Budget does not reflect the impact of Public Law 92-512 on social services programs. The budget states that material relative to the limitation's impact will be presented as a supplement to the Governor's Budget.

Impact on California

For fiscal year 1971-72, it is estimated that the state and counties in California expended a total of \$221 million in federal funds for social services. In August 1972, the Department of Social Welfare estimated that the state and counties would expend a total of \$273 million in federal funds for social services during the fiscal year 1972-73. We have estimated that if the entire \$2.5 billion is appropriated, California's share will be approximately \$245.3 million. Thus, at the minimum, California's allocation will be \$27.7 million less than was budgeted by the state and the counties for the current year.

County Impact

Regardless of the amount appropriated, the state must develop an allocation formula for determining the basis upon which the state and the counties will share in the available funds. The counties are staffing programs on the basis that California will be receiving the full \$273 million. As the revenue-sharing bill was not signed until four months into the budget year, most of the counties had already hired personnel and signed contracts utilizing federal funds which they anticipated would be available as needed.

Necessary State Action

In order to provide the counties with guidance in the current year and in order to provide them with sufficient information with which to prepare their budgets for the next fiscal year, we recommend the Legislature review the Health and Welfare Agency's proposed plan for division of the

available federal funds between the state and the counties, and that appropriated social services funds be allocated to the counties in the following manner:

- (1) *We recommend for fiscal year 1972-73 that the total federal funds allocated by the state to the counties be divided on a proportionate basis relative to the 1972-73 social services budgets submitted by the counties and reviewed by the state.*
- (2) *For fiscal year 1973-74, we further recommend that federal funds be allocated to the counties on the basis of caseload population. However, we further recommend that any funds allocated to a county and not utilized by such county be made available for reallocation to any county which has a plan approved by the Department of Social Welfare for use of such additional funds.*

As the initial purpose of social services funds was to reduce dependency and, hence, the need for public assistance, we feel that it is necessary to make some correlation between need, a county's welfare caseload, and available funds. However, we also realize that, historically, there has not been a direct relationship between caseload and social services expenditures. Therefore, we have tried to recommend formulas which take both of these factors into consideration.

Additional State Support for Social Services

Although social service funding has been utilized for many years, none of the states, including California, has ever devised a system for effectively evaluating the usage of such funds. Because of this lack of specific information, we are unable, at this time, to make any recommendations as to whether or not the state should make additional funds available to maintain the current level of social services.

We also recommend, however, that the Health and Welfare Agency be directed by the Legislature to develop an effective means for evaluating the need for social services on a continuing basis, not only as a mechanism for allocating federal funds but also in order to provide the state with necessary information with which to determine its support for such activities.

HR 1—Federalization of the Adult Aid Programs

Possibly the most far-reaching welfare legislation enacted by the 92nd Congress was Public Law 92-603, commonly known as HR 1, which provides for federal takeover of the adult categorical assistance programs through a merger with the social security system. The new program will be known as the Supplemental Security Income (SSI) program. HR 1 abolishes the current adult categorical aid programs and establishes a flat federal payment of \$130 for a single person and \$195 for a couple to all persons who qualify under federal definitions of agedness, disability, or blindness. States may supplement the federal payments if they determine additional support is needed. Payments are calculated in combination with social security benefits and any other income of the recipient and may, at the option of the state, be administered by local social security offices. The bill contains a "grandfather clause," which provides for inclusion in the federal program of all current state adult aid recipients, and

also includes a "hold harmless" provision that provides, under certain specific conditions, that any supplemental payments which a state wishes to grant in order to maintain a welfare recipient's total level of assistance as of January 1972 shall not require the expenditure of state funds above that expended for such purposes during 1972. A more detailed summary of the major provisions of the SSI program established by HR 1 will be made available by this office at the time of the budget hearings. Many of the cost or savings factors of HR 1 will not be known until the Department of Health, Education and Welfare (HEW) issues regulations implementing HR 1.

Recommendations

Because HR 1 eliminates the current adult aid programs and establishes a new adult aid program, California will also have to review and rewrite many of its laws and regulations relative to the adult aid programs. Final recommendations regarding these revisions cannot be made until the supplemental material alluded to in the budget is provided by the administration. However, in order for California to benefit to the fullest extent from the provisions of HR 1, we believe that the following recommendations can be made at this time in order to provide a framework for discussion:

1. *We recommend that the state begin preparation for federal assumption of all administrative responsibilities with regard to the Supplemental Security Income (SSI) program, including state supplementation, on January 1, 1974.*

HR 1 provides for the administrative merger of the social security system and the adult aid programs on January 1, 1974. HR 1 requires the federal SSI program to be administered by the Social Security Administration and permits the states to have their optional supplemental programs administered by the federal government. Because Social Security will administer both the federal and state portions at no state cost, state and county savings to be derived from federal takeover are estimated to be from \$30 to \$35 million annually. Because HR 1 requires eligibility requirements for state supplementation to be as liberal as the federal requirements, and because of the savings to be derived, we believe the state should opt for federal administration of all segments of the SSI program. If the state does not opt for federal takeover and continues to administer its own supplemental program, the current state and county cost will probably double. This is because the federal government now pays 50 percent of state administration but, after implementation of HR 1, will not participate in such optional costs.

2. *We recommend that legislation be enacted to provide for a single, flat, state supplemental grant for all persons qualified for assistance under the SSI program.*

Development of a flat grant is a necessary prerequisite to federal administrative takeover. The federal SSI payment will be the same for all recipients, regardless of classification.

California currently has an extremely complicated system for calculating need and grant payments for each of the adult categories. Because the

basic needs of food, clothing, shelter, and special needs related to dependency are so similar for all the aid programs, we do not believe that there is justification for continuing this complex system. Continuation of the current programs would require state administration at a state and county cost of approximately \$60 to \$70 million.

3. *We recommend elimination of the special needs program provided under current state law.*

The current special needs program is a relatively inequitable system which provides additional funds for specified special needs to specified groups of recipients. While special needs are intended to be relative to the recipient's particular disability, there is no truly meaningful correlation between needs of a group of recipients and the special needs they are actually allowed. For example, aged and blind recipients are entitled to additional funds for a telephone and for laundry while disabled recipients are not entitled to such benefits. The current system merely serves to increase the inequities of the adult aid systems rather than reduce them. A more equitable plan would be to average out the current state cost for the special needs which are provided and to increase all recipient's grants by that average amount. Recipients could then determine which were their highest priority special needs and expend their money accordingly, without individually having to seek the approval of the welfare department for each particular special need.

4. *We recommend elimination of the cost-of-living provisions in the state supplementary grants.*

Current state law provides for grant increases relative to increases in the cost of living. Prior to the enactment of HR 1, the federal government paid for 50 percent of such increases. As of January 1, 1974, the state will have to assume the total cost of such increases. Because state participation in the SSI program is to be supplementary and because federal SSI payments are to be tied to social security payments, which already include provision for cost-of-living increases, we believe that the primary responsibility for granting cost-of-living increases in the SSI program should rest with the federal government. We therefore recommend that the state eliminate its cost-of-living provision and memorialize the Congress to include a cost-of-living provision in the SSI program.

5. *We recommend elimination of the Responsible Relatives' Contribution program.*

It is our understanding that the only way in which the state could continue its Responsible Relatives' Contribution program would be if the state were to administer its own supplemental program. Disregarding administrative costs of collecting from responsible relatives, the state, under the current scale, could collect a potential of only \$20 million a year from responsible relatives. The state cost for administering the SSI supplemental program would be approximately \$70 million. Thus, the net cost to the state for maintaining the program would be \$50 million, less the savings which result from the deterrent effect of the requirement. We do not believe that the benefit derived from continuance of the responsible relatives program, on balance, is sufficient to justify its continuation.

6. *We recommend elimination of the counties' share in the Aid to the*

Totally Disabled (ATD) program.

As a result of the Welfare Reform Act of 1971, counties no longer participate in grant costs of the Old Age Security (OAS) program and the Aid to the Blind (AB) program. The counties do, however, pay 50 percent of the nonfederal share of Aid to the Totally Disabled (ATD) grant costs. We do not believe that the counties should participate financially in the grant costs of a program whose payment levels and eligibility requirements are determined by the federal and state governments and in which the counties have no administrative or policy input, especially where this cost is so unevenly distributed in relation to local tax capacity, thus contributing to property tax inequities. The initial cost to the state for assumption of the county costs for the ATD program is estimated to be approximately \$88 million.

We have not made any specific recommendations with regard to grant levels because we are awaiting information from the administration in regard to interpretation by the Department of Health, Education and Welfare and the state of the impact on California of certain provisions included in HR 1.

CATEGORICAL AID PROGRAMS

The following is a discussion including recommendations which relate to the funds included in the Governor's Budget for provision of categorical assistance in the form of direct cash grants.

**Estimated General Fund Support
Needed for Categorical Aid Programs**

Requested 1973-74	\$680,332,600
Estimated 1972-73.....	625,336,950
Actual 1971-72	657,369,835
Requested increase \$54,995,650 (8.8 percent)	

Recommendations

1. AFDC Program. *We are withholding our recommendation on expenditure levels in the Aid to Families with Dependent Children (AFDC) program pending a review of the department's spring case-load reestimates.*
2. Adult Aid Programs. *We are also withholding our recommendation regarding expenditure levels in the adult categorical aid programs pending a review of the Legislature's decisions with regard to implementation of Public Law 92-603 (HR 1).*

The Welfare and Institutions Code requires the provision of prompt, humane nondiscriminatory services and cash grant assistance to qualified applicants for public welfare. The funds discussed here are exclusively to provide direct cash assistance to persons who qualify not only on the basis of financial need but also on the basis of dependency. Financial need for purposes of the categorical assistance programs may be defined, with certain qualifications; as having insufficient resources to secure the necessities of life. A dependent person is one who is aged, blind, disabled or a minor child and who meets various other criteria related to his condition of dependency as defined by federal and state law and regulations.

Budget Item

In the 1971 Budget Act, funds for categorical assistance were included in a separate item. In the 1972 Budget Act, the Legislature deleted the item. While no item was included in the 1972 Budget Act, funds were included, on an unlimited basis, in the state budget for provision of cash grant assistance. In the budget year, no item is proposed for categorical aid. However, with certain specified exceptions, Section 32.5 of the Budget Bill limits the expenditure of funds to the amount included in the state budget for such purposes. The following is a discussion of the estimate included in the Governor's Budget of funds needed by the department for categorical aid.

The budget proposes \$680,332,600 from the General Fund in support of categorical aid payments during 1973-74. This is \$54,995,650, or 8.8 percent, in excess of the amount estimated to be expended during the current year. Table 2 compares the department's 1972-73 and 1973-74 caseload and expenditure estimates for each of the categorical assistance programs.

AFDC Program

The AFDC-FG (Family Group) and AFDC-U (Unemployed) caseloads are the most unstable categorical aid programs. For this reason, we are recommending, as we have in the past, that final budget decisions in this area be delayed until further and more complete information is available through the department's spring caseload reestimates.

Adult Aid Programs

As previously stated, the recent enactment of Public Law 92-603, commonly known as HR 1, provides for the abolishment of the adult aid programs of Aid to the Blind (AB), Old Age Security (OAS), and Aid to the Totally Disabled (ATD) and further provides for the establishment of the Supplemental Security Income (SSI) program for the aged, blind and disabled, which will become effective January 1, 1974. The creation of the SSI program will require complete review and revision of the state's current adult aid programs. Material related to such revisions will be presented in a supplement to this Analysis.

Table 2
State Department of Social Welfare Estimates of Average Monthly Caseload
and Expenditures for 1972-73 and 1973-74 ¹

	<i>Estimated average monthly caseload (persons)</i>		<i>Estimated expenditures</i>			
	<i>Caseload</i>	<i>Difference</i>	<i>State</i>		<i>County</i>	
			<i>Expenditures</i>	<i>Difference</i>	<i>Expenditures</i>	<i>Difference</i>
(1) AFDC-FG						
1972-73	1,287,294		\$326,307,400		\$150,059,700	
1973-74	1,346,575	+59,281 (+4.6%)	353,561,800	+27,254,400 (+8.4%)	162,808,100	+\$12,748,400 (+8.5%)
(2) AFDC-U						
1972-73	185,918		51,038,800		24,287,100	
1973-74	180,755	-5,163 (-2.8%)	51,597,700	+558,900 (+1.1%)	24,546,600	+259,500 (+1.1%)
(3) AFDC-BHI						
1972-73	31,192		21,117,600		37,061,000	
1973-74	30,800	-392 (-1.3%)	24,108,600	+2,991,000 ² (+14.2%)	36,306,300	-754,700 ² (-2.0%)
(4) OAS						
1972-73	304,716		142,231,100			
1973-74	303,335	-1,381 (-0.5%)	144,328,000	+2,096,900 (+1.5%)	—	—
(5) AB, APSB						
1972-73	14,175		11,056,200			
1973-74	14,304	+129 (+0.9%)	11,771,200	+715,000 (+6.5%)	—	—
(6) ATD						
1972-73	214,949		72,662,700		69,065,100	
1973-74	230,840	+15,891 (+7.4%)	83,488,500	+10,825,800 (+14.9%)	77,733,400	+8,668,300 (+12.6%)
Senate Bill 90	—	—	923,150			
			11,476,800	+10,553,650 (Not Applicable)	—	—
Total difference between 1972-73 and 1973-74, state and county		+68,365	—	+54,995,650 (+8.8%)	—	+20,921,500 (+7.5%)

¹ Estimates do not reflect impact of Public Law 92-603 (HR 1).

² Reflects impact of Chapter 1371, Statutes of 1972 (AB 2089).

**Health and Welfare Agency
DEPARTMENT OF SOCIAL WELFARE—SUPPORT**

Item 275 from the General
Fund

Budget p. 177 Program p. II-314

Amount requested in Item 275	\$10,985,454
Carryover from Section 10.2, Ch. 156, Statutes of 1972	650,000
Total available funds 1973-74.....	\$11,635,454
Estimated 1972-73.....	10,622,827
Actual 1971-72	8,524,196
Requested increase \$1,012,627 (9.5 percent)	
Total recommended reduction	\$1,163,570
Withhold recommendation.....	\$1,336,818

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Section 31 of the Budget Act of 1972. Recommend the provisions included under Section 31 of the Budget Act of 1972 be continued in the budget year with respect to the Department of Social Welfare. 598
2. Impact of HR 1. Withhold final recommendation on this item pending review of decisions made by the Legislature with regard to Public Law 92-603 (HR 1). 599
3. Contract Approval. Recommend all contracts and contract amendments proposed by the department be approved by the Department of Finance and copies of approved contracts submitted to the Joint Legislative Budget Committee prior to their inception. 599
4. Contractual Services Funds. Withhold recommendation on the \$1,166,947 (all funds), which includes approximately \$582,099 from the General Fund, requested for contractual services pending receipt of further explanatory material from the department. 601
5. *Controller Contract. Reduce \$292,699.* We recommend \$292,699 from the General Fund included in the department's support budget for purchase of audit services from the Controller be contained in a separate item as shown in last year's budget. 605
6. Fair Hearings. Withhold recommendations on \$754,719 requested by the department from the General Fund for expansion of its fair hearings function. 605
7. *Attorney General Contract. Reduce \$164,882.* Recommend a General Fund reduction to reflect elimination of the department's contract with the Attorney General for purchase of legal services. 606
8. *House Counsel. Reduce \$21,152.* Recommend elimination of two positions requested by the department for ex- 608

DEPARTMENT OF SOCIAL WELFARE—Continued

- pansion of its House Counsel unit.
9. *Operations Security Office. Reduce \$72,564.* Recommend reduction of six positions requested by the department for expansion of its Operations Security Office. 609
 10. *Bureau of Research and Evaluation. Reduce \$117,938.* Recommend elimination of the department's Bureau of Research and Evaluation and the 14 positions contained therein for a General Fund savings in salaries and wages (\$117,938) plus operating expenses. 610
 11. *Planning Unit. Reduce \$36,282.* Recommend elimination of the department's Planning Unit, Administration, and the four positions contained therein at a General Fund savings in salaries and wages (\$36,282) plus operating expenses. 610
 12. *Project Coordination. Reduce \$17,819.* Recommend elimination of the department's Project Coordination Bureau and the two positions contained therein for a General Fund savings in salaries and wages (\$17,819) plus operating expenses. 611
 13. *County Cost Plans Unit. Reduce \$37,501.* Recommend elimination of the County Cost Plans Unit and the five positions contained therein for a General Fund savings in salaries and wages (\$37,501) plus operating expenses. Further recommend transfer of the unit's responsibilities to the Controller. 612
 14. *County Training Bureau. Reduce \$45,432.* Recommend elimination of six positions and approximately \$45,432 from the General Fund authorized in support of the department's County Training Bureau. 613
 15. *Expanded Data Reporting System. Reduce \$650,000.* Recommend the requested General Fund amount be reduced to reflect the elimination from the SDSW budget of all funds requested for the support of Expanded Data Reporting System (EDRS) activities. Recommend also the SDSW report to the fiscal committees at the budget hearings, giving a detailed accounting for the 1971-72 and 1972-73 fiscal years of all expenditures (actual or planned) by the SDSW associated both directly and indirectly with the efforts to develop EDRS. Further recommend the report include the individual position classifications and costs associated with the EDRS effort. 617

GENERAL PROGRAM STATEMENT

The Department of Social Welfare is responsible for coordinating and supervising the provision of cash grant assistance by county welfare departments. Direct departmental activities include providing fair hearings to welfare recipients, performing audits for federal and state fiscal control, and compiling and developing reports periodically required by the federal

government.

Transfer of Social Service Responsibilities to Department of Health

During the last two budget sessions, the department's budgets reflected the fact that the department was in the process of reorganizing internally. In the budget year, the entire Health and Welfare Agency is being reorganized and restructured through creation of the Department of Health. The new Health Department will assume all of Social Welfare's responsibilities related to the provision of social services. Thus, the Social Welfare budget reflects a partial restructuring and a reassessment of departmental priorities relative to its reduced responsibilities.

ANALYSIS AND RECOMMENDATIONS

Total Proposed Expenditures for Support of Departmental Operations

For fiscal year 1973-74, the department is proposing to expend a total of \$19,122,941 for support of departmental activities. Of this amount, \$7,487,487 is to be derived from the federal government and \$11,635,454 is requested from the General Fund.

Increase in General Fund Support

The amount requested from the General Fund is \$1,012,627, or 9.5 percent, above the amount estimated to be expended in the current year. This increase is the net result of the following factors:

(1) Departmental responsibility for providing social services, including direct responsibility for adoption and licensure services, will be transferred to the Department of Health in the budget year. In order to perform the necessary activities related to these responsibilities, 244 positions and related support costs were eliminated from the Social Welfare budget and transferred to the Department of Health.

(2) In the budget year, the department is requesting 122 new positions plus related expenses and additional contract funds in order to provide increased support for the fair hearings function, the quality control function, the legal function, and the Children and Family Systems Management Bureau.

Thus, the proposed increase shown in the Social Welfare budget only partially reflects the magnitude of the departmental request for increased support related to the provision of cash grant assistance because it also reflects a substantial reduction in necessary support associated with the transfer of social services responsibilities to the Department of Health.

Change in Federal-State Sharing Ratio for Departmental Support

As shown in Table 1, in the current year the federal government has provided approximately 46 percent of the funds needed for support of departmental activities. In the budget year, federal funds will be reduced and will constitute only 39 percent of needed support. The reason for these changes in federal funds is the transfer of social service responsibilities to the newly created Department of Health. The federal government will pay 75 percent of costs related to social services but only 50 percent of costs related to cash grant assistance. Thus, as the department will no longer have social service responsibilities, its total federal dollars as well as its

DEPARTMENT OF SOCIAL WELFARE—Continued

federal percentage claiming rate will be reduced.

Table 1
Comparison of State/Federal Sharing Ratios for Support of
Departmental Activities in 1972-73 and 1973-74

	1972-73	1973-74
Total	\$19,629,033	\$19,122,941
General Fund	10,622,827	11,635,454
Federal funds	9,006,206	7,487,487
State/federal sharing ratio	54/46	61/39

Reclassification of Authorized Positions

We recommend continuation of Section 31 of the Budget Act of 1972 relative to the Department of Social Welfare in the budget year.

Section 31 of the Budget Act of 1972 requires the Department of Finance to evaluate and approve, on the basis of work program and organization, all new positions established by departments during the current year. Within 10 days of authorizing any new position, the Director of the Department of Finance is further required to notify the Chairman of the Joint Legislative Budget Committee and the chairman of the committee in each house which considers appropriations of such new positions.

Item 255 of the Budget Act of 1972 reflects the fact that the Legislature deleted all of the eight positions associated with the department's legal task force, three of the six positions requested for the house counsel unit, 30 legal positions associated with the department's fair hearings function, and nine positions associated with the development of the department's Expanded Data Reporting System, including the staff administrative III position occupied by the Chief of the Management Information Systems Branch, in order to establish what the Legislature believed to be the appropriate level of departmental support. In what appears to be a direct contradiction of legislative intent and a circumvention of Section 31, in June 1972 the Department of Social Welfare processed documents providing for the reclassification on July 1, 1972, of 31 positions authorized for various units to 24 legal counsels to serve as fair hearing officers, one associate counsel and one senior legal steno to serve in the legal task force, three legal counsels to serve in the house counsel unit, and one staff administrator III and one senior steno to staff the office of Chief, Management Information Systems and to supervise the development of the Expanded Data Reporting System (EDRS). Because these documents were processed before July 1, 1972, the effective date of the Budget Act of 1972, they did not require approval by the Department of Finance or submission to the Chairman of the Joint Legislative Budget Committee and the fiscal committees as required by Section 31.

In an attempt to conform to the intent of the Budget Act, the Department of Finance on October 6, 1972, informed the Chairmen of the Joint Legislative Budget Committee, the Senate Finance Committee, and the Assembly Ways and Means Committee of the departmental reclassifications and the manner in which they were accomplished. The Department of Finance also directed the Department of Social Welfare to reassign the

three house counsel and two legal task force positions to their original assignments. The 24 legal positions were, however, permanently reassigned to the fair hearings unit, and the staff administrative III and senior steno positions were continued through December 31, 1972.

Because of these actions, we believe that, in order to insure that legislative intent is complied with, Section 31 should be continued in the budget year with respect to the Department of Social Welfare.

Impact of HR 1 (Public Law 92-603)

We are withholding any recommendation in regard to departmental positions related to supervision and support of the adult categorical aid systems pending review of legislative decisions with regard to implementation of HR 1.

Public Law 92-603 repeals all federal laws and regulations related to the current adult categorical aid programs and establishes a new Supplemental Security Income (SSI) program. These substantial changes in federal law will necessitate significant revision of state laws and regulations related to the adult aid programs.

Material related to changes required by Public Law 92-603 will be presented as a supplement to this Analysis.

Departmental Utilization of Contracts

We recommend that all contracts and contract amendments proposed by the department be approved by the Department of Finance and copies of approved contracts submitted to the Chairman of the Joint Legislative Budget Committee, ~~prior to their inception.~~

The Department of Social Welfare is utilizing the contract procedure in a manner which circumvents not only legislative intent and budgetary control but also the administrative control procedures. The department has utilized contracts to borrow positions from other state agencies, to hire individuals outside of the civil service system, to transfer funds between budget items, and to purchase the services of consulting firms without adhering to the control procedures outlined in not only the Budget Act but also in the State Administrative Manual and the Government Code. The following are examples of the manner in which the Department of Social Welfare has utilized contracts:

Individuals Borrowed from Other State Agencies

The Department of Social Welfare has literally "bought" high level positions from other state agencies, such as the Board of Alcoholic Beverage Control, the Department of Rehabilitation, and the Department of Mental Hygiene, through use of the contract mechanism. While this is an acceptable procedure when the contract position serves some function relative to the agency from which the position is contracted, in at least two instances the Department of Social Welfare has borrowed positions which have no relationship whatsoever to the agency from which they were borrowed.

The normal procedure for establishment of a new position is, of course, to present the new position to the Legislature and have it approved by the Legislature and the appropriate administrative control agencies. When a position is established through this contract mechanism, it is not evaluated

DEPARTMENT OF SOCIAL WELFARE—Continued

by the Personnel Board in terms of the suitability of its classification level, it is not evaluated by the Department of Finance in terms of the additional need for such manpower, and it is not approved by the Legislature.

Transfer of Funds Between Items

As stated on pages 606–607 of the Analysis in the discussion of the department's contract with the Attorney General, the department utilized the contract mechanism to increase Item 255.2, 1972 Budget Act, from \$67,022 to \$92,022 by using \$25,000 that was included in Item 255, the basic departmental support item. By utilizing the contract procedure, Section 28 of the Budget Act, which requires the Department of Finance to approve item augmentations and requires the Joint Budget Committee to be notified of such augmentations, was not complied with in any way. In this instance, legislative intent as specified by the Budget Act was completely circumvented as was the administrative control vested in the Department of Finance.

Purchase of Services from Private Consulting Firms

The Department of Social Welfare signed two separate contracts with the same consulting firm at a total value of over \$140,000, without conforming to those provisions of the State Administration Manual governing contracts for consultant services. According to documents contained in the Department of General Services files, the contracts were (1) not subject to competitive bidding, and (2) were lacking in detail as to how the amounts of the contracts were arrived at. In addition, the Department of General Services notes that the payment for contractor services is subject to the condition that it meets clearly identifiable stages of progress based upon progress reports, with the retention of not less than 25 percent of the total contract price until satisfactory completion. The Department of Social Welfare had no such payment schedule. The Department of General Services also notes with reference to one contract that no indication is given as to what rate was used in the contract for computing travel and living expenses. And, General Services noted, in reference to another contract, that payments for such services were in excess of the rates payable to officers and employees of the state under Board of Control rules.

It should be noted that neither of these consulting contracts were approved by the Department of General Services before agreements were entered into between the Department of Social Welfare and the private consulting firm. In one instance, there was a six-month delay between the signing of the contract and approval by General Services. With such delays, it is difficult to see how the Department of General Services exerts any control over the contractual activities of the department.

Individual Contracts

The department has also utilized contracts to hire individuals outside of civil service. In one such instance, an attorney was hired at the rate of \$125 per day plus travel expenses, to serve as "a consultant and advisor to the Director of Social Welfare on state legislation and regulations in the Social Welfare area, particularly in the area of absent parent support." Again,

competitive bidding procedures were not observed and the utilization of civil service personnel was avoided. The only justifications for these actions were the following: "The individual was a member of the Governor's Task Force on Welfare Reform and is intimately familiar with federal and state regulations in the particular area of absent parent support." We find it very difficult to believe that there are not individuals in state service who are intimately familiar with federal and state regulations in the area of absent parent support.

These are just a few examples of the problems which exist under the current contract procedure which is, apparently, free from both legislative and administrative control. Because of the manner in which contracts are maintained physically by the Department of General Services, we are unable to determine the actual extent of these uses of the contract mechanism. For each contract submitted to General Services there exists a filing card which contains only the name of the department, the name of the contractor, and the amount of such contract. The originals of the actual contracts are, however, in files open to review except that not all of the actual contracts are in these files because the original copies may be removed by staff members of the Department of General Services and the Department of Social Welfare or apparently by numerous other individuals. For example, a member of our staff was allowed to remove the original copies of several contracts from the premises of General Services. While a form stating that a contract was removed from the files is to be inserted by General Services staff in place of a borrowed contract, our staff member revisited General Services a week after the contracts were removed and found that no forms had been filed. Thus, there is no method of insuring that public inspection of contracts is guaranteed.

Approval by the Department of Finance

In order to avoid departmental usage of contracts in a manner not consonant with legislative intent and in a manner which circumvents normal administrative control mechanisms, the Department of Finance should be required to review and approve all contracts prior to signing and commencement of services.

Contractual Services Funds

We withhold recommendation on the \$1,166,947 requested for contractual services pending receipt of further explanatory material from the department.

In addition to the \$3,998,558 requested for specified contractual services, such as audits by the Controller and legal services from the Attorney General, the budget includes \$1,166,947 for additional unspecified contractual services. The backup material supplied this office by the department states that of this latter amount, \$525,000 is required for the Medical Assistance program contract with the Department of Health Care Services, \$605,147 is needed for the Merit Systems contract with the State Personnel Board and \$36,800 is needed for the Earnings Clearance System. With respect to the \$36,800 requested for the Earnings Clearance System, the backup material does not explain why contractual funds are needed or with what agency or individual the department is going to contract. The

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lawyer**DEPARTMENT OF SOCIAL WELFARE—Continued**

backup material further states that additional positions are to be obtained from another state agency and a county through the use of contract funds. The department has not supplied us with sufficient information with which to evaluate these contract position requests.

Because of the manner in which the department has utilized contract funds in the budget year and because of the lack of information provided with respect to contract proposals in the budget year, we cannot, at this time, approve the department's request for contractual services funds.

Payment Systems

As originally conceived, the adult systems management bureau and the children and family systems management bureau were to be the "nerve centers" of the department. All departmental activities related to payment systems were to be supervised and coordinated by the payment systems bureaus. While this concept is still upheld by departmental management, it has never really functioned at the department's working levels. Part of the reason for this failure appears to lie in the very organizational and functional relationships of departmental units. The adult and children's units are at the lowest working level of departmental organization—the bureau level. While such units as contracts administration, field fiscal planning and county training should be serving the adult systems and children's systems bureaus, they are both organizationally and functionally equal to those payment systems bureaus. The regulations unit, potentially one of the payment systems bureaus' major tools for effectively "managing" categorical aid operations at the local level, is in a totally separate division, at least four bureaucratic layers away from the payment systems bureaus, and operates almost autonomously. The regulations unit is responsible to the legal affairs branch and has very little contact with payment systems bureaus.

The current lack of central coordination, or a "nerve center," results in continued duplication, overlap, and even contradiction in activities performed by the various departmental units. An actual example of these problems is the following:

On September 12, 1972, the department's regulations unit adopted, on an emergency basis, regulations for implementation of Chapter 1064, Statutes of 1972. This chapter provides for the pass-on to Old Age Security (OAS) recipients of \$7.50 from contributions collected from their responsible relatives on a monthly basis. The regulation states that "in each month when a responsible relative makes his full contribution *on a current basis*, the county shall pay to the OAS recipient, against whose grant the contribution is made, an amount not to exceed \$7.50 as provided in Section 44-111.11" of the state's regulation manual. The regulation was insufficiently clear for county eligibility workers and county fiscal personnel to agree on when the \$7.50 pass-on should be granted. The chief of the department's bureau of field fiscal planning directed the counties, through the County Welfare Directors' Association (CWDA) fiscal committee to pass on the \$7.50 only if relatives had paid all previously owed amounts. The chief of the department's adult systems management bu-

reau, however, informed the counties through the CWDA adult eligibility and grant committee that the \$7.50 was to be passed on for any month in which any single relative paid his entire monthly contribution, if this amount exceeded \$7.50. As of this writing, the regulations unit has not issued any clarifying regulations or instructions and the counties have received no definitive answer with regard to this problem from the state. Had the adult systems management bureau truly been the "nerve center" of the department, this situation probably never would have occurred, and, had it occurred, the problem could certainly have been resolved much more rapidly than under the current system.

While we are not proposing any specific changes in departmental organization, we do believe that, if the department is to effectively manage the categorical aid programs, at least the functional relationships between the payment systems bureaus and other departmental units involved in payment systems-related activities should be reflective of the basic "nerve center" concept. The current system, or lack thereof, is counterproductive in that it merely perpetuates state and local confusion in regard to priorities and responsibilities.

Children and Family Systems Management Bureau

We recommend approval.

For the budget year, the department has requested an increase of 17 positions, including 12 professional positions, in order to provide increased support for its child and family systems management bureau. The bureau is currently supported by ~~five~~ ^{seven} professional and three clerical positions.

The department states that the increased level of support is needed to more effectively evaluate county operations in regard to the Aid to Families with Dependent Children program. The bureau is to be organized into teams which will not only evaluate but will also be responsible for providing consultation to the groups of counties to which they will be assigned. These teams will also be responsible for coordinating and directing all other departmental services in order to assist them in more adequately meeting the need, of the counties.

In order to provide needed assistance to the counties and in order to effectively implement the "nerve center concept" for which this payment system bureau was originally created, we recommend approval of the requested positions.

Program Assessment—Quality Control Review

We recommend approval of the 31 positions requested in augmentation of the department's quality control function.

(1) Required Federal Review

The federal government requires state quality control units to review federally assigned samples. With its current staff, the department is only able to review approximately 76 percent of its required AFDC samples. An augmentation of five professional and one clerical position would, according to the department, enable them to complete the required samples. Incomplete reviews not only reduce the accuracy of information produced but also, according to recent newspaper accounts and according to regulations proposed by the Department of Health, Education and

DEPARTMENT OF SOCIAL WELFARE—Continued

Welfare, may result in losses of federal funds. The Department of Health, Education and Welfare has threatened to reduce by 8.3 percent federal payments to states which have failed to meet sampling requirements.

(2) Monitoring of Earnings Clearance System

The department is requesting six professional and one clerical position to provide state staff to review county utilization of the Earnings Clearance System. The Earnings Clearance System is a computerized method of comparing earnings reported by recipients to the welfare department and earnings reported by their employers to the Department of Human Resources Development for purposes related to unemployment insurance benefits.

Even more important than the Earnings Clearance System's ability to aid in fraud investigations is the potential value of the system as a management tool with which to detect eligibility worker errors and areas in which more effective management control may be needed. Initial reports produced by this system clearly revealed a lack of understanding on the part of the counties as to the manner in which the information was to be reported and utilized. The requested positions can, if properly utilized, provide meaningful guidance to county personnel in the use of the Earnings Clearance System as both a fraud investigation and a management tool.

(3) Expanded Quality Control for State and County Purposes

The department is requesting the addition of 15 professional and three clerical positions in order to expand the audit required by the federal government so that statistically accurate performance data can be generated for the individual counties. The required federal sample is relatively small, 250 cases, and is selected randomly on a statewide basis with special emphasis given only to the County of Los Angeles. The number of cases selected in a particular county has no relationship to the size of such county. For instance, in one month a relatively large county like Alameda may have only one or two cases reviewed while a small county such as Lake may have as many as 8 or 10 reviewed. The federal audit mainly produces data with regard to statewide errors and gives very little meaningful data with regard to a particular county's operation. Both the counties and the state believe that a sample, weighted by county according to caseload population, will produce meaningful management information which can be used to reduce error rates and improve the effectiveness of the entire welfare system.

Relationship with Payment Systems Bureau

As previously stated, no departmental element with responsibilities related to the categorical assistance programs should operate autonomously. The quality control reviews performed by the program assessment branch are worthless if they are not integrated with the activities of the payment systems bureaus. The payment systems bureau chiefs should be the primary "program managers" who determine what programs are to be assessed and who are also responsible for effectively utilizing results produced by such assessments. A quality control program which merely

detects and tabulates errors which are not reviewed and are not used to make program changes needed to eliminate such errors serves no purpose. The federal government has threatened to impose fiscal sanctions not only in regard to incomplete sampling but also with respect to "unacceptable error rates." Payment systems must guide the entire department in utilization of data produced by the quality control reviews if the state's error rate is to be reduced and federal penalties avoided.

Audit Contract with Controller

We recommend that the Legislature establish a separate item containing the \$292,699 from the General Fund budgeted by the department for purchase of audit services on a contract basis from the Controller.

The Budget Act of 1972 reflected the Legislature's decision to transfer the audit function from the department to the office of the Controller. The sum allocated by the department for audits was appropriated in a separate contract item to insure its expenditure for that purpose.

When the Controller took over the audit function, audits were backlogged for approximately two years. At this time, the Controller is successfully reducing this backlog. In order to insure that this effective arrangement is maintained and to insure SDSW does not use the funds for other purposes, we believe that the Legislature should continue to appropriate these contract funds through a separate item.

Legal Affairs—Fair Hearings

We withhold recommendation on \$754,719 requested in augmentation of funds currently allocated for the performance of the department's fair hearings function.

The department's monthly fair hearings statistical report reveals that using current available staff and funds the department was able to dispose of 30,039 fair hearings requests during the first five months of fiscal year 1972-73, for a monthly average of 6,008 cases. Thus, for the year it is anticipated that the department will be able to dispose of approximately 72,096 fair hearings requests. For the budget year, the department states that 42,000 normal hearing requests are anticipated plus 18,000 "random filings," including a backlog of 10,000 cases, for a total of 60,000 cases. As the department is able to handle over 72,000 cases using current staff, there appears to be no justification for an augmentation in order to handle only 60,000 cases. In addition, utilization of recommendations made by a private consulting firm contracted by the department at a cost of over \$100,000 should make greater efficiencies in the fair hearings procedures possible in both the current and the budget years. Although it appears that the department should be able to carry out its fair hearings without the requested increase, we are withholding our recommendation in this area pending the receipt of further information from the department. The backup information and data supplied is inadequate.

Approximately 50 percent of the fair hearing requests are related to the adult aid categories. On January 1, 1974, fair hearing requests in the adult programs will, as a result of HR 1, probably become the responsibility of the federal government. Thus, the department's estimate of anticipated fair hearings, which does not take into consideration the passage of HR 1,

DEPARTMENT OF SOCIAL WELFARE—Continued

could be reduced by 25 percent to 45,000 cases.

Attorney General Contract

We recommend elimination of the department's contract with the office of the Attorney General for a reduction of \$164,882 in General Fund costs. We further recommend that the Attorney General's public welfare section be augmented by three legal positions at a General Fund cost of approximately \$100,000 (net savings \$64,882).

The Budget Act of 1972 provided \$67,022 in contract funds for purchase by the department of legal services from the Attorney General. The department stated that such support was needed to perform legal research, prepare points and authorities, provide consultation and legal advice, marshal evidence and locate expert witnesses. While these activities are normally performed by the Attorney General, the department contended that it was receiving insufficient service from the Attorney General. At that time, the Attorney General had 19 lawyers available for service through his public welfare section. However, during the current year, 10 legal positions were added to this unit and four more legal positions are proposed for addition in the budget year.

Departmental Augmentation of Attorney General Contract

Through removal of all funds requested under Item 255 by the department for legal services normally provided by the Attorney General and through creation of Item 255.2 in the Budget Act of 1972, the Legislature specified its intent that (1) legal services related to matters under the jurisdiction of the Attorney General were to be provided to the department through a contract with the Attorney General and (2) General Fund support provided for such contract was to be \$67,022. The department was also authorized three legal positions and a Deputy Director, Legal Affairs, to meet its needs for house counsel services.

However, through an amendment to the contract with the Attorney General, the department also expended \$25,000 of the General Fund amount appropriated through Item 255 in augmentation of the original \$67,022 appropriation included in Item 255.2. While the department justified this augmentation on the basis that additional support was needed from the Attorney General, the fact remains that the Legislature expressly specified the amount of funding to be provided, not the level of services to be purchased.

Also, the manner in which the department augmented the contract appears to circumvent the normal control procedures. The effect of the contract amendment was to transfer funds from one budget item to augment another. Section 28 of the Budget Act requires the Department of Finance to approve such augmentations and to notify the chairmen of the legislative appropriations committees and the Chairman of the Joint Legislative Budget Committee 30 days prior to such augmentations of the necessity of such actions. In regard to this contract augmentation, none of the requirements of Section 28 were complied with.

Utilization of Total Contract Funds

The contract funds provided in Item 255.2 and supplemented by the department with funds from Item 255 were used to establish a 10-man counsel unit within the physical plant of the department who are employees of the Attorney General. Support costs for the unit were also paid through Item 255 and not Item 255.2. While the unit is supervised by a deputy from the office of the Attorney General, work is delegated to this unit directly by departmental staff. Activities of the unit are outlined below.

Litigation Support

The counsel unit was originally authorized primarily to provide litigation support to the Attorney General. However, it actually spends approximately 20 percent of its time performing such functions. This unit may only provide such support at the request of a deputy handling a social welfare case for the Attorney General, and most deputies apparently prefer to do their own backup work. One of the reasons for this may be that if the deputy avoids using the contract unit, he may work directly with program personnel who are intimately familiar with the actual background of a case and who, if involved in the backup research for a case, make excellent witnesses when the case goes to court. The contract unit attorney is an unrelated third party who has had no involvement in the initial situation which brought about the litigation and who has no responsibility for its outcome. Thus, he is frequently excluded from rather than included in litigation support.

Legal Consultation and Advice

The unit spends a great deal of time in providing legal advice and consultation to the department. While the unit has probably been helpful in this regard, the department also has a house counsel unit charged with this responsibility as well as management personnel who should themselves have at least a modicum of knowledge relative to the legal framework within which they function. Also, in the budget year, responsibility for licensing and adoptions, for which the unit currently allocates approximately three man-years, will be transferred to the new Department of Health. A house counsel unit has been established in the Department of Health to provide legal service to the elements contained therein. Furthermore, passage of HR 1, providing for federal assumption of all responsibilities related to adult aid programs, should substantially reduce departmental demands for legal support in the budget year.

Thus, consultation and advice now provided by this unit should be adequately provided by the department's house counsel unit, the Department of Health's legal unit, and the Attorney General in the budget year.

Model Points and Authorities

One of the most useful tasks which this unit could have performed, but has to date not accomplished, is the compilation of model points and authorities for welfare-related litigation.

Various publishing companies sell legal tools commonly known as "form books." These form books contain standard materials used in various legal

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specialties. For instance, a form book may contain examples of model pleadings for a particular type of case or examples of the way in which certain types of legal documents should be composed. Form books may also be compilations of all of the cases and decisions related to a particular area of the law. These compilations are called "model points and authorities" and are a great time saver for attorneys who must, as a portion of case preparation, compile points and authorities pertinent to the case they are presenting. If the lawyer has a basic reference document, a set of model points and authorities for a particular area, he merely has to select and possibly update the appropriate references rather than having to research the entire matter himself.

Unfortunately, adequate model points and authorities do not exist for welfare-related litigation. The department stated during the 1972-73 budget deliberations that it needed staff to develop these points and authorities. Because the department has placed only minor emphasis on this function, very little has been accomplished toward meeting this goal. While compilation of points and authorities is still a vital function, we believe that, on the basis of the department's performance in this area, the responsibility should be transferred to the Attorney General, who will ultimately be the primary beneficiary of such reference documents.

Attorney General Augmentation

In order to insure that the department receives adequate legal support and in order to insure the compilation of points and authorities for welfare litigation, we recommend that the Attorney General's public welfare section be augmented by three positions, at a General Fund cost of approximately \$100,000. Because federal funds may be claimed for Attorney General services provided Social Welfare, we recommend that the \$100,000 be included in the Social Welfare budget as a separate item "for reimbursement of Attorney General services only." Thus, the net savings through elimination of the contract and establishment of three Attorney General positions will be approximately \$64,882.

Augmentation of House Counsel Unit

We recommend elimination of two positions and \$21,152 requested by the department to augment its house counsel staff.

The department currently has a deputy director for legal affairs as well as four legal positions in its house counsel unit. An administrative trainee also serves as a coordinator for legal affairs. The department is, however, requesting two additional positions to provide legal services in connection with institutional licensing, adoptions, probate claims, and intercounty disputes. In addition, the positions are requested to provide the department with legal representation and to provide the director with legal advisors to interpret advice from the Attorney General.

As of July 1, 1973, the Governor's Reorganization Plan No. 1 of 1970 transfers all responsibility for institutional licensing and adoptions to the Department of Health. In that department, a legal staff is proposed to provide services to all departmental units. In addition, on January 1, 1974, HR 1 provides for the federalization of the adult aid programs. At such

time, it is anticipated that probate claims will be the responsibility of the federal government. Such functions as mediating intercounty disputes and interpreting opinions of the Attorney General should be performed by the Attorney General and departmental management who are involved in the areas of dispute or who are responsible for implementing legal opinions or decisions at the program level.

Department of Health Care Services

The three-man legal staff of the Department of Health Care Services manages a large volume of legal work by delegating responsibility to departmental managers to the greatest extent possible and then serving mainly as a "policing" or supervisorial body for legal activity. This system not only reduces the need for legal staff but also has the added benefit of educating departmental managers, in at least a minimal way, in the area of the law upon which their program activity is grounded. Managers with such expertise are more capable because they have the knowledge with which to act more independently.

Thus, we recommend disapproval of the requested attorney positions on the basis that the functions these positions would perform may be adequately performed by existing legal and management staff.

Operations Security Office

We recommend elimination of six positions and \$72,514 requested by the department to augment the staff of the operations security office.

The operations security office is responsible for the supervision of investigation and prosecution of welfare applicants or recipients who obtain or attempt to obtain aid fraudulently. During the current year, the office was authorized four professional and one clerical position. In addition, through use of "blanket funds" the department is also purchasing the services of a special investigator who is in charge of a welfare fraud task force and provides additional support to the office. We were further informed by the chief of the operations security office that, in the budget year, an additional contract position currently assigned to the director's office will be assisting in operations security activities.

Utilization of Authorized Positions

For the following reasons, we have found it very difficult to assess the current activities and accomplishments of the office in relationship to its budgeted staff:

As of this writing, none of the three special investigator positions authorized for the office have been filled. Effective July 1, 1972, the department reclassified these three positions to three legal counsels in the house counsel unit. However, in order to comply with legislative intent, the Department of Finance directed the department in October 1972 to return the positions to their original classification. Nevertheless, at this time, six months into the budget year, these investigator positions have still not been filled. We were informed by the department that the delay was due to problems relative to approval of the requested level of positions by the department's own personnel bureau and the Personnel Board. If the department had truly needed these positions it is unlikely that they would

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(1) reclassify the positions immediately upon establishment and (2) spend six months in a classification dispute with their own personnel bureau and the Personnel Board.

Without these positions being filled, it is impossible to assess the department's current capabilities in terms of its resources and, hence, impossible to calculate its need for expanded resources.

Research and Evaluation

We recommend elimination of the department's bureau of research and evaluation and the 14 positions contained therein for a General Fund salary savings of \$117,938 plus operating expenses.

The bureau of research and evaluation is assigned departmental responsibility for the performance of what may be termed basic research. During the past two years the bureau has undertaken such research projects as evaluation of patterns in aging, studies of housing patterns of recipients, and studies of the manner in which welfare recipients expend their welfare funds. Responsibility for the performance of studies designed to produce information with which to solve particular program problems is assigned to the other departmental units which have the actual program responsibility for implementing solutions to problems. Thus, a study on the types of board and care purchased by recipients was recently assigned to the adult systems management bureau rather than the bureau of research and evaluation.

Departmental emphasis has, during the past two years, shifted away from such basic research as is performed by the bureau of research and evaluation. In fact, only a few selected projects, begun at least a year ago, are still being carried out by the bureau. We were informed that since September 1, 1972, no assignments have been given to the research and evaluation bureau. Of 17 currently authorized positions, only six professional positions are actually filled, and these individuals are primarily involved in completion of the aforementioned long-term projects.

Departmental management apparently can find no use for basic research. While the results of such research can be valuable to a program such as welfare which is ideally attempting to meet the ever-changing needs of an ever-changing clientele, we can see no justification for continued authorization of positions which are not effectively utilized. Thus, until such time as the Department of Social Welfare demonstrates that it can use a program of research and evaluation, we recommend the elimination of the bureau of research and evaluation and the 14 positions to be contained therein in fiscal year 1973-74.

Planning Unit, Administration

We recommend elimination of the planning unit for a General Fund salary savings of \$36,282 plus operating expenses.

The planning unit is a four-man unit consisting of two professional and two clerical positions within the department's administrative branch. According to the last written statement of departmental activities which was submitted to our office, these two professional positions are responsible

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Report
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for:

- (a) Advising, assisting, and serving as consultants to directorate level management on administrative, regulatory, and varied other problems involving welfare program planning, payments and public social service delivery systems;
- (b) Establishing and maintaining effective liaisons in communications between the department and counties;
- (c) Providing coordination, assistance and direction for (1) task force and study groups involved in definition and identification of long-range program needs, goals, objectives and directions, (2) formulating plans for development of welfare payment and social service delivery systems and (3) maintaining a wide variety of inputs on potential and future advances in welfare payment and social service delivery systems;
- (d) Preparation and presentation of information concerning payment and social service delivery systems to government officials at the federal, state and local level; to interested lay and professional groups; and to the public as assigned by directorate level management; as well as,
- (e) Dictation of reports, preparation of correspondence, and performance of other work as required.

During the initial period of welfare reform, the single professional position contained in the unit was occupied by an individual with wide-range and long-term involvement in the activities of the Department of Social Welfare who served as a "trouble shooter," counselor, ombudsman, and facilitator for the state and the counties. As is clearly shown by the duty roster, many of the functions which he performed were activities which should have been performed by other departmental entities to whom such responsibilities were officially assigned; however, in the confusion which surrounded welfare reform, both at the state and county level, this individual served a very useful purpose in that he was able to cut through red tape and achieve workable solutions to problems on a timely basis. The major confusion surrounding welfare reform has now passed and the individual who filled this position during welfare reform has retired. It is now time for those units assigned responsibility for welfare program planning, payment systems, and public social service delivery to themselves establish and maintain effective liaisons and communications between the state and the counties, formulate plans for the development of future welfare programs, and provide the necessary information to the federal government and the interested public.

Projects Coordination

We recommend elimination of the projects coordination bureau and the two positions contained therein at a General Fund salary savings of \$17,819 plus operating expenses.

The projects coordination bureau is another unit, like the planning unit, whose functions have more properly been absorbed elsewhere. In keeping with the objectives of program management the department has established functional units, such as the adults systems management bureau,

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which are responsible for managing all elements related to their programs, i.e., the adult categorical aid programs.

Traditionally, the projects coordination bureau was responsible for supervision of all demonstration projects and other special research projects, regardless of subject, which involved welfare programs and/or funding. As these projects are now the responsibility of the various functional program managers, we recommend the elimination of the single professional and single clerical position currently authorized for the department's projects coordination bureau.

Elimination of County Cost Plans Unit

We recommend elimination of the department's county cost plans unit and the four professional and one clerical position contained therein for a General Fund savings of \$37,501 in salaries and wages plus additional operating expenses. We further recommend transfer of the unit's responsibilities to the Division of Local Government Fiscal Affairs in the office of the Controller.

Through Budget Bureau Circular A-87, the federal government mandated that after January 1, 1970, no federal grantor agency could reimburse local entities for administrative and overhead costs incurred, in relationship to a federally funded project, but outside of the grantee department unless the grantee had a federally approved countywide cost allocation plan which included departmental indirect cost rates. The federal government delegated the responsibility for approval of county cost allocation plans to the state. Because welfare programs were the largest recipients of federal funds and, as such, would lose the most reimbursement if the county cost plans were not developed, the Department of Social Welfare agreed to approve the county plans for the federal government.

Division of Local Government Fiscal Affairs, Office of the Controller

While the Department of Social Welfare's county cost plans unit has been effective in assisting counties in the development of satisfactory cost allocation plans for federal accounting purposes, the information they have developed has not been used to the benefit of the state accounting operations.

The Division of Local Government Fiscal Affairs in the office of the Controller is responsible for prescribing uniform accounting and reporting procedures for county governments. While the Controller's primary interest is in regard to state funds and the cost plans unit is oriented toward federal funds, the primary information relating to indirect costs and county accounting procedures which both must obtain is identical. Thus, many of their activities are necessarily duplicative. It would be much more efficient to have one unit, rather than two, developing cost allocation formulas for use by both the state and federal governments.

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Chapter 1406, Statutes of 1972 (SB 90)

The possibility of overlap and contradiction also exists between these two state agencies which are performing such similar functions. The Department of Social Welfare is utilizing the cost allocation plans not only for federal purposes but also for its own state purposes. For example, county welfare administrative cost claims against the state may include indirect costs determined on the basis of a county's federal cost allocation plan.

Chapter 1406, Statutes of 1972, requires the state to fund any additional costs incurred by the counties as a result of state and/or federal action which occurs after January 1, 1973. The chapter further requires the Controller to review county cost plans for funding. Indirect cost allocation plans will naturally be involved. If the state or federally imposed added county cost is welfare related, who is to approve the appropriate cost allocation plan—the Controller, who has the statutory responsibility for such functions, or Social Welfare, which already requires and uses such plans for state funding?

In order to provide for interdepartmental uniformity at the state level and to simplify the Controller's responsibilities related to Chapter 1406, the county cost plans unit should be abolished and its responsibilities transferred to the Controller where the needs of federal and state agencies could be combined.

County Training Bureau

We recommend abolishment of the county training bureau and elimination of six of the 12 positions contained therein. We further recommend that the remaining six positions be transferred to the payment systems management branch. This reduction should result in a General Fund salary savings of approximately \$45,432 plus operating expenses.

As we have stated previously in our Analysis, effective supervision and direction of county training activities is perhaps the most important tool the Department of Social Welfare has for insuring that its regulations, policies and program goals are uniformly and correctly carried out throughout the 58 counties. As we have also previously noted, the department is not effectively utilizing its county training resources.

Relationship With Payment Systems Bureaus

In regard to control of the welfare system, probably the most important county training responsibilities are related to eligibility and grant determination in the categorical assistance programs. While the training bureau recognizes this as a primary area of importance, the manner in which it is attempting to meet this need is not conducive to success.

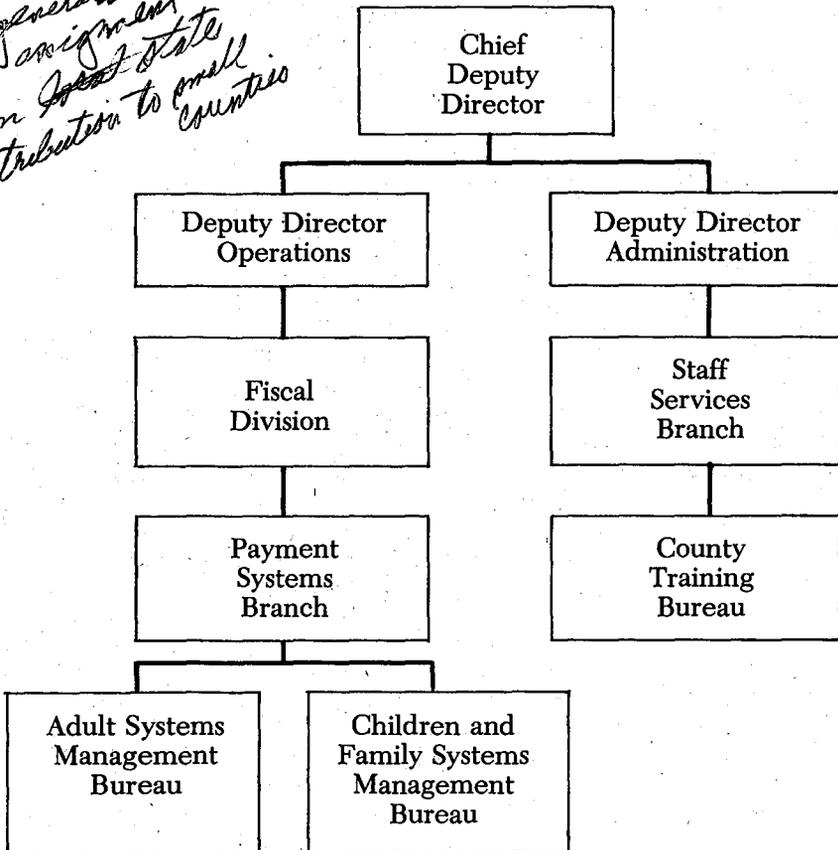
Because the adult and the children and family systems management bureaus are designed to be the "nerve centers" of the department, they should be responsible for coordinating and supervising any activity related to eligibility and grant determination, possibly the most vital segment of payment systems. Nevertheless, these bureaus have only a limited relationship with the activities related to eligibility and grant determination performed by the county training bureau. As is shown in Table 2, the county training bureau is in a completely separate organizational branch than the payment systems bureaus. Organizationally, communication be-

DEPARTMENT OF SOCIAL WELFARE—Continued

tween the two must pass through at least six layers of bureaucracy. Functionally, a review of the training bureau's activities reveals that it operates not as a dependent staff service, with the main responsibility of responding to program staff needs, but rather as an independent program, designing its own priorities and objectives. The result is a lack of consistency and uniformity in the goals of the training bureau and the bureaus it purports to serve.

Table 2
Organizational Relationship of County Training Bureau
to Adult and Children Systems Bureaus

generates assignment on state contributions to small counties



For example, during the current year approximately half of the training staff was extensively involved, with the County Welfare Directors' Association (CWDA) staff development committee, in defining county information needs and attempting to meet those needs through plans for training. At the same time, the children and family systems management

bureau was also assessing county problem areas and attempting to develop plans to meet those needs. Without consulting the county training bureau and without any apparent knowledge of the work that had been done by the CWDA committee and the training bureau, the children and family bureau planned and scheduled workshops for the counties to provide them with information (or training) in those areas in which that bureau had determined such assistance was needed.

The county training bureau was completely bypassed. It appears to be worthless for a training bureau to be assessing training needs when major county training programs provided by the department are conducted by other departmental units and are not even developed pursuant to the training bureau's findings.

Compliance Review Audit

Besides assessing county training needs and attempting to serve such needs, the county training bureau is also involved in evaluation of county training programs. The bureau has abolished most of the specific requirements previously contained in state training manuals and is now requiring the counties to promulgate their own training goals. The county training bureau is then going to evaluate not only county training goals but also the degree to which such training goals are accomplished. While this is a valid and useful activity, it is only a portion of what needs to be done with county training programs. The county training bureau, in conjunction with the payment systems bureaus, should be insuring not only that counties are meeting their own training goals but also that such goals are commensurate with and supportive of state goals.

Transfer to Payment Systems Branch

Because approximately half of the county training bureau staff is utilized in assessing county training needs and in developing solutions to such problems and because such functions are apparently being provided more effectively by the payment systems bureaus, we have recommended that the county training bureau be reduced by six positions. We have further recommended that the remaining six positions be transferred to the payments systems branch in order that such personnel and the activities they perform may be more responsive to the department's program goals.

Field Fiscal Operations Bureau—Administrative Claims Audit

We recommend approval.

The budget proposes the addition of three clerical positions on a workload basis for its county claims responsibility. We have reviewed the data and recommend approval of the positions.

Legislative Coordinator

We recommend approval.

The department is requesting one professional and one clerical position in augmentation of the two professional and one clerical positions now authorized in support of the department's office of legislative coordination.

The current staff is unable to handle the present amount of workload.

DEPARTMENT OF SOCIAL WELFARE—Continued

With the additional requested positions the office would be able to more effectively direct departmental staff in the production of pertinent information relative to legislation and could provide more complete and more timely information for legislators and their staffs.

Expanded Data Reporting System (EDRS)

The budget for the current fiscal year contains \$1.3 million for the development of a welfare management information system. This reflects a reappropriation of the unexpended balance of funds requested in the 1971-72 fiscal year for the first phase of the system, which has been designated by the Department of Social Welfare (SDSW) the expanded data reporting system (EDRS). The department is requesting spending authority of \$1.3 million (\$650,000 General Fund) for the 1973-74 fiscal year to continue development of EDRS. According to the feasibility study prepared by the SDSW, the total cost of the system when fully implemented is expected to approximate \$4 million. The annual costs of operation and system maintenance have been estimated to be respectively \$28.5 million and \$242,000. The feasibility study indicates also that a \$101 million savings resulting from a reduction in administrative costs and elimination of overpayments to recipients would accrue from full implementation of EDRS.

Major Problems in EDRS

In our Analysis last year we discussed extensively the numerous major problems associated with the efforts of the department to implement this system. Many hours of testimony were given also during the budget hearings detailing specific problems including: (1) the lack of a meaningful system definition, (2) a poor selection and analysis of alternatives, and (3) cost and savings estimates which appeared to have little credibility.

It became apparent during the testimony that problems associated with the effort reflected ineffectiveness of the management and staff responsible for the EDRS project. Recognizing this, the fiscal committees recommended eliminating all positions associated with EDRS and further deleted all proposed funding for the system, including new positions. Funding for EDRS was subsequently restored (under certain specified conditions) by the Committee on Conference at the request of the administration. However, the positions which had been deleted were not restored.

In addition to the \$1.3 million reappropriation, the Budget Act of 1972 provided \$100,000 for, according to Budget Act language, ". . . contracting for consulting services for an initial feasibility study and conceptual systems design. . . ." Language in the Budget Act provided also that no augmentation be made until the feasibility study and conceptual systems design (for which the \$100,000 was provided) had been reported to the chairman of the Joint Legislative Budget Committee and the chairman of the fiscal committees in each house.

EDRS at an Impasse

Although the Legislature provided \$100,000 to the department to obtain an adequate feasibility study and conceptual system design, and the Health and Welfare Agency attempted to assure that legislative intent was followed, the result during the current year has instead been an impasse. Of the \$100,000 available for the retention of consulting assistance, the SDSW contracted for \$9,700 with a consulting firm. When we were informed of the department's intention (prior to signing of the contract) we communicated our concern to the Secretary for Health and Welfare that in our judgment an adequate feasibility study and conceptual system design could not be obtained for \$10,000. We noted also at that time that personnel who had filled the positions deleted by the Legislature were still associated actively with the project. We were informed that the agency was confident that the contract would produce meaningful results and that we would have an opportunity to review the findings of the evaluation. We were also informed that individuals were not an issue and that the agency would take necessary steps to rectify any shortcomings in the evaluation.

The consultant's review and evaluation of EDRS was made available to us by the agency in September 1972. We have reviewed that report and consider it to be totally inadequate, an opinion which we believe is shared by most of the technical and management personnel in local, state, and federal government who have reviewed this report.

The most glaring inconsistency in the report is the suggestion that the state adopt a welfare system being designed for Los Angeles County. To follow such a recommendation before the state has determined exactly what a central state system for welfare information should produce is in our view incomprehensible. We note that an evaluation of EDRS by the Health and Welfare Agency released on October 16, 1972, confirms many of the findings of our office and those of county representatives who have examined the system proposed by the department.

In recent months we have not been aware of any substantive progress made by either the SDSW or the Health and Welfare Agency in the development of a welfare information system.

Department Demonstrates Inability to Comply With Legislative Intent

We recommend that the requested budget be reduced by \$1.3 million to reflect the elimination from the SDSW budget of all funds requested for the support of EDRS activities. We recommend also that the SDSW report to the fiscal committees at the budget hearings, giving a detailed accounting for the 1971-72 and 1972-73 fiscal years of all expenditures (actual or planned) by the SDSW associated both directly and indirectly with the efforts to develop EDRS. We further recommend that the report include the individual position classifications and costs associated with the EDRS effort.

The SDSW has now expended considerable time and funds to define and develop EDRS with no success. This is best illustrated by the fact that after all the time spent on this issue, none of the agencies involved under-

DEPARTMENT OF SOCIAL WELFARE—Continued

stands fully what results EDRS is intended to produce. We do not believe a continued expenditure by the department of funds available in the current year can produce meaningful results. We therefore recommend that the department terminate the expenditure of funds on this project. The responsibility for the definition and implementation of an automated welfare information system should be transferred to the Health and Welfare Agency Consolidated Data Center. The data center director reports directly to the agency secretary and this position offers the managerial and technical skills required (something that the SDSW has failed to demonstrate) which are necessary to successfully define and implement the system. Any requests for funding of this project should come from the agency and be supported by the usual documentation required for any system before approval is granted.

**Department of Social Welfare
OTHER ADULT AID PAYMENTS
(Attendant Care, Out-of-Home Care, and Special Needs)**

Item 276 from the General
Fund

Budget p. L-50 Program p. II-316

Requested 1973-74	\$59,110,175
Estimated 1972-73.....	75,610,700
Actual 1971-72	64,995,261
Requested decrease \$16,500,525 (21.8 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Special Review. Withhold recommendation on this item pending legislative decisions relative to implementation of Public Law 92-603 (HR 1). 619

GENERAL PROGRAM STATEMENT

The funds proposed in this item are for support of the following three program elements of the adult assistance program:

(1) *Attendant Care.* Attendant care is designed to assist infirm recipients to remain in their own homes, thereby avoiding institutionalization. Services provided by an attendant consist primarily of housekeeping and personal care.

Funds for attendant care are provided directly to recipients who must hire their own attendants. State law requires gradual conversion from the existing attendant care program to the homemaker services program by April 1, 1974. This conversion will permit utilization of a more favorable federal funding ratio. Homemaker services are discussed in Item 278.

(2) *Out-of-Home Care.* Out-of-home care consists of a protective, nonmedical 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) *Special Needs.* Special needs consist of those items which are not commonly required by all recipients. The need for such items is most often related to physical infirmities or other conditions peculiar to individual circumstances. Funds for support of such special need items are not included in the basic grants of adult aid recipients. Therefore, departmental regulations permit the issuance of special grants to fund the cost of such needs, and these costs are paid from this item.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on this item pending a review of legislative decisions relative to implementation of Public Law 92-603 (HR 1).

Because the services funded by this item are directly related to the current adult aid programs, abolished by P.L. 92-603, this item must be considered in conjunction with discussions of proposals for implementation of the new adult aid program created by P.L. 92-603. A discussion of Public Law 92-603 may be found on page 589 of the Analysis. Supplemental material containing specific recommendations with regard to implementation of Public Law 92-603 will be presented to the Legislature at a later date.

Table 1 compares the proposed budgeted amounts for 1973-74 with the estimated expenditures for 1972-73 for each of the elements included in this item.

Table 1
Comparison of Attendant Care, Out-of-Home Care and Special Needs
Costs to the General Fund in 1972-73 and 1973-74

Type of Service	1972-73	1973-74	Change from 1972-73 to 1973-74	
			Amount	Percent
Attendant care	\$14,235,700	\$1,588,675	-\$12,647,025	-88.8%
Out-of-home care	26,528,700	22,008,100	-4,520,600	-17.0%
Special needs	<u>34,846,300</u>	<u>35,513,400</u>	<u>+667,100</u>	<u>+1.9%</u>
Total	\$75,610,700	\$59,110,175	-\$16,500,525	-21.8%

**Department of Social Welfare
UNMET SHELTER NEEDS**

Item 277 from the General
Fund

Budget p. L-50 Program p. II-328

Requested 1973-74	\$750,000
Estimated 1972-73.....	1,500,000
Actual 1971-72	N/A
Requested decrease \$750,000 (50 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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page*

1. Special Review. Withhold recommendation on this item pending review of legislative decisions relative to Public Law 92-603 (HR 1). 620

GENERAL PROGRAM STATEMENT

Funds for unmet shelter needs of adult aid recipients were provided by the Legislature through addition of Item 257.1 to the Budget Act of 1972. Unmet shelter needs include such items as expenses incident to moving into better housing, rent, gas and electricity deposits, expenses relative to upgrading of recipient-owned housing, and downpayments toward purchases of homes.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on this item pending review of legislative decisions relative to Public Law 92-603 (HR 1).

Because implementation of Public Law 92-603 will require complete review of all segments of the adult aid programs, including the unmet shelter needs program, we are unable to make recommendations relative to this item until the Legislature has determined the manner in which the state will implement Public Law 92-603. Supplemental material relative to Public Law 92-603 will be presented at the budget hearings.

**Department of Social Welfare
HOMEMAKER SERVICES**

Item 278 from the General
Fund

Budget p. L-50 Program p. II-316

Requested 1973-74	\$16,863,125
Estimated 1972-73.....	7,618,000
Actual 1971-72	2,213,378
Requested increase \$9,245,125 (121.4 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Special Review. Withhold recommendation on this item pending legislative review of Public Law 92-603 (HR 1) and Public Law 92-512 (Revenue Sharing). 621

GENERAL PROGRAM STATEMENT

Through the homemaker program, services are provided which are designed to assist infirm recipients to remain in their own homes, thereby avoiding institutionalization. Services consist primarily of housekeeping and personal care. Homemakers serve basically the same clientele and provide the same kinds of services as attendants, which are funded through Item 276.

Conversion from Attendant Care to Homemaker Services

While the services provided by attendants and homemakers are almost identical, the two programs are administered and funded in two entirely different ways. In the attendant care program, the recipient simply receives funds from the welfare department with which to purchase the services of an attendant. There are no training or experience requirements for persons employed as attendants. The federal government will pay 50 percent of attendant care costs. In the homemaker program, the county welfare agency purchases or provides the skilled services of a trained homemaker to the recipient as needed. The federal government pays 75 percent of homemaker costs. In order to obtain increased federal funding current state law requires all counties to totally convert to homemaker services by April 1, 1974. However, in order to capture the increased federal funds as soon as possible, the department has proposed the following phase-in schedule for conversion to the homemaker program:

- 35 percent conversion by January 1, 1973,
- 70 percent conversion by July 1, 1973, and
- 100 percent conversion by January 1, 1974.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on this item pending legislative review of Public Law 92-603 (HR 1) and Public Law 92-512 (Revenue Sharing).

The funds proposed in this item do not reflect the impact of either Public Law 92-603 (HR 1) or Public Law 92-512 (Revenue Sharing). The

HOMEMAKER SERVICES—Continued

budget states, however, that information regarding the impact of these new laws will be presented as a supplement to the budget. Because of the substantial impact such legislation will have on these funds, we are unable to analyze this item until the supplementary information is provided.

**Department of Social Welfare
STATE DEMONSTRATION PROGRAM**

Item 279 from the General Fund	Budget p. L-50	Program p. II-323
<hr/>		
Requested 1973-74		\$162,555
Estimated 1972-73.....		162,555
Actual 1971-72		NA
Requested increase	None	
Total recommended reduction		Pending
<hr/>		

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Inadequate Data. We are unable to evaluate this item with the backup information provided by the department. Therefore, we withhold recommendation pending receipt of meaningful information.

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**Department of Social Welfare
LOCAL ADMINISTRATION OF PUBLIC ASSISTANCE**

Item 280 from the General Fund	Budget p. L-50	Program p. II-315
<hr/>		
Requested 1973-74		\$48,315,500
Estimated 1972-73.....		49,398,600
Actual 1971-72		NA
Requested decrease	\$1,083,100 (2.2 percent)	
Total recommended reduction		Pending
<hr/>		

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Special Review. Withhold recommendation on this item pending legislative decisions in regard to Public Law 92-603 (HR 1) and pending review of 1973-74 county budget proposals.

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GENERAL PROGRAM STATEMENT

Section 23 of Chapter 578, Statutes of 1971, states that the Department of Social Welfare, rather than the counties as previously provided, are responsible for the control of eligibility and grant level determinations in all of the categorical aid programs. This chapter further states, however, that the department may contract with the counties for the discharge of these responsibilities; and, Section 42.5 of Chapter 578 provides that effective July 1, 1972, the state shall pay 50 percent of all county administrative costs related to eligibility and grant determination which are not paid for by the federal government. The funds provided in this item are for payment of the state's share of these county administrative costs.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on this item pending review of legislative decisions relative to Public Law 92-603 (HR 1) and pending review of county welfare budget proposals for 1973-74.

The budget proposes \$48,315,500 from the General Fund in support of the state share of county administrative costs related to eligibility and grant determination. This amount is \$1,083,100, or 2.2 percent, below the amount estimated to be expended in the current year. This 2.2 percent decrease is the net result of an anticipated decrease in administrative costs in the AFDC program and an anticipated increase in the costs of the adult aid programs.

Adult Aid Programs

Effective January 1, 1974, Public Law 92-603 (HR 1) grants the states the option of having the federal government perform all administrative functions relative to the provision of cash grant assistance to adults. If the Legislature chooses this alternative, after January 1, 1974, all state and county administrative costs related to the adult aids will be eliminated. Thus, the level of administrative costs cannot be determined until decisions relative to HR 1 have been made.

Aid to Families with Dependent Children

The proposed allocation for administrative costs related to the AFDC program is \$4,419,000, or 12.6 percent, less than the amount, estimated to be expended in the budget year. However, in the budget year, the total AFDC caseload is expected to grow. As administrative costs for eligibility and grant determinations are directly related to caseload, administrative costs generally do not fall while caseload is rising. The Department of Finance states that backup information explaining this proposed reduction in AFDC administrative costs is not available at this time.

Chapter 1091, Statutes of 1971, provides that by May 15 of each year county boards of supervisors must submit to the Joint Legislative Budget Committee cost estimates relative to the categorical aid programs for the present and forthcoming fiscal years. Included in these estimates packets are county administrative cost estimates for the current and forthcoming years. While these estimates are preliminary, they should be useful in evaluating potential county administrative costs for the budget year.

In the absence of any definitive information as to why this decrease in

LOCAL ADMINISTRATION OF PUBLIC ASSISTANCE—Continued

administrative cost is expected, we are withholding our recommendation pending review of the county budget proposals.

**Health and Welfare Agency
DEPARTMENT OF CORRECTIONS**

Items 281 to 284 from the General Fund

Budget p. 179 Program p. II-347

Requested 1973-74	\$128,708,931
Estimated 1972-73.....	125,757,803
Actual 1971-72	110,571,750
Requested increase \$2,951,128 (2.3 percent)	
Increase to improve level of service \$1,037,447	
Total recommended reduction	\$3,564,309

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Reception-Guidance Centers. Reduce \$2,554,148.* Delete \$3,210,752 to open new center and substitute \$656,604 to provide increased reception processing in existing facilities for a net reduction of \$2,554,148. 629
2. *Correctional Program Supervisors.* Recommend limiting expansion of this position series and an evaluation of effectiveness. 632
3. *Boiler Plant Supervision. Reduce \$187,164.* Delete 19 stationary engineers and firemen. 634
4. *Additional Camp Officers. Reduce \$134,798.* Delete 15 correctional officers and correctional program supervisors. 639
5. *Conventional Parole Caseload Formula Adjustment. Reduce \$688,199.* Delete 58 proposed new parole positions. 644

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 these objectives, the department operates 12 major institutions, 15 conservation camps, four community correctional centers and 60

parole offices. By the department's estimates these facilities and services will be used by approximately 19,300 adult felons and nonfelon drug addicts and 20,300 parolees in 1973-74.

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 extent of the sentence to be served within an institution and in the community on parole. The minimum term of sentence, including institutional confinement and parole, and the minimum time which must be served in an institution prior to parole, are 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.

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.

ANALYSIS AND RECOMMENDATIONS

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

**Table 1
General Fund Appropriations**

<i>Item</i>	<i>Amount</i>
1. Support, Item 281	\$126,922,620
2. Transportation of prisoners, Item 282	171,211
3. Returning fugitives from out-of-state, Item 283	563,448
4. Court costs, Item 284	<u>1,051,652</u>
Total	\$128,708,931

In addition, the correctional industries operations will utilize \$10,423,133 and inmate welfare programs will expend \$3,388,059 of special revolving funds established for and supported respectively by these separate operations.

The total operation of this department is distributed into six programs in the 1973-74 program budget as reflected in Table 2. The proposed total departmental expenditure program of \$145,082,257 is \$1,793,103 or 1.3

Table 2
Summary of Program Requirements

Program	1971-72	Fiscal year	1973-74	Increase 1973-74	
	(Actual)	1972-73 (Estimated)	(Proposed)	Amount	Percent
I. Reception and diagnosis program	\$1,400,419	\$1,474,948	\$1,791,605	\$316,657	21.5
II. Institution program	104,085,344	117,882,834	117,966,309	83,475	0.1
III. Releasing authorities	1,037,753	1,113,220	1,285,344	172,124	15.5
IV. Community correctional program	15,854,535	17,170,992	18,496,582	1,325,590	7.7
V. Special items of expense	1,367,991	1,786,311	1,786,311	—	—
VI. Administration—undistributed	3,672,057	3,860,849	3,756,106	-104,743	-2.7
TOTALS, PROGRAMS	\$127,418,099	\$143,289,154	\$145,082,257	\$1,793,103	1.3
<i>Reimbursements</i>	<i>-4,188,358</i>	<i>-3,286,478</i>	<i>-2,562,134</i>	<i>-724,344</i>	<i>-22.0</i>
NET TOTALS, PROGRAMS	\$123,229,741	\$140,002,676	\$142,520,123	\$2,517,447	1.8
<i>General Fund</i>	<i>110,571,750</i>	<i>125,757,903</i>	<i>128,708,931</i>	<i>2,951,128</i>	<i>2.3</i>
<i>Correctional Industries Revolving Fund</i>	<i>9,243,174</i>	<i>10,783,174</i>	<i>10,423,133</i>	<i>-360,041</i>	<i>-3.3</i>
<i>Inmate Welfare Fund</i>	<i>3,414,817</i>	<i>3,461,699</i>	<i>3,388,059</i>	<i>-73,640</i>	<i>-2.1</i>
Personnel man-years	7,045.3	7,135.6	7,224.6	89.0	1.3

percent above current-year estimated expenditures of \$143,289,154. Deduction of an estimated \$2,562,134 in reimbursements leaves a net program cost of \$142,520,123 for 1973-74. The General Fund portion of this net amount is \$128,708,931, which represents an increase of \$2,951,128 or 2.3 percent above the current-year expenditures.

The proposed General Fund expenditure is \$18,137,181 or 16.4 percent higher than the 1971-72 actual General Fund expenditure level even though the average daily institution population is expected to be 1,198 or 5.9 percent below the 1971-72 average. Major factors contributing to the increases in the 1973-74 budget request are shown in Table 3.

Table 3
Major Adjustments—Support Budget
(Excludes Special Items of Expense)

<i>Item</i>	<i>Amount</i>
1972 Budget Act appropriation	\$112,003,781
Salary increase (general)	6,526,696
Salary increase (special custody classes)	3,722,500
Increased health benefits costs	119,152
Increased workmen's compensation	500,958
Increased inmate pay positions (Budget Act, 1972)	156,000
Increased inmate pay (Budget Act, 1972)	212,000
Uniform Allowances (Chapter 881/72)	325,000
Increased security devices (Chapter 1020/72)	374,775
Increased training and reclassifications (Chapter 1026/72)	150,000
Unexpended balance—estimated savings	-119,370
ADJUSTED BUDGET 1972-73	\$123,971,492
Staffing increase—Morrissey decision	326,055
Reduce conventional parole caseload to 50/1	981,353
Relocate Community Correctional Center	142,117
Close Conservation Center	-3,195,554
Open Older Boys' Reception Center	3,210,752
Close Patton Branch, CRC program	-648,934
Security improvements Correctional Training Facility	154,430
Increased boiler room positions	209,631
Additional vocational programs	126,883
Overtime for self-help groups	31,365
6.5 miscellaneous increased workload positions	111,641
Miscellaneous adjustments for price, population, reimbursements, staff benefits, etc.	1,501,389
TOTAL SUPPORT 1973-74, Item 281	\$126,922,620

Table 3 outlines the major adjustments made to Item 220 of the 1972-73 budget which resulted from the 1972 legislative session. These adjustments form the basis for increasing the 1973-74 budget request over the originally requested amount for the current year. Table 3 also reflects the major program increases requested for the 1973-74 fiscal year which are partially offset by savings due to population reductions and closure of institutional facilities.

I. RECEPTION AND DIAGNOSIS PROGRAM

The Reception and Diagnosis Program processes two classes of persons, those committed to the department for diagnostic study prior to sentencing by the superior courts and those sentenced to the department for incarceration for a term of years.

DEPARTMENT OF CORRECTIONS—Continued

The superior courts often desire 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 the courts a comprehensive diagnostic evaluation of and recommended sentence for the convicted offenders temporarily committed to the department for diagnosis.

Budget Request

The department is requesting \$1,791,605 for this program in 1973-74 consisting of \$1,723,705 from the General Fund and \$67,900 in reimbursements from the Department of Vocational Rehabilitation. The department is requesting 31 proposed new positions consisting of eight positions at existing reception centers for workload increase and reestablishment of positions previously abolished under the provisions of Section 20, Budget Act of 1972. An additional 23 positions are requested to provide diagnostic staffing for a new 400-bed reception center.

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 the degree of 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, Tracy, and Chino, for females at Frontera, 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.

Table 4 shows the reception and diagnostic workload by number and types of commitments. There have been only slight increases in the current and budget years in the number of felon cases and nonfelon addicts, offset by a significant reduction in the number of parole violators processed. The overall decline in workload for these categories has been more than offset by a 1,040 increase in county diagnostic cases, which is the primary reason for the need for additional processing capacity.

Table 4
Reception and Diagnosis Program, Workload Data

<i>Persons processed</i>	<i>Fiscal Year</i>		
	<i>1971-72</i>	<i>1972-73</i>	<i>1973-74</i>
Felons	3,200	3,210	3,285
Nonfelon addicts	4,226	4,250	4,400
Parole violators	2,800	2,550	1,980
County diagnostic cases	3,360	4,260	4,400

The workload for this program consists of the cases referred to it by the participating counties, which totaled 3,360 in 1971-72 and are estimated to total 4,260 in the current and 4,400 in the budget year. Of the 3,360 cases

diagnosed in 1971-72, only 1,590 were subsequently sentenced to the department, and of the 4,400 to be diagnosed in 1973-74 it is expected that 1,700 will be returned as felon commitments.

Deletion of the Proposed New Reception Center

We recommend deletion of the request to open the Older Boys' Reception Center at an estimated cost of \$3,210,752 and alternatively to process the projected workload at existing facilities at an approximate cost of \$656,604 for a net reduction of \$2,554,148.

The increasing number of cases to be processed, especially county diagnostic cases, has resulted in operating the three existing reception centers in excess of their rated capacity plus processing a part of the overflow at the California Conservation Center at Susanville. The department plans to close the Susanville Center by April 1, 1973, which would result in a gross savings of \$3,195,554 in the budget year. Closure of this facility requires the establishment of additional reception processing capacity to handle the returning parole violators now processed at Susanville. The department plans to continue operating the existing reception centers in excess of capacity and to provide additional reception processing at San Quentin State Prison until the proposed activation of the Older Boys' Reception Center as the new Chino Reception Center.

This new facility was built for the Youth Authority but never activated due to population decline. To open this new facility would require 23 proposed new positions in this program plus a total of 173.6 proposed new positions contained in other programs of this budget. The total cost of this new facility for the first year is \$3,210,652, which includes one-time expenditures for employee moving expense, initial equipment, structure modifications and fencing totaling \$929,160. This leaves a net cost of \$2,281,592, which is substantially less than the operating cost of the Susanville institution.

The average length of time for most processing cases is eight weeks. Exceptions are felon parolees returned to finish their term for parole violation (six weeks) and county diagnostic cases returned under commitment (three weeks). The Corrections Systems Study (Keldgord Report) completed for the Board of Corrections in July 1971, recommended that the reception process be shortened to approximately 30 days. The report pointed out that in the federal prisons an intake screening officer recommends a full program for a new inmate within a few days of reception. Further processing under the federal system is completed in the institution of assignment. Processing time of reception centers for the Youth Authority averages 30 days. While these three systems may not be exactly comparable, a question is raised as to the necessity for the eight-week average stay in processing centers of this department. A significant reduction in the average length of stay in the reception centers could alleviate the necessity to provide additional processing capacity. Therefore, we suggest that the proposed new reception center not be established, that the proposed temporary use of San Quentin for excess processing cases be continued for the full budget year and that a thorough review of processing procedures be made by the department and the control agencies to

DEPARTMENT OF CORRECTIONS—Continued

determine the feasibility of reducing the average length of stay in these facilities and thereby alleviate or eliminate the need for additional facilities.

Reception Center Evaluation

In our 1971-72 Analysis of the Budget Bill, we recommended that the department evaluate this program on the basis of the extent to which the institutions were accepting and implementing the inmate program recommendations of the reception-guidance centers and the reasons for non-compliance. In response the department issued a report dated March 22, 1972, of a study sample of 980 inmates scheduled for release in March and April 1972.

In summary, the report established that the program recommendations were followed in the greater percentage of the cases. The lack of compliance generally resulted from inmate rejection of the programs recommended or a subsequent finding of unsuitability.

An initial evaluation of the courts' reaction to reception center recommendations on county diagnostic cases reveals a generally high degree of acceptance. It was determined that the Southern Reception Guidance Center was recommending a higher percentage of its county diagnostic cases be committed to the department than were the reception centers in the north. This discrepancy was explained on the basis that the southern California counties, on the average, commit more severe criminal cases for diagnosis than are received from the northern counties. The most recent study of this activity has not been received by this office but we understand one new finding is to the effect that the courts are to a greater degree than heretofore not following the recommendations to commit these diagnostic cases to the state prisons for incarceration. Therefore, either the courts are being more liberal in the use of probation or the reception centers are becoming more restrictive in their recommendations. We expect that the published report will clarify this point.

II. INSTITUTION PROGRAM

Under the state Penal Code, persons convicted of certain designated crimes must be and for 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 facilities for the incarceration and care 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 operates 12 institutions, ranging from minimum to maximum security, and including a 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 the determination of institutional assignment.

Major treatment programs common to most all institutions include in-

dustrial manufacturing operations to reduce idleness and teach work habits and job skills, vocational training in various trades and occupations, academic instruction ranging from literacy classes to college correspondence courses, and group and individual counseling by professional and nonprofessional counselors. In addition to the major institutions, the department will also operate 15 camps housing 1,294 inmates during the budget year. These camp inmates perform various forest conservation, fire prevention and suppression functions in cooperation with the Division of Forestry.

This institutional program represents the major effort of the department in manpower and monetary expenditures.

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

Proposed Closure of Institutional Facilities

During the budget year, the department will need to provide institutional housing for an average daily population of 19,260. This represents a decline of 9,400 in average daily institutional population since 1969. In addition to facilities previously deactivated, the department plans to close five forestry camps, the nonfelon addict unit for females at Patton State Hospital, three living units at the Institution for Men, one-half a living unit at the Institution for Women and the remainder of the California Conservation Center at Susanville during the current fiscal year. The decline in population has resulted in a shortage of inmates deemed by the department to be suitable for housing in the minimum security camps and conservation centers. The decline in female prisoners makes space available at the women's institution sufficient to absorb the female nonfelon addict population now housed at Patton State Hospital at an overall savings in operating costs.

Closure of these facilities, exclusive of the Susanville institution, plus program modifications at the California Rehabilitation Center and the Correctional Training Facility during the current year eliminated 117.6 positions with an annual salary saving of \$1,436,399 and operating expense of \$130,200 for a total savings of \$1,566,599. At the same time, the department determined a need for 145.2 new positions at a cost of \$1,679,222. These new positions will be more fully discussed under the analysis of the components of the institutional program specifically affected.

Closing the Susanville institution results in an annual savings of \$3,195,554. This is largely offset by additional reception center beds at a first-year cost of \$3,210,752. Included in the first-year costs are one-time expenditures for employee moving expenses, initial equipment, and capital outlay totaling \$929,160. After excluding these one-time expenditures, the operation of the new reception center will result in a net annual savings of \$913,962 compared with the annual cost of the Susanville operation.

1. Security Element

The security element goals are to (1) protect the public by secure incarceration of the felons committed, (2) maintain a relatively safe and stable environment for employee and inmate protection and (3) provide

DEPARTMENT OF CORRECTIONS—Continued

a stable setting wherein programs of rehabilitation are 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 is specified. Security must be provided full-time at 12 institutions and 15 conservation camps housing approximately 19,260 persons. Program resources devoted to this function in the budget year are 3,379.3 personnel man-years and \$48,555,860. This represents an increase of 14.5 man-years but a decrease of \$787,277 under the current year.

Additional Security Positions

Because of the changing nature of the inmate population which the department claims results in a more aggressive hard-core criminal element evidenced by the continuing disciplinary problems including homicides and other attacks on staff and inmates and in order to reduce these problems and curtail the number of escapes, the department resurveyed the security needs of all of its institutions and determined a need for 121.7 additional security positions for existing facilities unrelated to staffing for new facilities. These positions are being established during the current year and are in addition to the 319.6 additional security positions authorized by the Legislature in 1972-73 to overcome deficiencies in security coverage resulting from changes in the inmate population profile.

We have reviewed the justifications for these 121.7 additional positions and find them to be adequately justified except for the 15 additional camp positions at an annual salary cost of \$134,798 recommended for deletion under the work projects—cooperating agencies component discussed subsequently in this analysis.

Correctional Program Supervisors

We recommend that the utilization of correctional program supervisors as replacements for correctional officers be evaluated as to rehabilitative effect based on a strictly controlled research project.

The department proposes to convert 300 correctional classification positions including 42 lieutenants, 69 sergeants and 189 correctional officers to a like number of correctional program supervisors III, II, and I respectively as mandated by Chapter 1026, Statutes of 1972. The correctional program supervisor (CPS) position series was originally authorized as part of and restricted to the conservation camp program. The concept represented a merger of the custody and treatment concepts that were separate and distinct functions at that time and to a lesser degree this separation still prevails in institutions not utilizing the CPS series. The CPS series adds casework duties for a limited inmate caseload (16 inmates per CPS) to the regular custody functions of the correctional officer. For these added duties, the CPS position is paid on a scale 10 percent higher than the correctional officer. Evaluation of the rehabilitative results of the new position series reflected somewhat better parole results for inmates supervised by the CPS series. This should have been a predictable result as the comparison was made between the minimum custody camp inmates and the more criminally involved inmates in the regular penal institutions.

Many of the latter were unsuitable for camp placement due to the more severe nature of their criminal backgrounds. No utilization (and therefore no evaluation) has been made as to the effectiveness of the CPS series in improving the rehabilitative results of the more severe criminal violators housed in the regular penal institutions.

The department proposes to evaluate the effectiveness of this new position series in relation to regular institutions and has directed the institutions to which they will be assigned to prepare specific research projects with the assistance of the research unit of the department. A primary effort in this regard should be established at the Correctional Training Facility—North Facility (Soledad). This 1,200 capacity institution was built in two 600 capacity units. The department proposes to staff one half of this facility with CPS positions and the other half with correctional officers. This will afford an opportunity to evaluate the relative effectiveness of the two position series in improving the rehabilitation of inmates by randomly assigning comparable inmates to both 600-man units and following them on parole to determine any significant differences in parole success. The department alternately proposes to assign problem cases from other institutions to the 600-man unit staffed with CPS positions. This could result in a lack of comparability between the two 600-man units, thereby possibly negating proper evaluation of the program. Since treatment units are provided for problem cases, we question the use of the North Facility for that purpose. We recognize that if the CPS series can improve the parole performance of these problem cases to a greater degree than is achieved by correctional officers with the less troublesome cases, it may erroneously indicate greater success for the CPS series.

We recommend that the department place compatible inmates in both units at the North Facility and that research evaluations be made of the results of this and other programs utilizing CPS positions in the regular institutions.

We further recommend that there not be further expansion of this position series until the recommended research evaluations indicate increased effectiveness sufficient to justify the increased cost of the position series.

2. Inmate Support

The objectives of this program are to provide 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 \$26,355,438 and 828.9 man-years were devoted to this program element for an average daily population of 20,485 inmates in 1971-72. To provide an improved program level in 1973-74 for an estimated average daily inmate population of 19,260, the department is requesting 906.6 man-years and \$30,005,738. The budget-year request represents an increase of 13.8 man-years and \$1,083,210 over the current-year expenditures.

A total of 76.3 proposed new positions are requested for this institution program element for 1973-74. Of these proposed new positions, 16.3 were

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established administratively during the current year as a reinstatement of previously authorized workload positions abolished under the provisions of Section 20, of the Budget Act of 1972, which prohibited the expenditure of funds for positions continuously vacant between October 1, 1971, and July 1, 1972. Many of the positions were partial positions which were purposely held vacant so that the funds appropriated could be used to pay existing employees overtime to perform the required functions. Other positions were vacant due to recruitment difficulties and the salary funds were transferred to operating expenses and the services, generally professional, were supplied on a contractual basis by private practitioners. These positions should be approved as budgeted.

Another 28.5 of the proposed positions are related to the opening of the Chino Reception Guidance Center and should be deleted in line with our prior recommendation relating to the reception and diagnosis program. The remaining 31.5 proposed positions consist of 12.5 positions of various classifications that were justified on a workload basis and 19 stationary firemen and engineers requested as boiler operators to replace inmate boiler attendants.

Proposed Boiler Attendants

We recommend the deletion of the proposed new positions consisting of 10 stationary firemen and 9 stationary engineers for a salary reduction of \$187,164.

The department proposes to replace inmate boiler plant attendants with 19 civil service positions at an annual state cost of \$187,164. The department states the need for the new positions is due to the difficulty of finding qualified, minimum custody inmates to fully staff the boiler operations. Minimum custody inmates are required because the boiler plants are located outside the security areas. As of October 3, 1972, the department housed in excess of 5,300 light custody inmates. While obtaining minimum custody inmates with the proper skills may be difficult, it is not impossible to find suitable inmates who could be trained for these operations. Because these boiler plant jobs may be used to give valuable training and employable skills to inmates, we believe the substitution of civil service employees in this capacity is unwise unless the department can show that it is not possible to obtain and train suitable inmates.

3. Treatment

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

The treatment element proposes a budget-year staff of 819.3 man-years and expenditures of \$14,546,002. This represents a net decrease of 23.5

man-years below the current year but an increase of \$9,113 in expenditures. The reduction in man-years is the net result of position deletions resulting from population decline partially offset by new positions established administratively in the current year and proposed as new positions in the budget year to provide for expanded psychiatric services due to workload increase. Significant changes in the treatment program are discussed in relation to the analysis of each program element.

The department's request for 48.1 proposed new positions for this program element, which are discussed under the specific program component, less position deletions due to closure of institutional facilities results in a net decrease in man-years utilized. The total request includes 21.5 new positions over the 26.6 Section 20 positions requested for reestablishment.

a. Psychiatric Services. Many inmates committed to the Department of Corrections suffer from serious emotional and mental problems which contribute to varying degrees of social disability. To aid in the correction of such problems, institutions maintain professional staff and programs, including a large number of psychiatric hospital beds, designed to provide psychotherapy and other clinical services to those with mental disorders.

Major psychiatric hospitals are located at the California Medical Facility, Vacaville and the California Men's Colony, San Luis Obispo and are staffed with clinical employees to treat varying kinds and levels of mental disorders.

In addition, each institution is staffed with psychiatrists and psychologists to provide ongoing diagnostic and emergency psychiatric treatment. Many such services are limited to part-time consultant availability due to inability to recruit staff on a full-time basis. Group psychotherapy, which strives for personality change and utilizes clinical staff, is another feature of this service.

This program component is budgeted at \$3,089,229 and 164.9 man-years for the budget year which is relatively the same as the current year adjusted for merit salary and price increases. The budget-year program represents an increase of \$1,117,092 and 61.2 man-years over the 1971-72 actual expenditures. This increase is due to expansion in this program component by conversion of the California Men's Colony to a psychiatric treatment facility as authorized in the Budget Act of 1972.

The department is requesting 20 proposed new positions for this component, of which 18.5 represents reestablishment of workload positions abolished under the provision of Section 20, Budget Act of 1972. These positions were abolished as unfilled but actually had been disencumbered to provide services on a contractual basis due to difficulty in recruiting psychiatrists. The requested new positions include one psychologist at Folsom Prison and a half-time psychiatrist at the Correctional Training Facility on the basis of workload increase.

b. Counseling Services. This element of the treatment program provides assistance to inmates to overcome problems related to their criminal backgrounds, institutional and personal adjustment and family and property difficulties. Counseling services are provided by professionally trained correctional counselors as well as group counseling by a cross section of staff disciplines. The correctional counselors respond to inmate

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problems relating to family and others outside the penal institution as well as institutional adjustment and help inmates develop insight into their own behavior. These counselors also help prepare the inmate for parole and submit reports to the paroling authorities relative to the inmate's adjustment and progress during his period of incarceration. This counseling service is provided to the entire inmate population as required.

Group counseling, which is provided at all institutions, attempts to use the constructive influence of all staff members in effecting corrective changes in the inmates behavior. Approximately 7,648 inmates will be involved in group counseling in the budget year compared to 7,922 inmates in 1971-72 and 7,772 in the current year. The reduced level reflects the reduction in inmate population.

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 budget request for this program component totals \$5,049,356 for 1973-74 which is a decrease of \$85,429 or 1.7 percent below current-year expenditures and is equivalent to the 1.6-percent decline in inmate participation.

The department is requesting 20.9 proposed new positions which includes 5.9 abolished under the provisions of Section 20, Budget Act of 1972. These 5.9 positions consist of counselors, and other positions that were not filled due to recruitment difficulties but the services were provided by contractual arrangements. In order to continue the previously authorized level of service and to provide needed counseling services, reestablishment of these positions should be approved. Of the remaining 15 proposed new positions, 11 represent positions inadvertently deleted from the San Quentin budget in the 1972-73 Governor's Budget. Because this request is to rectify that error, it does not increase the previously authorized level of counseling services at that institution. The remaining four are new positions and include one counselor II and three counselor I on a workload basis. *We recommend approval of these proposed new positions.*

c. 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 the Legislature to demonstrate the impact and rehabilitative effect of academic training exclusive of other treatment factors. Efforts are being made by the department to evaluate the effectiveness of the academic program by comparing the increase in academic achievement of the inmates during incarceration.

The first annual evaluation report on this program component was received in January, 1972 and reflected that of the inmates released during a two-month period in 1971 a total of 59.2 percent were involved in aca-

ademic and/or vocational training programs. Of those released, 30.4 percent were enrolled in primary grades. Average overall educational gain was 2.5 months for each month enrolled, while students enrolled in the primary grades gained 4.1 months per month enrolled. A more extensive report on the 1971-72 fiscal year is in preparation and we may have additional comments after its receipt and review.

The department expended 70.9 man-years and \$3,181,258 in the academic program in 1971-72. This expenditure is projected to decline to 64.6 man-years and \$2,770,914 in the budget year due to population decline and closure of facilities. This expenditure is necessary to provide the same academic program as previously authorized by the Legislature. Academic funds are provided on a formula basis determined by a total inmate population. As this program component also includes library services, individual study and correspondence courses and physical education services, the decrease in expenditures is not directly proportional to population decrease as are the academic funds.

All institutions provide academic classes as needed through the 12th grade and higher academic level correspondence courses. The department estimates that academic enrollment will total 4,900 in the budget year and will result in the awarding of 950 elementary and 1,525 high school diplomas, 25 associate in arts degrees, and completion of 1,200 college-level courses. The academic enrollment of 4,900 inmates reflects a decrease of only 200 inmates below the 1972-73 program level.

The department is requesting two new positions including one arts and crafts instructor abolished under Section 20, Budget Act of 1972, and one elementary high school teacher for workload increase at the new Chino Reception Guidance Center. Our recommended deletion of all positions for the new reception center would eliminate this position.

d. Vocational Training. 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 2,800 inmates.

To provide the proposed level of training will require 135.3 man-years and \$2,649,071 in the budget year.

The budget request for this program component includes four new instructor positions of which 2.5 instructors in diver training are to provide state support for a successful training program originally funded through the federal Manpower Development and Training Act. This instructional program at the Institution for Men trains inmates as deep sea divers which is reportedly a successful employment area. One other position is to establish a small engine repair training program at the California Correctional Institution and a half-time instructor position to supplement the welding training program at the Sierra Conservation Center. *We recommend approval of these positions.*

The first annual vocational evaluation report which was prepared at the direction of the Legislature was issued in January, 1972. The report encompasses a sample of 545 felons released during the last six months of 1970. The sample included 377 who had received vocational training and 168 who received on-the-job training during incarceration.

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Immediately after release, 420 or 77.9 percent were active in the labor market while 125 or 22.1 percent were inactive by either being unemployed, in an academic situation, under incarceration in local jails or at large. Of those employed, 41.9 percent were employed in occupations identical to or directly related to the training received while incarcerated. During the period covered by the study, the national unemployment level was 7.7 percent which indicates that even during a period of high unemployment, the majority of the trained parolees were able to obtain employment.

e. Leisure-Time Activities. This program element provides meaningful activities during periods when inmates are not engaged in other treatment activities. Included are various recreational, hobby craft, and group functions for the development of constructive use of leisure time and the reduction of idleness. Included are various athletic programs in which the inmates may be participants or spectators and various organized groups such as Alcoholics Anonymous.

This program component is budgeted at 24.2 man-years and \$440,116 in the current year as compared to the budget-year request for \$417,411 and 23.2 man-years. Included in the current and budget year is one recreational therapist which, while proposed as a new position, was previously authorized on a workload basis but abolished under the provisions of Section 20. The position should be restored to provide needed services at the California Medical Facility.

f. Religion. Religious counseling and services are provided to the extent feasible to all major religious groups. Chaplains are provided at state expense at each institution for the faiths representing the preferences of the major portion of the inmate population i.e., Protestant, Catholic, and Jewish. In addition, volunteer chaplaincy services are obtained when available for Mormons, Christian Scientists, Muslims, Buddhists and others.

The department is requesting 29.2 man-years and \$570,021 to continue the previously approved level of service for this program element. The budget request represents a reduction of \$24,819 and 2.1 man-years below the current-year expenditure levels due to population decline and closure of conservation camps.

4. 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 1,885 inmates or 9.8 percent of the 1973-74 inmate population. This constitutes a reduction of 315 inmates employed below the 1971-72 level of employment. On-the-job training plus limited apprenticeship and classroom

training are provided in different trade and agricultural enterprises. Products 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.

Total expenditures from the industries revolving fund are estimated at \$10,423,133. The industrial program will utilize 248.2 man-years of civil service employees who will train and supervise the inmates.

Work projects with cooperating agencies which include a variety of public services with state and federal agencies is another source of inmate employment. Included are 14 forestry and one road camp plus four camp programs operated from institutions with an average population of 1,294 inmates assigned to tasks related to forestry conservation, fire prevention and suppression. The proposed 1973-74 camp program represents a substantial reduction from the 1970-71 level which consisted of 34 camps with 1,690 inmates assigned. The reduction results from an inmate population decline in the classifications the department considers suitable for camp placements.

The department has also reduced camp population from 80 to 60 inmates per camp without staff reductions. This results in an increased level of staff services per inmate. The camp program is budgeted for approximately the same staffing level as now estimated for the current fiscal year which includes 15 additional positions administratively established during the current year. Total expenditures of \$3,228,254 represents a reduction of \$139,203 or 4.1 percent under the current year due largely to camp closures.

Additional Camp Officers

We recommend deletion of 13 correctional officers and two correctional program supervisors I for a reduction in salaries and wages totaling \$134,798.

The department administratively added these 15 positions effective September 1, 1972, under the provisions of Section 28, Budget Act of 1972. The positions were added to provide an additional officer or program supervisor in each of the 15 conservation camps. The department did so to increase security because of the reportedly worsening characteristics of inmate camp placements and to provide shift coverage previously supplied by the camp sergeant.

The camps have operated since the inception of the camp program, staffed with one lieutenant, one sergeant and four officers plus Division of Forestry personnel. The four officers and the sergeant provided one custody position per shift, 24 hours per day, seven day a week. The lieuten-

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ant has overall supervision of the camp. This staffing was provided each forestry camp which housed 80 inmates but in the 1971-72 fiscal year the department reduced inmate camp populations to 60 in order to operate the maximum number of camps for the benefit of the Division of Forestry. During the current and budget year, the department will reduce the number of camps from 25 to 15, still operating with 60 minimum security inmates.

Due to the reduction of individual camp capacity and the demonstrated ability of the department to operate the camps without the fifth officer and without evidence of specific deficiencies, we believe the request for 15 new positions should be denied in the interest of economy.

Work Assignments

Work assignments by inmates relate to those various functions which are necessary to the operation and maintenance of the institutions. A total of 11,803 inmates will be employed in these functions in 1973-74 as compared to 11,898 in 1972-73. The reduction is due to population decline. Work assignments provide job training in functions such as food service, laundry, housekeeping, plant maintenance, fire suppression, grounds care and similar tasks. Of the 11,803 work assignments, 5,704 are positions for which a small wage is paid as an incentive for the inmate employee. Total expenditures of \$638,502 for 1973-74 are identical with the current-year expenditures, but represents an increase of \$343,691 or 116.6 percent above the 1972-72 expenditure total. The substantial increase reflects two separate augmentations by the Legislature to the 1972-73 Governor's Budget to provide a general salary increase for all inmate pay-work positions and to increase by 2,000 the number of pay positions from 3,704 to 5,704.

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 handicraft 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 receive \$3,419,329 and expend \$3,388,059.

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 include movies, recreational games and equipment, television sets and fiction library books and will total \$264,513 in 1973-74.

6. Work Furlough

The work and training furlough project permits the release of inmates during the normal workday for employment or training in the community and return to the institution during the night hours. The selected inmates are assigned to this program during the latter portion of their institutional

stay and are charged for room and board as well as staff supervision. The inmate is also required to provide his personal clothing, transportation, and other expenses including taxes, and a portion of his salary goes to his dependents. Cash repayments to the state are sufficient to reimburse 50 percent of the program costs for administration, supervision, and operating expenses.

The average work furlougee spends 60 days in the program prior to release. The department advises that the program indirectly produces additional savings as these inmates require less release money when paroled and institutional costs are reduced as the furlougee spends less time in prison.

The department is requesting \$273,428 for this activity in 1973-74, which represents an increase of \$46,815 or 21 percent over the 1972-73 expenditures of \$226,613. The utilization of 12.8 man-years of personnel in this function in the budget year reflects an expansion over the 1972-73 level of 9.9 personnel man-years.

The department is requesting 4.2 new positions in the budget year of which 1.2 custody positions were abolished under Section 20 provisions and should be restored on a workload basis. During the current year, the department administratively reduced the program level on a temporary basis, and the request for three proposed new parole agents will restore the program to the previously authorized level. *We recommend approval of the 4.2 proposed new positions.*

7. Short-Term Treatment

This activity provides needed additional short-term institutional treatment for parolees exhibiting difficulty on parole. Parolees in difficulty can be returned to these units within the penal institutions for an average of 4½ months of additional treatment instead of requiring parole revocation which carries an institutional stay of 15 to 18 months before subsequent parole.

An average daily population of 260 parolees will be cared for in this program activity at a total cost of \$139,618 in 1973-74. This requested amount provides for continuation of the existing level of program. Personnel utilization totaling 8.7 man-years is a continuation for the existing staffing level.

While average daily population is relatively small, an estimated 1,300 parolees will be received into the program during the budget year and 1,250 will be released. Return of this number of parolees to the regular institution programs for 15 to 18 months would increase institution costs substantially above the cost of this short-term return program.

8. Institution Operations—Administration

Administrative services are required at each institution. This program element will utilize 297.5 man-years of personnel and \$6,767,715 in the 1973-74 fiscal year as requested in the Governor's Budget. This represents a decrease of 7.8 man-years but an increase of \$304,332 in expenditures in 1973-74 over the 1972-73 fiscal year.

The department is requesting 12.4 proposed new positions for this program element including one bookkeeping machine operator I for the

DEPARTMENT OF CORRECTIONS—Continued

Institution for Men which was abolished by Section 20, Budget Act of 1972 and is to be reinstated on a workload basis. *We recommend approval of that position at a salary cost of \$7,368.*

Community Betterment Program

We recommend legislative approval of the requested \$27,286 for this program.

The department is requesting the equivalent of three positions in temporary help funds totaling \$27,286. The request is to provide payment of overtime to employees who have previously volunteered their services for this function. The purpose of the activity is to permit the inmates of the California Correctional Institution at Tehachapi to participate in various public group meetings under custodial supervision in communities in central and southern California. The inmate participants provide insight as to problems relating to their criminal activities. The funds would also provide overtime pay for employees supervising self-help group meetings such as Alcoholics Anonymous, service clubs, etc., at the institutions, which groups may include noninmates.

We believe these activities should be supported as a means of providing community enlightenment on problems of the prisons and prisoners, to encourage community involvement in the institution and parole programs, and to provide opportunities for inmates to have meaningful contacts with public groups.

Included under this program component are seven proposed new positions at a total salary cost of \$64,080 which are requested as part of the staffing for the new reception center. These positions would be deleted under our recommended limitation of this new center under the reception and diagnosis program.

III. RELEASING AUTHORITIES

This program includes the activities of the Adult Authority and the Women's Board of Terms and Parole relating to adult felons and the Narcotic Addict Evaluation Authority which relates to civilly committed narcotic addicts. The function of these boards is to fix and reset as required the terms to be served within the institutions and on parole. They may grant parole and may order suspension or revocation of parole as authorized by law. The Adult Authority is assisted in case hearings by hearing representatives who serve on panels with the board members.

The budget for this program for 1973-74 totals \$1,285,344 and 54.8 man-years as compared to \$1,113,220 and 48 man-years in the current year. The increase of \$172,124 in the budget year is due primarily to the request for 8 new positions at a salary cost of \$115,248. One parole agent III position was deleted under the provisions of Section 20, Budget Act of 1972. We concur in the need for this position as well as the remaining seven discussed later herein.

Table 5 shows decreases in workload of the Adult Authority and Women's Board of Terms and Parole as related to previously existing workload criteria. For instance, reductions are shown in Adult Authority hearings relative to both institution and parole cases heard which results

Table 5
Releasing Authorities Workload

	1971-72	1972-73	1973-74
<i>Adult Authority:</i>			
Institution cases heard.....	29,441	27,900	27,400
Releases granted.....	10,265	9,700	9,550
Parole and community services cases heard.....	15,664	14,550	13,600
Paroles suspended.....	4,425	4,100	3,850
Reinstatements.....	1,516	1,410	1,325
Prerevocation and revocation hearings.....	—	1,550	1,462
Other (mandatory review cases, reaffirmed actions, NCTU releases or placements ordered, parole continuations or advances)	9,724	9,025	8,500
<i>Women's Board of Terms and Parole:</i>			
Institution cases heard.....	1,808	1,772	1,754
Releases granted.....	510	510	495
Parole and community services cases heard.....	1,792	1,756	1,738
Paroles suspended.....	360	365	355
Prerevocation and revocation hearings.....	—	170	161
Reinstatements.....	187	175	165
Other (routine, discipline, general case discussion, progress reports, transfers).....	1,131	1,109	1,097
<i>Narcotic Addict Evaluation Authority:</i>			
Institution cases heard.....	4,961	4,947	5,037
Outpatient revocation cases heard.....	7,723	7,867	8,243
Final discharge hearings.....	334	340	356

from population decline. Significant new caseload increase is reflected in the category of prerevocation and revocation cases which will total an estimated 1,550 for the Adult Authority in the current and 1,462 in the budget year. This represents entirely new workload mandated by the U.S. Supreme Court in the case of *Morrissey vs. Brewer* of July 29, 1972, which provided that paroling authorities must follow specified minimum due process and procedural requirements when ordering parole revocations. Included in these minimum requirements are the prerevocation and revocation hearings. The prerevocation hearing must be held in the parolee's community and afford him an opportunity to present evidence in his own behalf. The prerevocation hearings have been and will be conducted by hearing representatives or other designees of the parole boards. If there is a finding of probable cause to revoke parole, the parolee is incarcerated at a departmental reception center pending a final hearing on revocation conducted by a panel consisting of an Adult Authority board member and a hearing representative. The parolee must be provided another opportunity to be heard and present his case at the revocation hearing. Workload increase resulting from these new procedures necessitates the following positions:

<i>Position</i>	<i>Salary cost</i>
<i>Adult Authority</i>	
Three adult authority representatives.....	\$57,132
Two parole agent II.....	25,152
Two stenographer II.....	12,408
<i>Women's Board of Terms and Parole</i>	
Temporary help-case processing.....	6,000
	<hr/>
	\$100,692

We recommend approval of these proposed new positions.

DEPARTMENT OF CORRECTIONS—Continued**IV. COMMUNITY CORRECTIONAL PROGRAM**

This community-based program includes regular and specialized parole supervision, operation of community correctional centers, outpatient psychiatric services, antinarcotic 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 959.5 man-years and \$18,496,582 for 1973-74 including \$17,753,591 from the General Fund and \$742,991 in reimbursements from federal funds to be expended in the program. This program is under the direction of the parole division which is subdivided into six regions and 61 parole unit offices, two psychiatric outpatient clinics and branches, four community correctional centers and an antinarcotic testing center in Los Angeles. 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 parolee revocation and return to custody when deemed necessary.

The average daily parole caseload under conventional supervision is projected by the department to total 6,950 in 1973-74, a decrease of 755 parolees under the current-year average.

The proposed budget contains a request for \$15,356,375 and 838.8 man-years for this program element which is an increase of \$782,298 and 5.4 percent above current-year expenditures. This increase results even though there is a decline of 755 cases or 9.8 percent in conventional parole caseload under the current year due to the request to reduce the conventional caseload of the average agent from 68/1 to 50/1.

Proposed Enrichment of Conventional Parole Workload Formula

We recommend deletion of 2 parole administrators I, \$20,181; 6 parole agents III, \$80,199; 14 parole agents II, \$194,040; 33 parole agents I, \$376,776; temporary help—clerical, \$4,235; 1 accounting technician, \$7,008 and 1 clerk-typist II, \$5,760 for a total salary savings of \$688,199.

The department's request is based on the following:

"Parole supervision at the level of 68/1 permits only minimal case contacts with much of the parole agent's time and efforts directed towards case emergencies that arise. Parole supervision aimed at crisis prevention and goal completion is extremely difficult under this workload factor. Today's correctional system supervises a more antisocial, violence prone, and emotionally disturbed offender than ever before.

Complicating this factor further, recent legislative and parole board policy changes have resulted in earlier discharge of the more successful parolees. Consequently, today's parole caseload contains a much more difficult type parolee to supervise."

Historically, parole agents for conventional parole supervision were budgeted on the basis of one agent for each 55 parolees and included supervisory positions. Subsequently this formula was modified to exclude supervisory positions from the caseload computation which results in the presently approved formula of one case carrying agent for each 68 parolees.

The department's statement that it is handling a more antisocial and violence prone offender on parole would relate only to a portion of the caseload. The department is handling in the same manner as it has previously the more severe criminal cases in the institutions and on parole. The primary change is that court sentencing practices due to the probation subsidy program, the increase in plea bargaining, and other undetermined sentencing factors plus legislative and parole board policy changes have reduced the number of less severe criminals and left a smaller institution population consisting of more serious offenders.

The department should support the generalized statement with data reflecting that the increase in violence is due to the inmates who have been committed for crimes of violence rather than by other inmates convicted for nonviolent property crimes. Some of the violent acts committed within the institutions are the result of racial and other social pressures existing in the outside community as well as within the prisons. The department contends that the violence within the prisons is partially due to the removal of the stabilizing effect on the institution population of the large number of lesser offenders who are no longer committed to the department but are handled in the communities on probation. The department further contends that the removal of the less severe cases from the state correctional system plus the discharge from parole of many of those parolees completing one year of trouble-free parole results in a more difficult caseload for supervision.

While the removal of the reportedly stabilizing influence of the less severely criminal cases could logically have an adverse impact on the closed institutional society, the same logic does not follow if you remove the less severe criminal cases from the parole caseload. The remaining parolees are supervised in the open society which contains all of the stabilizing influences of family, associates and other noncriminal elements plus activities and diversions not available as stabilizing influences within the institutions. Therefore, while the change in institution population requires additional security staffing, it does not follow that a change in the characteristics of the parole caseload necessarily requires additional parole staffing.

This department has been experimenting with low caseload programs since 1954 when the now defunct special intensive parole unit, utilizing a 15-to-one parolee-to-agent caseload was established. This program proved that reduction in caseload per agent alone did not provide greater

DEPARTMENT OF CORRECTIONS—Continued

parole success and was abandoned. Early reports on the work unit program, which provides one agent for each 33.3 parolees, also claimed improved parole results. These early claims of success were clouded by the lack of comparability of the experimental and control groups. For instance, the control group contained all of the check passers, many property crime offenders and felon narcotic cases which traditionally have high recidivism rates, while the work unit had all the violence-prone cases, including murderers and others who have a low rate of recidivism. Therefore, it could be expected that the work unit would show some improvement in recidivism. The 1971 report on the work unit program showed that some parolee categories did better and others did worse than comparable control cases. Overall, the degree of improvement does not warrant reductions in the conventional parole caseload and leads to doubt of the economic justification for continuation of the work unit concept. The 1972 work unit report has not been received for analysis.

The legislative change previously mentioned refers to the enactment of Penal Code Section 2943 in 1965 which provided for the discharge from parole of parolees who had been on parole for two years and had been suitably rehabilitated in the judgment of the parole boards. The administrative change relates to the adoption of Adult Authority Resolution No. 284, permitting the discharge of persons completing one year of successful parole. During the first nine months of 1971, a total of 1,513 parolees were discharged under Penal Code Section 2943 and 1,020 under Adult Authority Resolution 284. During the same period in 1972, there were 800 discharges under Adult Authority Resolution 284. The discharges under these two provisions during the 1972 period represent a 14.3 percent reduction below what the parole population would have been at the end of that period if these parolees had not been discharged from parole during that nine-month period. The reduction of caseload from 68/1 to 50/1 represents a 26.5 percent decrease in workload per agent below the existing standard. Therefore, the substitution of reportedly more difficult cases for the 14.3 percent of total caseload discharged under Penal Code Section 2943 and AA Resolution 284 would not support a 26.5 percent reduction in caseload per agent.

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 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 averaging 33.3 cases per agent.

Total work unit caseload will average 6,460 parolees in the current and budget years. Total cost of this program element in 1973-74 is estimated to be \$3,352,308, an increase of \$38,573 over the current year due to price and staff benefit increases. The amount requested will continue the currently approved level of service. The General Fund provides for 5,200 of these cases and the remaining 1,260 cases are budgeted by the General Fund on the basis of the conventional caseloads (68 cases per agent) plus federal funds sufficient to provide additional agents to reduce the caseload to 33.3 cases per agent.

As mentioned in the discussion of the conventional parole supervision element, the department's claims of success for this program prior to 1968 were unfounded due to the lack of comparability of the control and experimental groups. In 1968, these groups were made more comparable by assigning aggressive history cases to the conventional caseloads. The 1971 work unit report reflects that of the 3,844 work unit cases placed on parole from January 1968 through June, 1969, there were 1,012 or 26.3 percent returned for parole violation during the first two years after release to parole. For a like period, there were 3,848 paroled to a control group under conventional caseloads, of which, 1,043 or 27.1 percent had been returned for violations within two years following release to parole. The 0.8 percent difference may not be of significance and may have been caused by chance. Even if the difference was not a chance occurrence, it would not justify the additional expenditures required to reduce an average caseload of 68 to 1 to 33.3 to 1. Even after more experience was gained, the percentage of overall returns for those on parole for one year after release between July, 1969 through June 1970, was identical at 10.4 percent of caseload in both the experimental and control groups.

The 1972 report for this program element has not been released to this office for evaluation. Our recommendation relating to continuation of this experimental project must await the opportunity to review that report.

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 1973-74 include 202 man-years and \$4,119,391 to continue the currently authorized level of service. The average daily parole population for this program element is estimated to total 6,558 cases in the budget year, an increase of 285 cases over the current-year total. Total personnel effort is projected to increase 5.7 man-years in 1973-74 over 1972-73.

The man-year increase results from the request for 3 parole agent II and 14 parole agent I positions based on approved workload formulas due to

Table 6
Disposition of Persons Placed in Outpatient Status 1966-1971
Male Civil Narcotic Addicts
Status as of June 30, 1972 by Cohort Year of Release

Status	Year of release to outpatient status											
	1966		1967		1968		1969		1970		1971	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Number released to outpatient status	1,247	100.0	2,119	100.0	2,508	100.0	2,768	100.0	3,506	100.0	4,089	100.0
Status as of June 30, 1972:												
Active outpatient status.....	3	0.2	24	1.1	67	2.7	235	8.5	962	27.4	2,198	53.8
Inactive outpatient status ¹	5	0.4	3	0.1	27	1.1	84	3.0	258	7.4	499	12.2
Returned to California Rehabilitation Center.....	919	73.7	1,580	74.6	1,830	72.9	1,746	63.1	1,663	47.4	1,161	28.4
Died	15	1.2	38	1.8	45	1.8	57	2.1	69	2.0	41	1.0
Discharged from civil commitment	305	24.5	474	22.4	539	21.5	646	23.3	554	15.8	190	4.6
Returned to court for discharge	150	12.0	172	8.1	165	6.6	181	6.5	55	1.6	—	—
Discharged by Department of Corrections	31	2.5	32	1.5	51	2.0	114	4.1	153	4.3	74	1.8
Writ (Habeas Corpus)	7	0.6	14	0.7	7	0.3	6	0.2	2	0.1	—	—
Committed to prison with new felony commitment	39	3.1	69	3.3	84	3.3	104	3.8	137	3.9	78	1.9
Other court order discharge	78	6.3	187	8.8	232	9.3	241	8.7	207	5.9	38	0.9

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

Table 7
Disposition of Persons Placed in Outpatient Status 1966-1971
Female Civil Narcotic Addicts
Status as of June 30, 1972 by Cohort Year of Release

Status	Year of release to outpatient status											
	1966		1967		1968		1969		1970		1971	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Number released to outpatient status	250	100.0	372	100.0	374	100.0	471	100.0	438	100.0	471	100.0
Status as of June 30, 1972:												
Active outpatient status	—	—	4	1.1	17	4.5	45	9.6	146	33.3	281	59.7
Inactive outpatient status ¹	1	0.4	2	0.5	4	1.1	10	2.1	29	6.6	64	13.6
Returned to California Rehabilitation Center	179	71.6	233	62.6	224	59.9	261	55.4	185	42.3	104	22.1
Died	4	1.6	4	1.1	9	2.4	6	1.3	6	1.4	3	0.6
Discharged from civil commitment	66	26.4	129	34.7	120	32.1	149	31.6	72	16.4	19	4.0
Returned to court for discharge	41	16.4	60	16.2	47	12.6	45	9.5	8	1.8	—	—
Discharged by Department of Corrections	2	0.8	10	2.7	11	2.9	10	2.1	20	4.6	13	2.8
Writ (Habeas Corpus)	1	0.4	8	2.1	3	0.8	9	1.9	1	0.2	—	—
Committed to prison with new felony commitment	6	2.4	3	0.8	5	1.3	14	3.0	3	0.7	3	0.6
Other court order discharge	16	6.4	48	12.9	54	14.5	71	15.1	40	9.1	3	0.6

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

DEPARTMENT OF CORRECTIONS—Continued

projected caseload increase less estimated vacancies due to turnover and recruitment delays.

Tables 6 and 7 present data relative to male and female nonfelon addicts placed in outpatient status in 1966 through 1971.

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 6 and 7.

Tables 6 and 7 show declines in the returned-to-court-for-discharge category for both male and female addicts. These data are subject to change especially for the latter year as subsequent discharges are made. Therefore, the latter year 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.

Interstate Unit Supervision

This unit performs functions necessitated by the Interstate Probation and Parole Compact including:

1. Review and approval of California parole supervision of parolees from other compact states and referral of California parolees to other compact states for parole supervision.
2. Administrative control of California parolees in other states and functional control of cooperative cases in California.
3. Administrative control of deportation cases and preparation of extradition requests.

This unit will utilize 7.8 man-years of personnel and \$99,124 in expenditures during the budget year.

Field Operations—Administration/Unit Supervision

Administrative guidance, supervision, and ancillary support is necessary for case carrying parole agents and other treatment staff. Administrative leadership from the director's office is provided through six regional administrators, 18 district administrators and 61 field unit supervisors.

This program unit also contains all the technical records staff and other clerical support.

The department proposes utilization of 307.4 personnel man-years and \$4,308,956 in this function which is an increase of 3.9 man-years and \$95,476 above the current-year estimated expenditures.

Community Correctional Centers

The department operates four community correctional centers for a total average daily population of 175 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. There is substantial turnover in the resident population as reflected in total intake of 1,565 and departure of 1,563 residents during the year.

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 1973-74 budget will authorize total expenditures of \$938,961 and 36.9 man-years for these four centers to continue the existing program level. The cost increase of \$171,500 over the current-year estimated expenditures is due primarily to the need to relocate the Rupert Crittenden Center at an estimated cost of \$142,117. This center is currently located in a state owned facility at no cost to the department. This building is to be demolished due to highway construction requirements. The remaining increase is due to merit salary adjustments and price increases.

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 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 proposes total expenditures of 30.6 man-years and \$664,806 in the budget year, an increase of \$13,070 due to the merit salary and price increases.

Table 8
Psychiatric Outpatient Clinic Workload

	1971-72	1972-73	1973-74
Number of patients beginning of fiscal year	1,284	1,340	1,400
Number of parolees admitted to clinics	1,037	1,090	1,144
Number of parolees terminated from program	981	1,030	1,084
Number of patients end of fiscal year	1,340	1,400	1,460

Table 8 shows a relatively stable workload with a slight increase of 60 patients in the budget year over the current year.

DEPARTMENT OF CORRECTIONS—Continued**Special Narcotic Services**

This program element includes the nalline and urinalysis testing of opiate users to detect reuse and also the methadone treatment activity. Routine tests will be made of the estimated 8,914 addicts under parole supervision in 1973-74 consisting of 8,050 nalline tests and 110,000 urinalyses. Based on prior experience, the department estimates positive test results reflecting reuse of opiate drugs in 195 of the nalline tests and 16,500 of the urinalyses. Under present procedures reuse of narcotics results in a return to the California Rehabilitation Center for further treatment.

The department is requesting 11.1 man-years of effort and \$486,359 in the budget year which represents an increase of \$39,322 over the current year.

The budget increase for this program element is due primarily to the \$20,000 requested to establish a narcotic detoxification service in the Los Angeles area as a means of handling those nonfelon addicts who are detected reusing drugs but express a desire to abstain. This would provide a less costly alternative to the present program which requires the return of the parolee to institutional care at greater overall cost. *We recommend approval of this requested increase.*

The department recently began a research program providing methadone treatment to approximately 200 parolees in the Los Angeles area and is of too recent origin to provide definitive information at this time. Approximately 600 additional parolees are involved in other methadone maintenance programs conducted outside of this departmental budget.

Administration—Community Correctional Program

This element comprises the administrative staffing of the entire community correctional program. The department proposes to expend 42.2 man-years and \$907,964 for this program element in 1973-74. This represents an increase of 1.9 man-years and \$177,283 over the current year but a decrease of 23.7 man-years and \$26,754 under the 1971-72 expenditure levels.

Of the \$177,283 increase over current-year expenditures, new charges required for services performed by the Department of General Services, such as processing purchase orders, negotiating contracts, etc., total \$149,637 in new expenditures in this program element. Also included in the overall increase is \$12,768 salary cost for one accounting technician and one clerk-typist II which we recommended for deletion in our recommendation relative to reducing the conventional parole caseload formula to 50 parolees per agent.

V. 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 9.

Table 9
Special Items of Expense

	1971-72	1972-73	1973-74
Transportation of prisoners and parole violators, Item 282.....	\$134,461	\$171,211	171,211
Returning fugitives, Item 283	449,620	563,448	563,448
Court costs, Item 284.....	<u>784,510</u>	<u>1,051,652</u>	<u>1,051,652</u>
Totals	\$1,367,991	\$1,786,311	\$1,786,311

VI. 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 not prorated to other programs are estimated at 197.2 man-years and \$3,756,106 for the budget year.

The department is requesting 21.5 proposed new positions, 10 of which would restore positions previously approved on a workload basis that were abolished under the provisions of Section 20, Budget Act of 1972. Included in the 10 are one law enforcement coordinator and one field representative required for law enforcement liaison, investigative activities relating to inmate groups and other matters and jail inspections. Also included are a personnel analyst and five clerical positions needed for existing workload and two custody positions, one related to bus operations and the other to the personnel training program. We recommend approval of these 10 proposed positions.

Of the remaining 11.5 proposed new positions, 9.5 are requested for workload increases due to legislation requiring annual jail inspections, court decisions relative to procedural rights of prisoners and parolees, and the need to maintain closer liaison and obtain greater intelligence on inmate groups and organizations. The two remaining proposed new positions are for the Agency Administration, but budgeted to this department. Included is one special assistant to the secretary (\$23,148) and one communications assistant (\$16,452). *We withhold our recommendation on these two positions pending receipt and review of workload data from the office of the Secretary, Health and Welfare Agency.*

**Health and Welfare Agency
DEPARTMENT OF THE YOUTH AUTHORITY**

Items 285-292 from the General
Fund

Budget p. 184 Program p. II-445

Requested 1973-74	\$82,443,354
Estimated 1972-73.....	81,655,517
Actual 1971-72	71,594,413
Requested increase \$787,837 (1.0 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

- | | |
|---|-----|
| 1. Departmental Objectives. Recommend the program effectiveness measurement task force of the Department of Finance assist the Department of the Youth Authority in developing quantifiable program objectives and structures. | 657 |
| 2. Population Projections. Recommend department perform a midyear revision of its population projection each January and, based thereon, submit a revised budget request. | 669 |
| 3. Federal Wards. Recommend department close an institution during the budget year for a net savings of \$1,150,000 unless it receives a contract to house federal wards. | 669 |
| 4. Drug Programs. Recommend department establish a program objective for the rehabilitation of wards with histories of drug involvement including a related cost accounting system. | 671 |
| 5. Employment of Ex-Offenders. Recommend the law be amended to permit certain classes of former Youth Authority wards to be considered for employment by the Youth Authority in positions holding limited peace officer status. | 671 |

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 programing 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 institutions.

The subsidy program is based 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 potentially favorable influences. While there are cases 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 \$27,943,888 in the proposed budget for 1973-74.

The state-operated program consists of eight institutions (one less than in previous years as discussed later in the analysis), three reception centers, and five forestry camps (one more than in previous years) that will house an estimated average daily population of 4,414 wards, plus a community parole program for a projected daily average population of 10,781 wards in fiscal year 1973-74. The department estimates it will handle 165 additional institutional wards but 1,060 fewer parolees in 1973-74 than in the current year.

The wards committed to the Youth Authority represent a relatively small portion of the total delinquency problem. Those committed are the product 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 (1) released, (2) referred to another agency such as the Department of Mental Hygiene, (3) referred to another jurisdiction, (4) placed on informal probation, or (5) referred to the juvenile court. Informal probation is limited to no more than six months and is given only 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.

Ward Characteristics

Juveniles committed to the Youth Authority often are below average in economic status (35 percent welfare, 65 percent self-supporting families), from broken homes (57 percent) and from homes of low educational attainment (neither parent had completed high school in 63 percent of the cases). However, fathers or father substitutes for 79 percent of the wards had no criminal records. The wards generally have a negative or indifferent attitude toward school (67 percent), are at the senior high school level (73 percent), of low-normal IQ, have no serious psychological disorders (76 percent), and generally had delinquently oriented associates (81 percent). The typical ward has had three or more delinquent contacts with authorities prior to Youth Authority commitment (87 percent) and had a prior institutional commitment at some level (59 percent).

The Youth Authority program for these wards includes initial diagnosis

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

and classification at three reception centers; institutional treatment consisting of academic, prevocational and vocational training; counseling and social casework; and work programs followed by aftercare counseling and parole supervision. 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 department's programs are supported by the following Budget Bill items in the amounts and for the purposes indicated.

State Operations	
Item 285—Department support	\$54,455,926
Item 286—Transportation of persons committed	43,540
Local Assistance	
Item 287—Maintenance and operation of county juvenile homes and camps	3,224,280
Item 288—Construction of county juvenile homes and camps	600,000
Item 289—State's share—control of juveniles at the international border	144,308
Item 290—County delinquency prevention commissions—administrative expenses	33,300
Item 291—County delinquency prevention commissions—research and training grants	200,000
Item 292—Assistance to county special probation supervision programs	<u>23,742,000</u>
	\$82,443,354

ANALYSIS AND RECOMMENDATIONS

The departmental programs, as proposed in the Governor's Budget, represent a net General Fund cost of \$82,443,354 and 3,499.5 man-years of effort. However, the department anticipates budget-year reimbursements totaling \$8,390,868 from fees charged to counties for ward care and diagnosis and federal grants totaling \$528,678 for a total expenditure program of \$91,362,900.

Table 1 shows that while the total number of employees will decrease by 124 man-years, the General Fund cost will increase by a net amount of \$787,837 or 1.0 percent over estimated current-year expenditures. The staffing decline primarily reflects the closure of an institution (Los Guilucos), the transfer of two closed institutions to the Department of General Services for security and maintenance until final disposition and the reduction of parole staff.

The General Fund increase, which is due primarily to cost increases in the Community Services Program, has been minimized substantially by a cost reduction in the Rehabilitation Program (resulting from the declining ward population) and an anticipated net increase of \$757,166 in federal reimbursements resulting from a proposed contract to provide care for 200 young federal offenders in Youth Authority facilities.

The major General Fund increases consist of \$394,641 for merit salary adjustments, \$499,673 for price increases, \$541,745 for the 10-month cost of

funding 70 security and control positions which have been partially funded under the Public Employment program of the Federal Emergency Act of 1971, \$118,160 for 11.2 man-years of new security personnel and \$45,890 for workmen's compensation benefits. Various fiscal and staffing adjustments in the 1973-74 budget will be discussed more fully in the analysis of each separate program.

Table 1
Youth Authority Staffing and Expenditures

Program	Actual 1971-72	Estimated 1972-73	Proposed 1973-74	Increase 1973-74 over 1972-73	
				Amount	Percent
I. Community Services					
Man-years	41.3	49.3	48.9	-0.4	-0.8
Expenditures	\$22,081,521	\$26,185,408	\$28,971,864	\$2,786,456	10.6
II. Rehabilitation					
Man-years	3,299.2	3,334.9	3,225.6	-109.3	-3.3
Expenditures	52,105,945	60,131,345	57,923,308	-2,208,037	-3.7
III. Research					
Man-years	51.7	79.8	70.7	-9.1	-11.4
Expenditures	854,635	1,337,610	1,117,282	220,328	-1.7
IV. Youth Authority Board					
Man-years	16.1	16.9	16.9	—	—
Expenditures	374,025	465,841	468,653	2,812	0.6
V. Administration					
Consolidated Data					
Center	37,500	81,605	93,930	12,325	15.1
Undistributed to other programs					
Man-years	119.1	142.6	137.4	-5.2	-3.6
Expenditures	2,629,810	2,743,815	2,787,863	44,048	1.6
Program Totals					
Man-years	3,527.4	3,623.5	3,499.5	-124	-3.4
Expenditures	78,083,445	90,945,624	91,362,900	417,276	0.5
Less Reimbursements	\$3,898,170	\$8,637,502	\$8,390,868	-\$246,634	-2.9
Net program totals.....	\$74,185,275	\$82,308,122	\$82,972,032	\$663,910	0.8
General Fund	71,594,413	81,655,517	82,443,354	787,837	1.0
Federal Funds.....	2,590,862	652,605	528,678	-123,927	-19.0

Need to Refine Departmental Objectives and Organization

We recommend that the program effectiveness measurement task force of the Department of Finance assist the Department of the Youth Authority in developing objectives and program structures which are specific, quantifiable, and conducive to reliable evaluation for inclusion in the Governor's 1974-75 Budget.

The Youth Authority's programs are difficult to evaluate because their objectives are stated in nebulous terms and no standards exist for measuring performance or effectiveness. This problem reflects, in part, the fact that program objectives are stated in terms of existing organizational structure rather than being based on the well-thought-out needs of the juvenile corrections system. For example, the objectives of the department's Community Services program are:

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

1. To assist local government and private organizations and citizens in developing and improving delinquency reduction programs.
2. To assist local government in developing and improving juvenile law enforcement and correctional systems.

Other than some raw workload data, the department provides no quantified information on the success of the program in meeting these broadly stated objectives. Therefore, it is difficult to evaluate program achievement or consider alternative courses of action. Most of the other departmental objectives are equally hard to evaluate.

The program structure of the department needs reassessment and re-grouping to facilitate comparisons of the cost and effectiveness of alternative approaches to agency objectives. An example of a departmental activity which appears to be misclassified as a program is the Youth Authority Board. Although the board serves an important function, it is questionable that it warrants full-program status. Perhaps it would be better classified as a supportive activity of some other departmental program such as Rehabilitation Services.

Since October 1971, the program effectiveness measurement task force, composed of two members of the Department of Finance's budget division and three members of the department's audit division, has been assisting seven pilot state agencies in developing output measures which will provide information to decisionmakers concerning progress toward accomplishing identifiable objectives. Several measurements of effectiveness for the pilot agencies are included in the Governor's 1973-74 Budget, and the Department of Finance plans to incorporate similar improvements in the budget materials of all state agencies by 1978.

Considering the importance of the goals of Department of the Youth Authority and the magnitude of its funding, the agency should be given higher priority with respect to implementation of the goals-oriented budget system. Therefore, we recommend that the task force and the department begin in the 1973 calendar year to review program structures and formulate specific, quantifiable program objectives which are conducive to evaluation and based on the needs of the juvenile correction's system. Hopefully, the initial revision should be accomplished in time for inclusion in the Governor's 1974-75 Budget, thus providing a better basis for program evaluation in future years.

I. COMMUNITY SERVICES

The community services program provides direct services by staff to local public and private agencies and 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 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.

During calendar year 1972, the department coordinated the efforts of a federally funded four-man advisory team established to assist local law enforcement agencies in combating juvenile delinquency. Due to the success of this program, the department plans to assume its full support in the budget year. During the current year, the department assumed the increased cost of four professional positions (and related clerical support) which were necessary to meet workload increases related to monitoring the rapidly expanding probation subsidy program. The department proposes to maintain these positions in the budget year.

As shown in Table 2, the community services program will be reduced by 0.4 man-years and increased by a net total of \$2,786,456 in the budget year. The staff reduction is attributable to a net reduction in federally funded positions due to the completion of one federally funded program, the National Survey of Youth Service Bureaus, partially offset by the implementation of another federally funded program, the model volunteers program.

The General Fund increase of \$3,098,133 for the community services program reflects proposed increases in probation subsidy (\$2,660,700), merit salary adjustments and price increases of \$114,301, the cost of the law enforcement consultation team mentioned above (\$92,140), increased cost of probation subsidy monitoring (\$117,150), and other increases to offset a \$113,842 reduction in federal reimbursements for projects which are being terminated.

Table 2
Community Services Program

Category	Fiscal year			Increase 1973-74 over 1972-73	
	1971-72	1972-73	1973-74	Amount	Percent
Personnel man-years	41.3	49.3	48.9	-0.4	-0.8
Expenditures	\$22,081,521	\$26,185,408	\$28,971,864	\$2,786,456	10.6
General Fund	(\$21,717,802)	(\$25,713,240)	(\$28,811,373)	\$3,098,133	12
Federal funds	—	(\$39,428)	—	-\$39,428	100
Reimbursements	(\$363,719)	(\$432,740)	(\$160,491)	-\$272,249	-62.9

Services to Public and Private Agencies

Probation services are provided to approximately 194,000 individuals by local agencies in the 58 counties, two of which have separate juvenile and adult probation departments. The counties also operate juvenile halls, ranches, camps, and homes and, in some cases, incarcerate juveniles in jails. Presently, 47 counties provide special 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 27.8 man-years and \$525,870 for these services in the budget year compared to 26.2 man-years and \$568,394

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

in the current year: The 1.6 man-year increase reflects the addition of clerical support for the law enforcement consultation team noted earlier. The \$42,524 expenditure decrease is primarily attributable to a drop in federally funded programs partially offset by increases in General Fund expenditures due to price increases and merit salary adjustments.

Financial Assistance

The state, under the administration of this department, provides subsidies to local government for construction and operation of ranches, camps, and homes for delinquents, special probation programs, delinquency prevention programs, and a border check station at San Diego. State support, which is intended to encourage the development of these local programs, is based on the belief that local treatment of delinquents is more desirable, if not more effective, 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 validity 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. There has been extensive criticism of the adverse impact of this type of probation on the orderly conduct of public high schools. 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 17.3 man-years to these subsidy programs during 1973-74, which is 1.5 man-years higher than the current level and to expend \$28,322,340 or \$2,866,401 more than in the current year. The increased staffing is for the law enforcement consultant team discussed earlier in this analysis. The net increase of \$2,866,401 is due primarily to projected population increases in the various local subsidy programs. Table 3 identifies the individual subvention expenditures. The fiscal adjustments for each subvention are discussed in sections that follow.

Construction and Maintenance Subsidies

Table 3 shows that the construction subsidy is budgeted at the same level as the current year. The amount requested is based on the counties' expressed intentions to construct additional facilities, adjusted by 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 program, authorized in 1957 to encourage counties to provide more local facilities for juvenile rehabilitation, reimburses counties for one-half the construction costs, not to exceed \$3,000 per bed unit. To participate, counties must conform to standards prescribed by the Youth Authority. The counties had 27 facilities for approximately 1,503 wards when the program was commenced, compared to an anticipated 69 facilities with capacity for 3,945 juveniles in 1973-74. The state benefits from the

Table 3
State Financial Assistance to Locally Operated Programs

<i>Activity Subsidized</i>	<i>1972-72</i>	<i>1972-73</i>	<i>1973-74</i>	<i>Increase 1973-74 over 1972-73</i>	
				<i>Amount</i>	<i>Percent</i>
1. Construction of juvenile homes, etc.	\$292,000	\$600,000	\$600,000	—	—
2. Maintenance of juvenile homes, etc.	2,773,437	2,997,250	3,224,280	\$227,030	7.6%
3. Special probation supervision	17,718,723	21,081,300	23,742,000	2,660,700	12.6
4. Border check station	142,324	143,646	144,308	662	0.5
5. Delinquency prevention	227,200	233,300	233,300	—	—
6. Construction at Natividad Ranch	(22,195)	—	—	—	—
Total subsidies.....	\$21,153,684	\$25,055,496	\$27,943,888	\$2,888,392	11.5
General Fund	\$21,153,684	\$25,055,496	\$27,943,888	\$2,888,392	11.5
Special deposit fund	(22,195)	—	—	—	—
Departmental staff and operating cost allocations.....	343,389	400,443	378,452	-21,991	-5.5
Total financial assistance	\$21,497,073	\$25,455,939	\$28,322,340	\$2,866,401	11.3

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fact that many of these juveniles would have been committed to state facilities with resultant state costs except for the \$25 per month per commitment contributed by the county of commitment.

The maintenance subsidy (item 2 in Table 3) was established to encourage development of local treatment programs in preference to state institutional incarceration. It is limited to reimbursement of one-half the ward's cost of care, not to exceed \$95 per ward per month.

The scheduled increase of \$227,030 or 7.6 percent for the maintenance subsidy reflects increased population projections, on which subsidy payments are based, by participating counties.

Probation Subsidy

The probation subsidy program was established in 1965 to encourage greater use of probation by sharing with the counties savings resulting to the state from a reduction in commitments of juveniles and adults to state institutions. Participating counties must make "earnings" based on a prescribed formula set forth in the Welfare and Institutions Code. The county achieves earnings by reducing its combined level of adult and juvenile commitments below a base commitment rate previously established. For each reduction in its base commitment level, the county is reimbursed (up to a maximum of \$4,000) its actual cost of providing an enriched probation program meeting minimum standards prescribed by the Youth Authority.

As shown in Table 3, probation subsidies are expected to total \$23,742,000 in the budget year, an increase of \$2,660,700 or 12.6 percent over the \$21,081,300 estimated for expenditure in 1972-73. The increase consists of \$2,500,700 to finance growth in probation workload at the local level and \$160,000 to fund Chapter 830, Statutes of 1971, which, effective July 1, 1972, increases the subsidy cost by approximately \$160,000 annually to fund a revised formula which allows low commitment counties to use an assumed base commitment rate of 40 per 100,000 population instead of their actual rate if it is less than 40 per 100,000.

Chapter 1004, Statutes of 1972 (AB 368), increased subsidy costs by \$2,150,000 in the current year by (1) appropriating \$2 million to assist county probation departments in meeting rising costs of the special subsidy programs and to help local law enforcement agencies in the diagnosis, control or treatment of offenders or alleged offenders and (2) appropriating \$150,000 for counties to conduct probation subsidy evaluations. Chapter 1004 also permits the Director of the Youth Authority, with the approval of the Director of Finance, to adjust annually the probation subsidy payments to counties, beginning with the 1973-74 fiscal year, by an amount equal to the percentage of increase in the consumer price index.

The \$23,742,000 appropriation requested for the probation subsidy program is the estimated amount needed to pay county claims for the last quarter of 1972-73 and the first three quarters of 1973-74. It is based on departmental projections that there will be 5,500 fewer persons (3,400 juveniles and 2,100 adults) committed to state-operated adult and juvenile institutions in 1973-74 than would have been received under the counties' base commitment rates prior to the subsidy program. The department

states that since the inception of this program, there has been a total reduction of 20,576 juvenile and adult commitments to state institutions below county base commitment rates. Currently, 194,000 persons are on probation, 18,400 or 9.5 percent of whom receive the special supervision provided by the state subsidy.

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. An estimated 19,000 juveniles will be interviewed at the border in the current year, and some 11,700 will be refused crossing privileges.

The cost of the check station is prorated between the state and the City of San Diego on the proportion of city and noncity residents turned away from the border. The \$144,308 requested for 1973-74 is \$662 or 5 percent over current-year expenditures and will maintain the station at its current workload level.

Delinquency Prevention Subsidy

The fifth subsidy shown in Table 3 covers 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 nongovernmental sources and to hire an executive secretary and necessary staff. The subsidy provision, which was enacted in 1965 to encourage creation of the commissions, provides that a payment of not more than \$1,000 per annum may be made to each commission to help defray operating expenses.

The delinquency prevention subsidy is projected to remain at the current level (\$233,300) in the budget year.

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 proposes to expend \$123,654 and 3.8 man-years for this activity in 1973-74, which is \$37,421 and 3.5 man-years under current-year levels. The reductions reflect the completion of a federally funded project, the National Survey of Youth Service Bureaus, during the 1972-73 fiscal year.

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II. REHABILITATION SERVICES

The rehabilitation services program includes those functions that directly affect the projected 4,414 wards in state-operated institutions for delinquent juveniles and 10,781 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 3,050 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 have had a number of previous contacts with local juvenile rehabilitation programs such as juvenile hall, camp and home placement, informal and formal probation supervision. The 15,195 juveniles estimated to be in state juvenile correctional institutions and on parole in 1973-74 are a small portion of the state's youth population.

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 established as a means of providing a coordinated continuum of treatment and to remove artificial barriers created by separate and distinct institution and parole functions.

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., one supervisory agent to four agents, four to nine units per region, and six 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.

Highlights of Rehabilitation Services Program and Workload Changes

During the current year, several significant changes occurred in the Rehabilitation Services program as summarized below.

1. *Institution Closures.* Due to overall population decline, the department plans to close Los Guilucos School, located near Santa Rosa, during the spring of 1973. Los Guilucos, which has a capacity of 260, serves as a training school for both boys and girls. To accommodate the remaining population at Los Guilucos, living units will be open at the Ventura School (a coeducational institution), O. H. Close, and Preston.

Paso Robles School was closed on October 1, 1972 due, in part, to the success of the "Increased Parole Effectiveness Program" in meeting its objective of reducing parole returns to institutions. Los Guilucos, Paso Robles and Fricot Ranch School (closed on June 30, 1971 due to overall

population decline) will be declared surplus to the department's needs and turned over to the Department of General Services for security and maintenance until final disposition (Paso Robles School and the Fricot Ranch School on June 30, 1973, and Los Guilucos on October 1, 1973).

2. *Drug Treatment.* In August 1972, the department began a three-year federally funded project to develop a community-centered drug treatment system designed to make use of locally based drug treatment resources. During the project, the department plans to: (1) develop a treatment system for identifying and classifying drug-abusing wards, (2) identify and classify treatment resources, (3) utilize available local resources to provide services to drug-abusing wards, and (4) stimulate the development of needed but lacking local drug treatment activities. To accomplish these goals the department will implement (1) specialized diagnostic and planning units at two Youth Authority reception centers, (2) an intensive prerelease reentry program for drug abusers, and (3) specialized drug staff in each parole region to coordinate drug program efforts within the department and to facilitate utilization of community treatment resources.

Federal funds for another drug program which the Youth Authority is conducting at Preston School of Industry will expire in the 1973-74 fiscal year. The department plans to assume the full support cost of this program, which involves a 40-ward living unit utilizing the family therapy concept developed at Napa and Mendocino State Hospitals. As we discuss later under the heading "Need to Evaluate Drug Programs", we believe that before the department develops additional drug programs, it should establish a quantifiable objective for the rehabilitation of wards with histories of drug involvement, and also develop drug rehabilitation plans and a cost accounting system relating to such programs for presentation to the Legislature and the Department of Finance.

3. *Youth Services.* Over the next three to five years the department, with federal funds and the assistance of various federal, state and local agencies, will embark on a project of developing three prototypes for the comprehensive delivery of youth services at the community level. The first of these model programs, Tolliver Community Parole Center in Oakland, commenced July 1, 1972. The second prototype is planned for development in southern California early in 1973.

4. *Added Due Process Requirements.* In a recent decision, *Morrissey vs. Brewer*, the United States Supreme Court has required that new due process procedures be established for parolees facing revocation of parole. The standards set down by the court will increase the number of hearings required to be held in local detention facilities and state institutions. The Youth Authority advises that investigating, documenting, and presenting alleged violations in these hearings will result in a workload increase for the Youth Authority Board and parole and institution staff which could necessitate increased staffing. However, the department plans to hire any increases in such staffing within existing budgetary resources.

5. *Federal Housing Contract.* The Youth Authority states that it has established an agreement with the Federal Bureau of Prisons in which the bureau will reimburse the state for housing and caring for 200 young adult

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

federal offenders in Youth Authority facilities starting on February 1, 1973. The department states that the number of such wards could increase in future years.

We understand that this agreement may not be finalized and, as discussed later in this analysis, if it does not materialize we believe the department should close an additional institution during the budget year for a net savings of \$1,150,000.

6. *Ward Pay.* The Youth Authority plans to expand institutional work programs for wards in the budget year by initiating a system of paying wards that are on various work assignments such as plant maintenance, food service, janitorial work, and certain educational aid positions. The proposal will cost \$95,040. It has merit and we recommend approval. The jobs for which pay is proposed are those involving the maintenance and convenience of the facility and in which the training component is only a minor function of the work performed. The pay jobs, covering 17 different job classifications, will have a sliding pay scale of 5 cents to 19 cents per hour, with an average rate of 9 cents per hour. The Department of Corrections has paid inmates on work assignments for several years. Prior to the budget year, the paid jobs in the Youth Authority have been in the four youth conservation camps where payment is received by wards at the rate of 75 cents per eight-hour day, or 9.4 cents per hour for forestry work.

The rehabilitation 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 4.

Table 4
Rehabilitation Services Program

Program element	1971-72	1972-73	1973-74	Increase 1973-74 over 1972-73	
				Amount	Percent
Diagnosis					
Personnel	274	272.9	271	-1.9	0.7%
Expenditures	\$6,918,571	\$4,390,900	\$4,385,301	-\$5,599	-0.1
Care and Control					
Personnel	2,093.7	2,150.2	2,073.4	76.8	-3.6
Expenditures	\$33,596,253	\$39,240,730	\$37,843,348	-\$1,397,382	-3.6
Treatment					
Personnel	931.5	911.8	881.2	-30.6	-3.4
Expenditures	\$11,591,130	\$16,499,715	\$15,694,659	-\$805,061	-4.9
Totals					
Personnel	3,299.2	3,334.9	3,225.6	-109.3	3.3
Expenditures	\$52,105,954	\$60,131,345	\$57,923,308	-\$2,208,037	-3.7
Funding Sources					
General Fund	\$46,748,913	\$52,436,251	\$50,079,989	-\$2,356,262	-4.5
Federal funds	\$2,258,030	\$398,856	\$341,138	-\$57,718	-14.5
Reimbursements..	\$3,099,011	\$7,296,238	\$7,502,181	\$205,943	2.8

Table 4 shows that the General Fund cost of the rehabilitation program is projected to decrease by \$2,356,262 or 4.5 percent in the budget year, and that program staffing is estimated to decrease by 109.3 positions or 3.3 percent. The major portions of the expenditure decrease are attributable to (1) a \$2,400,203 reduction reflecting the net savings from the closure

of Los Guilucos, (2) a \$656,164 reduction in the cost of the parole element due to population decline, (3) a \$253,980 reduction in maintenance and security costs arising from the transfer of three institutions (Paso Robles, Fricot and Los Guilucos) to the Department of General Services, and (4) an anticipated \$757,166 net increase in federal reimbursements to pay for the cost of housing and caring for 200 young adult males in Youth Authority facilities. As mentioned previously, however, it is uncertain at this time whether the federal contract will be executed.

Partially offsetting the above reductions are (1) salaries and staff benefit increases of approximately \$407,900, (2) price increases of approximately \$537,012, (3) \$541,745 for the 10-month cost of funding 70 security and control positions which have been partially funded under the public employment program of the federal Emergency Employment Act of 1971, (4) \$109,619 to fund the full cost of the Preston drug program, (5) \$118,160 for 11.2 additional security positions at various institutions, and (6) \$95,040 to pay wards on work programs.

The major portion of the \$57,718 decrease in federal funds shown in Table 4 is attributable to the department's anticipated loss (in September 1973) of a National Institute on Mental Health grant. The \$205,493 increase in reimbursements for 1973-74 shown in Table 4 is mainly attributable to the community-centered drug program discussed earlier in this analysis under "Highlights of Rehabilitation Services Program and Workload Changes."

The net staff reduction of 109.3 man-years shown in Table 4 reflects the declining ward population and results from the elimination of (1) 56.5 parole agents and related clerical positions, (2) 5.2 maintenance staff positions from Paso Robles School, (3) 11.0 maintenance staff positions from Fricot School, and (4) 47.8 institutional staff (youth counselors and group supervisors) from Los Guilucos, partially offset by the addition of 11.2 man-years of security positions for various institutions.

The fiscal and staffing adjustments shown in Table 4 will be discussed in the analysis of each separate element of the rehabilitation program.

Diagnosis

The department operates three reception centers and provides diagnostic and case evaluation services within institutions and for wards on parole. Diagnostic services within 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 department estimates that it will expend \$4,385,301 and 271 man-years on the diagnosis element in the budget year. These are decreases of \$5,599 and 1.9 man-years from the current-year level and are attributable to ward population decline.

Care and Control

The care and control element 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.

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The wards are housed in facilities ranging in capacity from 80-ward camps to the Youth Training School with a capacity of 1,272. The usual institutions range from 250 to 560 capacity. Housing units for girls have a capacity of 40 to 50 in individual rooms. Male housing units are generally 50-boy capacity open dormitories, but individual rooms are provided at the Youth Training School and at Preston.

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 because of their limited contact with the wards. 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 that it will spend \$37,843,348 on this element in 1973-74, a decrease of \$1,397,382 or 3.6 percent from the 1972-73 level, and that the man-year level will decrease by 76.8, from 2,150.2 in 1972-73 to 2,073.4 in 1973-74. These reductions are primarily attributable to reductions in institution and parole average daily populations.

Staff Increases—Loss of Federal Funds

The department states that it is receiving more hostile, aggressive and dangerous wards with more delinquent histories than in previous years. As a means of providing proper care, control and security for this type of ward, the department requested, and the Legislature approved, an additional 62.1 security and control positions, consisting of 28.3 man-years of youth counselor positions and 33.8 man-years of group supervisor positions, for the 1972-73 fiscal year. The state funded a portion of the cost of these positions and the balance was financed under the federal Emergency Employment Act of 1971. The federal funds for these positions will terminate at the end of August 1973, and the department plans to pick up the total cost of these positions at that time. The total cost of these positions for the 1973-74 budget year will be approximately \$650,000. The additional cost to the General Fund, that portion which normally would have been paid by federal funds, will be \$541,745.

Due to increased internal security and escape problems, the department is also proposing the addition of 11.2 new security positions, at a cost of \$118,160, for the budget year. The department states that these positions are necessary to combat increasing numbers of escapes and thereby help reduce the number of incidents involving property loss or personal harm to residents of communities near Youth Authority institutions. To add credence to the need for these positions, the Youth Authority points out that, in the period from 1965-66 to 1971-72, escapes have increased by 453

percent. In this same period, Youth Authority commitments have decreased by 44 percent.

Population Projections Need Refining

We recommend that the department perform a midyear revision of its population projection in January of each year and that it submit a revised total for its departmental support budget, based on the revision, to the Department of Finance and the Legislature for incorporation into the following fiscal year budget.

The support budget of the Department of the Youth Authority is predicated on the number of wards for which it provides services. An historical pattern of over projecting population has resulted in budgeting at higher levels than necessary.

In prior analyses we have stated that the department has overestimated its population projection and recommended corresponding budget reductions. A review of the department's population figures substantiates our position concerning population projections. For example, last year we stated that the department had overestimated the average daily ward population for the 1972-73 fiscal year at 4,809. Now, the department's own population estimates in the 1973-74 budget document show a revised estimated average daily ward population of 4,249 for the 1972-73 fiscal year—a reduction of 560 wards from the department's original estimate upon which the support budget was predicated for the 1972-73 fiscal year. Based on the latest available data, the average daily population may not even reach the revised figure during the 1972-73 fiscal year (the average daily population for the 1972-73 fiscal year was 4,006 as of January 1, 1973).

The tendency for the Youth Authority to over project its population is partly due to the fact that its budget is developed on a population estimate which is made more than six months prior to the presentation of the budget. The necessity for projecting the average daily ward population this far in advance is partly due to the time-consuming mechanics involved in putting together the department's support budget. Unfortunately, this procedure does not lend itself to an accurate forecast of the budgetary requirements of the department. Therefore, we believe the department should perform a mid-year revision of its population projection in January of each year. This would give the department six more months of experience on which to base its average daily ward population projection and would provide more accurate information for budget forecasting purposes. Also the department should submit a revised total for its department support budget, based on the population projection revision, to the Legislature and the Department of Finance so that the revised support figure may be incorporated, during the budget hearing process, into the fiscal year budget.

Federal Wards

We recommend that if the department does not receive a contract to house federal wards, it close an institution during the budget year for a net savings of \$1,150,000.

As discussed in the section in the analysis entitled "Highlights of Rehabilitation Services Program and Workload Changes", the Youth Au-

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thority states that it has established an agreement with the Federal Bureau of Prisons in which the bureau will reimburse the state for housing and caring for 200 young adult federal offenders in Youth Authority facilities starting in February 1, 1973. The department advises that the number of such wards could increase in future years to possibly as high as 400. From discussions with officials of the department, we understand that this agreement may not be finalized.

The Governor's Budget states that the department would have closed an additional 200 beds in the budget year if it were not for the agreement with the Federal Bureau of Prisons. Therefore, if the contract does not materialize, we recommend that the department close one of its smaller (300 beds) institutions in the budget year. This action probably would require the opening of living units in another institution (at which there is already space available), but it would produce a net savings of \$1,150,000 for the department.

Treatment

The treatment element of the rehabilitation services program includes counseling, religious services, recreation, psychiatric services, education and aftercare treatment in the community. These 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.

The goal of the treatment element 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 element 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 will require 881.2 man-years of effort and \$15,694,659 in 1973-74 as compared to 911.8 man-years and \$16,499,715 in 1972-73. This is a decrease of 30.6 man-years or 3.4 percent and a decrease of \$805,061 or 4.9 percent in costs between current and budget years. These reduc-

tions are due to declining ward populations in institutions and on parole.

Need to Evaluate Drug Programs

We recommend that before the Youth Authority develops additional drug programs beyond those now existing and proposed in the budget year, it establish an objective, susceptible to quantifiable measurement, for the rehabilitation of wards with histories of drug involvement and also develop drug rehabilitation plans and a cost accounting system relating to such programs for presentation to the Legislature and the Department of Finance no later than January 1, 1974.

As discussed in the program budget, and summarized under the heading in our analysis entitled "Highlights of Rehabilitation Services Program and Workload Changes", the department plans to develop a federally funded community-centered drug treatment system and assume full support costs of a 40-ward living-unit drug program at Preston School of Industry during the budget year. Not mentioned in the program budget, however, are several existing drug programs which the department maintains at other institutions (Fred C. Nelles, Youth Training School, and Ventura School) which are described in the department's August 1972, *Guide to Treatment Programs*.

According to the department, the number of wards committed to it with a history of drug involvement has risen sharply during the past several years. For example, commitments to the department for narcotic abuse convictions have increased from 5.7 percent in 1965 to 18.8 percent in 1971. During 1971, 85 percent of all male commitments (not just those for drug convictions) and 90 percent of all female commitments had histories of known narcotic involvement. Therefore, there appears to be an urgent need for drug programs in the Youth Authority. However, we believe that the drug programs that now exist within the department have been developed in a rather haphazard fashion, depending on such factors as the availability of buildings, the desire of local parole or institution personnel to establish drug programs, the availability of ex-drug users for use as counselors, the availability of "trade-off" money from other programs and the availability of federal funds.

Drug programs should be established on the basis of need of particular wards in institutions or parole units and they should be based on an orderly, statewide plan for the rehabilitation of wards with histories of drug involvement. We believe that the department should be able to develop a plan for such a statewide drug treatment system based on experience derived from existing drug programs. Accordingly, we recommend that the Youth Authority develop such a plan for presentation to the Legislature and the Department of Finance no later than January 1, 1974.

Employment of Ex-offenders

We recommend that the law be amended to allow certain classes of former Youth Authority wards to be considered for employment by the Youth Authority in positions that hold limited peace officer status.

For approximately four years the Youth Authority has been employing certain ex-criminal offenders in "paraprofessional" positions (such as parole aides and correctional program assistants) who work under the super-

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

vision of treatment team supervisors or parole agents and become directly involved with the rehabilitation of Youth Authority wards. The paraprofessional offenders have proven to be quite competent in these positions and have exhibited emotional maturity, stability, sympathetic and objective understanding of the problems of youth in custody, and capability of advancement in the correctional field. However, due to legal restrictions (Government Code Section 1029), the Youth Authority is not permitted to hire certain classes (ex-felons) of its former wards for such positions as group supervisors, youth counselors, and parole officers which are defined by Penal Code Section 830.5 as having limited peace officer status. Most Youth Authority wards are not considered felons and may be granted relief from all penalties and disabilities resulting from the offense or crime for which they were committed. However, approximately 10 percent of the department's wards are considered felons due to the nature of the crime for which they were committed and may not be granted such relief. If the law were amended, the Youth Authority advises it would consider hiring approximately three of its ex-felon wards in positions that hold limited peace officer status.

The present hiring restriction appears to be unduly restrictive and dysfunctional to both the Youth Authority and the ex-felon for a variety of reasons. First, it denies the department the services of individuals of proven ability with unique perspectives in the correctional field. Second, it hinders the department in developing career ladders for disadvantaged persons. Third, it reflects a lack of confidence in a correctional system that stresses rehabilitation and "return to a useful role in society" over punishment. Fourth, it suggests a lack of consistency in state policy to encourage private employers to employ persons who are disqualified from state employment on the basis of their past records.

In our judgment, the law should be amended to permit the Youth Authority to employ former Youth Authority felons in positions holding limited peace officer status, provided that such former offenders (1) were honorably discharged by the Youth Authority (2) were employed in a "paraprofessional" position by the department and (3) satisfy the Youth Authority that they possess the necessary personal characteristics and educational qualifications established for the job.

This proposal is not without some degree of risk, but there are also occasional risks in employing in sensitive jobs persons who have not had prior criminal records. Moreover, the proposal should be evaluated in the positive context of being able to demonstrate to juvenile and other offenders that "rehabilitation" can become a reality and that society offers meaningful opportunities for those who make a full commitment to constructive changes in their attitude and value system.

III. 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. Currently, the program has three major areas of responsibility including (a) the creation and implementation of a coordinated system

for long-range program planning and development, (b) the operation of the departmental information system, and (c) providing research and evaluation services to ongoing programs and special demonstration projects. The program planning and development responsibilities were formally added to the division by transfer from the director's office in early 1971. Manpower and monetary expenditures by program elements are set forth in Table 5.

Table 5 shows that the research program will be reduced by 9.1 man-years and \$220,328 in the budget year. The department advises that 2.5 of the man-year reduction and \$26,532 of the cost reduction reflects an effort by it to reduce administrative costs. The remainder of the staff and cost reductions reflect the deletion of 6.6 positions which were administratively added and supported by reimbursements in the current year. The \$26,781 or 12.5-percent decrease in federal funds shown in Table 5 is a result of the expiration of a research project funded by the Law Enforcement Assistance Act.

Table 5
Research Personnel Man-Years and Expenditure Data

Program requirements	Fiscal year			Increase in 1973-74 over 1972-73	
	1971-72	1972-73	1973-74	Amount	Percent
Information Systems					
Personnel	14.4	16.4	16.4	—	—
Expenditures	\$313,087	\$376,655	\$325,941	-\$50,714	-13.5%
Research and Evaluation					
Personnel	37.3	63.4	54.3	-9.1	-14.4
Expenditures	\$541,548	\$960,955	\$791,341	-\$169,611	-17.7
Totals					
Personnel	51.7	79.8	70.7	-9.1	-11.4
Expenditures	\$854,635	\$1,337,610	\$1,117,282	-\$220,328	-16.5
Funding Sources					
General Fund.....	\$379,579	\$676,875	\$650,343	-\$26,532	-3.9
Federal funds.....	\$332,832	\$214,321	\$187,540	-\$26,781	-12.5
Reimbursements	\$142,224	\$446,414	\$279,399	-\$167,015	-37.4

IV. YOUTH AUTHORITY BOARD

The Youth Authority Board, consisting of eight members, is the term-setting and paroling authority for wards committed to the department. It is charged with personally interviewing, evaluating and recommending a treatment program for each offender committed to the department. In 1973-74, the board will conduct approximately 37,000 case hearings in Youth Authority reception centers, institutions and parole offices. The board, which formerly was identified as an element of the administrative program, was designated as a separate program in the 1972-73 budget. The department advises that the board was given this change in status due to its separate and distinct decisionmaking responsibilities within the Youth Authority organization. Table 6 shows staffing and expenditure data for the Youth Authority Board program. The requested increase of \$2,812 is primarily due to price increases.

As discussed earlier in the analysis, the *Morrissey vs. Brewer* decision

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

will result in workload increases for the board which could necessitate additional staffing. However, the department believes it can adjust to new workload requirements within existing resources.

Table 6
Youth Authority Board Support Data

Program requirements	Fiscal year			Increase in 1973-74 over 1972-73	
	1971-72	1972-73	1973-74	Amount	Percent
Personnel man-years	16.1	16.9	16.9	—	—
Cost.....	\$374,025	\$465,841	\$468,653	\$2,812	0.6%
Funding Sources					
General Fund.....	\$374,025	465,841	468,653	\$2,812	0.6

V. ADMINISTRATION

The administration program, consisting of an executive and support services element, provides overall executive leadership, administrative direction, and other services necessary for the operation of the department's programs as detailed in Table 7. The department advises that the 5.2 man-year reduction reflects an effort to reduce administrative costs, but the resulting savings are more than offset by increases in prices, staff benefits, workmen's compensation costs, merit salary adjustments, and the proposed addition of an attorney and legal stenographer which were added administratively in the current year to review Youth Authority Board case hearings, to review case-processing procedures with regard to due process, and to provide the department with the capacity to respond promptly and accurately to legal problems and request for analysis of proposed legislation. Previously, the only source of legal advice concerning criminal and juvenile law for the department was the Attorney Gen-

Table 7
Administration, Department of the Youth Authority

Program requirements	1971-72	1972-73	1973-74	Increase in 1973-74 over 1972-73	
				Amount	Percent
Executive					
Personnel.....	14.8	11.4	11.4	—	—
Cost.....	\$185,226	\$270,050	\$275,887	\$5,837	2.2%
Support Services					
Personnel.....	104.3	131.2	126	-5.2	4
Cost.....	\$2,482,084	\$2,555,370	\$2,605,906	—	—
Total					
Personnel.....	119.1	142.6	137.4	-5.2	-3.6
Cost.....	\$2,667,310	\$2,825,420	\$2,881,793	\$56,373	0.2
Reimbursements	\$293,216	\$462,110	\$448,797	-\$13,313	-2.9
Amounts charged to other programs for the consolidated data center.....	\$37,500	\$81,605	\$93,930	\$12,325	15.1
General Fund.....	\$2,374,094	\$2,363,310	\$2,432,996	\$69,686	2.9
Net Program Total	\$2,629,810	\$2,743,815	\$2,787,863	\$44,048	1.6

eral's office, with some assistance on contractual matters being provided by the legal counsel of the Department of General Services. However, due to delays in receiving legal advice, nonlegal staff in the Youth Authority were required to make interpretations of various laws and rules affecting the department and its conduct. This is the first full-time legal position assigned to the Department of the Youth Authority. The budget-year cost of the attorney and the legal stenographer will be \$32,510.

CALIFORNIA HOSPITAL COMMISSION

Items 293-294 from the California Hospital Commission Fund and the General Fund Budget p. 189 Program p. II-507

California Hospital Commission Fund.....	\$886,000
General Fund.....	25,000
<hr/>	
Requested 1973-74	\$911,000
Estimated 1972-73.....	794,330
Actual 1971-72	16,669
Requested increase \$116,670 (14.7 percent)	
Total recommended reduction	\$25,000
Recommendation pending	\$832,155

SUMMARY OF MAJOR ISSUES AND RECOMMENDATION

Analysis page

1. Uniform Accounting. Withhold recommendation of the \$832,155 requested for the Uniform Hospital Accounting and Reporting program pending receipt of additional information. 676
2. *Review of Exceptions. Delete \$25,000.* Recommend deletion of request for review of exception requests to federal price limitations. 677

GENERAL PROGRAM STATEMENT

The California Hospital Commission was created by the California Hospital Disclosure Act, Chapter 1242, Statutes of 1971. The commission is responsible for the preparation of a uniform hospital accounting system and for the provision of other accounting services to improve the efficiency and effectiveness of hospital services. The act provides that the commission is to be supported through fees levied against all hospitals, except federal hospitals, and deposited in the California Hospital Commission Fund.

Under Phase II of the President's Economic Stabilization Program commencing November 15, 1971, wage-price stabilization guidelines were established for the health services industry. Governors of each state were requested to appoint an agency to review and make recommendations on health care institutional requests for exceptions to federal price increase limitations. In January of 1972, the California Hospital Commission was designated as the state advisory board by the Governor.

CALIFORNIA HOSPITAL COMMISSION—Continued

Therefore, the California Hospital Commission is responsible for two programs: (1) uniform hospital accounting and reporting; and (2) review of exception requests to federal price increase limitations.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations of \$886,000 from the California Hospital Commission Fund and \$25,000 from the General Fund for the support of the California Hospital Commission during the 1973-74 fiscal year. The total amount of \$911,000 budgeted is 14.7 percent or \$116,670 above that which is estimated to be expended during the current fiscal year.

Of the two programs administered by the commission, the Uniform Hospital Accounting and Reporting program is by far the largest, and was the basic purpose for establishing the commission in 1971. The second program, the review of exception requests to federal price increase limitations resulted from the federal government request to provide a service to the government at state cost. Table 1 shows the amount of support for each program by source of funds.

Table 1
Programs Administered by California Hospital Commission

<i>Program</i>	<i>Source of funds</i>	<i>1972-73</i>	<i>1973-74</i>
1. Uniform hospital accounting and reporting	Hospital Commission Fund	\$712,484	\$832,155
2. Review of exception requests to federal price limitations.....	Hospital Commission Fund	71,846	53,845
	General Fund	10,000	25,000
Totals		\$794,330	\$911,000

Uniform Hospital Accounting and Reporting Program

We withhold recommendation of the \$832,155 requested for the Uniform Hospital Accounting and Reporting program pending receipt of additional information.

The basic objective of the California Hospital Commission is to develop and administer the implementation of regulations requiring a uniform system of accounting and financial and statistical reporting for all of the hospitals in California. The budget states that the commission has solicited proposed accounting systems from interested agencies which it will review. It will then adopt a system, establish rules and regulations which will require all hospitals to install the adopted system within 15 months after the promulgation of these rules and regulations.

The commission members were appointed late in the 1971-72 fiscal year. The executive director was hired in August 1972 and a total of 14 positions were administratively established during the current year. The commission will also explore possible cost effective methods or changes which the hospitals can adopt to allow for lower operating costs and savings during the budget year. If these occur, the commission will also assist in monitoring the pass-on of these to the general public.

The revenue which supports the Uniform Accounting and Reporting

program of the commission comes from a fee charged each hospital in the state, equal to 0.02 of 1 percent of the hospital's gross operating cost for the provision of health care services for its last fiscal year. Thus, the activities of this program are supposed to be self-supporting, which they are for the 1973-74 fiscal year. However, a review of the "fund condition" of the California Hospital Commission Fund on page 509 of the program budget shows that the commission has been expending funds during the current and proposed year at a rate in excess of the revenues received. The fund and revenue source were just established in 1971. It may be that the commission has initial one-time expenses that will not recur after 1973-74 but it is not possible to determine if that is the case since the program budget gives no indication.

We cannot recommend approval of the budget of a relatively new special fund agency which appears to be operating in a deficit condition until additional information is supplied.

Review of Exception Requests to Federal Price Limitations

We recommend the disapproval of Item 294 which proposes an appropriation of \$25,000 from the General Fund and Item 295 which proposes a deficiency appropriation of \$10,000 from the General Fund for the current fiscal year.

Since being designated by the Governor as the state advisory board to the Federal Price Commission, the state commission is required to make recommendations to the federal commission on all requests from hospitals and nursing homes for exceptions to federal price limitations. The commission estimates that 350 requests will be reviewed during the current year and that 500 requests will be reviewed during the budget year. Exception requests from nursing homes will be approximately 12.5 percent and 32 percent respectively of the total requests received for each year.

Hospital-assessed funds are being used to review exception requests of hospitals. However, the commission and the Department of Finance do not believe that the hospital-assessed funds should be used in the review of exception requests from nursing homes because nursing homes do not support those funds. Therefore, they have requested General Fund support for those costs related to requests coming from nursing homes. A summary of the budget requests for this program is shown in Table 2.

Table 2
Review of Exception Requests

<i>Source of funds</i>	<i>1972-73</i>	<i>1973-74</i>
General Fund	\$10,000	\$25,000
California Hospital Commission Fund	71,846	53,845
Total	\$81,846	\$78,845

The \$10,000 included in the current year estimate represents a deficiency and therefore the total General Fund request of \$35,000 would have to be appropriated for the budget year.

We agree that the hospital funds should not be used to support exception requests of nursing homes but we also do not feel the State General

CALIFORNIA HOSPITAL COMMISSION—Continued

Fund should support the requests. It is solely in the interest of the individual nursing homes to be granted an exception to the Federal Price Commission ceilings. If they have a case they should provide a system of self-assessment to fund the research necessary to prove their case to the federal government. The request from the Federal Price Commission asked the Governor of each state to volunteer to appoint a state advisory board stating that, unfortunately, no federal supporting funds were presently available. We question the state interest at a General Fund cost of \$35,000.

CALIFORNIA HOSPITAL COMMISSION

Item 295 from the General Fund

Budget p. 189 Program p. II-507

Estimated 1972-73 (proposed deficiency appropriation)	\$10,000
Total recommended reduction	\$10,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATION

Analysis page

1. *Deficiency Appropriation. Delete \$10,000.* Recommend deletion of proposed deficiency appropriation for review of exception requests to federal price limitations. 677
See discussion under Items 293 and 294.

EDUCATION

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SUMMARY OF STATE EXPENDITURES FOR EDUCATION

California's system of public education is composed of elementary, secondary and unified school districts; the community colleges; the California State University and Colleges; the University of California; the California Maritime Academy; and the state-operated schools for handicapped children. Support for education is derived from a variety of sources, including the State School Fund, local property taxes, State General Fund appropriations, and programs of federal aid.